

The Highland & Western Isles

VALUATION JOINT BOARD

**ANNUAL
REPORT
2003/2004**

CONTENTS

	Page
Introduction by the Convener	1
Commentary by the Assessor and Electoral Registration Officer	2 - 3
Background Information	4 - 8
Performance Report	9 - 11
Statement of Accounts	

INTRODUCTION

This is the first report of the new Board which was appointed following the local government elections in May 2003. The membership of the Board as appointed by the constituent councils changed following the election but not in an overwhelming manner and provides a balance of experience of the department's functions and fresh insight.

We have continued the form of reporting that I first introduced three years ago which seeks to provide a short commentary on performance and accounting information together with a general explanation of the work of the department.

As the Assessor's remarks indicate, it was a busy year for the department with the 2005 rating revaluation increasingly dominating the workload.

At a corporate level during the course of the year the opportunity was taken to review our Financial Regulations, Standing Orders and Scheme of Reference and Delegation to Officers, together with a number of personnel policies. These are now in keeping with the demands of the times and periodic review will ensure that this remains the case.

The need to make this information more widely available has been catered for by the development of the internet site that covers the work of the Board and the Assessor with full details of our proceedings being readily accessible.

I commend this report to you as evidence of a year of positive developments.

J H Green
Convener
Highland and Western Isles Valuation Joint Board

COMMENTARY BY THE ASSESSOR AND ELECTORAL REGISTRATION OFFICER

As the Convener has indicated, and as I predicted in last year's report, the financial year 2003/2004 turned out to be a very busy year for the Department.

The fact that rating revaluations are carried out every five years means that the fourth and fifth years in the cycles are particularly challenging as appeal clearance and preparatory work overlap. On this occasion, as the Scottish Executive wish to announce the outcome of revaluation earlier than in previous years, the programme is tighter than ever before.

Preparatory work commenced in the middle of the year with the issue of various forms designed to gather rental and other information and gathered pace thereafter.

In the course of the year, the Department's administrative and clerical staff successfully conducted their part of the Scottish parliamentary and local government elections in May 2003 and, towards the end of the financial year, completed the change over from a DOS-based electoral system to a Windows version.

I am pleased to report that six members of staff commenced studies towards the new Scottish version of the Certificate in Electoral Administration qualification during the course of the year. The Department is also sponsoring two members of staff in their studies towards the Bachelor of Science (Hons) Degree in Estate Management.

Council tax activity has tended in recent years to be in maintenance mode with the principal workload arising from new properties. The Scottish Executive has embarked upon a review of local government finance and this may lead to change in the current regime in due course.

As is described later, the key performance indicators show a downturn in performance when compared with the speed with which amendments were processed in the previous two years. I believe this to be misleading given the additional activities in the department's workload and remain confident that the trend over the longer period will show continued progress being made.

During the course of the year, the Scottish Assessors' Association was instrumental in the inauguration of the Scottish Ratepayers' Forum. This body is intended to allow business organisations such as the CBI, the Federation of Small Businesses, the Scottish Chambers of Commerce etc. to meet directly with Assessors with a view to improving comprehension of the rating system.

In parallel with the Ratepayers' Forum, a series of meetings has been arranged between the Assessors' Association and a consortium of the rating surveyors operating in Scotland. The aim of this forum is to deal with more technical and practical aspects of valuation and appeal resolution with a view to speeding up the process.

These engagements with stakeholders serve to meet obligations to consult arising out of a “best value” approach and appear to offer real prospects of mutual benefit. While the value of these forums will require to be judged over a longer timescale, there are already encouraging signs that they are meeting a real need and encouraging changes of attitude and approach.

In the period ahead, the revaluation will become the principal focus of attention and will require commitment of considerable resources. On the electoral front, the European election will give rise to a peak demand on clerical and administrative staff in the early summer.

I am grateful for the assistance and support of the Board throughout the year and applaud my staff for their effort and commitment in serving the taxpayers and electors of the Highlands and Western Isles.

Douglas J Gillespie
Assessor & Electoral Registration Officer
Highland and Western Isles Valuation Joint Board

BACKGROUND INFORMATION

THE BOARD

The Highland and Western Isles Valuation Joint Board took operational legal effect on 1 April 1996 when the most recent reorganisation of local government was implemented. Prior to this similar duties were carried out by a Joint Valuation Committee.

The Board has full administrative oversight of the department but does not have operational responsibility for the determination of valuations, bands or electoral registration. These operational matters are for the Assessor and Electoral Registration Officer to decide subject to the independent appeal procedures which exist for each area of activity.

The Board normally meets four times a year with its budget meeting taking place in January.

The Clerk to the Board in 2003/2004: Roslyn Pieroni, Head of Committee and Members' Services, The Highland Council.

MEMBERS OF THE BOARD

The membership of the Board (and their substitutes) in 2003/04 is set out below.

Highland Council

J H Green – Convener
Mrs A L Magee
A Torrance
H Fraser
L Fraser
Mrs A MacLennan
A Gordon
N M Clark

Comhairle nan Eilean Siar

A K Campbell – Vice Convener
G Lonie

SUBSTITUTES

A I MacDonald
F R M Keith
M M Macmillan
A M Millar
A Milne
J N Matheson
Mrs S Slimon
A McFarlane Slack

I M MacLeod
I Morrison

THE ASSESSOR

The Assessor is a statutory official appointed by the Valuation Joint Board who is directly responsible for carrying out valuations for council tax and rating purposes and related matters. The present Assessor is Mr Douglas J. Gillespie. The law requires that the Assessor be a corporate Member of the Royal Institution of Chartered Surveyors.

THE ELECTORAL REGISTRATION OFFICER (ERO)

The ERO is an official appointed by the Highland Council and Comhairle nan Eilean Siar who is directly responsible for compiling the register of electors and related matters. The present ERO is Mr Douglas J. Gillespie

THE DEPARTMENT'S FUNCTIONS

RATING

Valuation Roll

Valuations are compiled at rating revaluations, the last one taking effect on 1 April 2000. The valuation roll contains what may loosely be referred to as "non-domestic" properties. It is more technically correct to say that it lists all property other than "dwellings" (which appear in the council tax list) and properties which are not exempt from inclusion in the roll.

Apart from the address of the property, the valuation roll contains details of the proprietor, tenant and occupier of the subject together with its net annual value and rateable value.

The valuation roll may be inspected at the Assessor's Offices, Finance Authorities, National Library, Council Service Points and the Scottish Record Office.

Definition of Value

Net annual value is the rent at which the property might reasonably be expected to let on a year to year basis on the assumption that the tenant is responsible for repairs and insurance and any other expenses necessary to maintain the property in a state to command the rent.

The rateable value of the property, in most cases, is the same as the net annual value, however in a few cases the legislature provides for relief to be given by requiring a reduction from net annual value to reach rateable value.

Calculation of the Rates Bill

The rates bill which is actually paid is calculated by multiplying the rateable value which appears in the valuation roll by the relevant rate poundage for the property. The rate poundage is determined annually by the Scottish Executive. This basic calculation may require further adjustment to take account of transitional relief and other reliefs which apply to particular properties. The Assessor is responsible for determining the net annual value and

rateable value only. The levying of rates and their recovery is the responsibility of the Revenues Sections of the two constituent Councils.

Changes to Value

The values determined for the purposes of the 2000 Rating Revaluation were based on the physical circumstances as at 1 January 2000 and the levels of value applicable as at 1 April 1998. Once a roll is in force, the Assessor has a duty to maintain the roll to take account of material changes of circumstances affecting value which includes adjustments necessitated by extensions or demolitions or other changes which may affect the value of the property. The level of value remains that relevant to 1 April 1998 for the (normally five year) currency of the roll. The Assessor also has a duty to correct any errors (as defined) which come to light.

Appeals

The Valuation Acts provide for a right of appeal to the Valuation Appeal Panel, with further rights of appeal to the Lands Tribunal for Scotland and the Lands Valuation Appeal Court, which is a division of the Court of Session.

COUNCIL TAX

The Assessor is required to ascribe all dwellings to one of eight value bands. The Assessor is not obliged to carry out an individual valuation if he is satisfied that the property clearly falls into a particular band. The bands are as set out below:

	Band
Up to £27,000	A
Over £27,000 and up to £35,000	B
Over £35,000 and up to £45,000	C
Over £45,000 and up to £58,000	D
Over £58,000 and up to £80,000	E
Over £80,000 and up to £106,000	F
Over £106,000 and up to £212,000	G
Over £212,000	H

Definition of Value

In broad terms, the value of a property for council tax purposes is the price that it might reasonably be expected to sell for in the open market on 1 April 1991 on the assumption that it was in a reasonable state of repair. Certain additional assumptions apply in the case of agriculture, crofting, fish farming and forestry related dwellings.

Calculation of the Bill

The Assessor is responsible only for the determination of which band applies to a property. The amount of the council tax bill to be paid is set by the local authority who require to determine each year the amount that will be payable for a Band D equivalent property. The

related amounts payable by properties in the other bands are set out in statute. The Revenues Section of the local Council also applies in the billing any reliefs which are required in respect of persons living alone, benefit recipients etc.

Changes to Banding

Once they are established there are only limited circumstances in which the Assessor can change the banding of a property. He may do so if there is an error. He may also do so if a property has been reduced in value by virtue of a demolition. He may change the band where the property has increased in value following alteration, sufficient to carry it into a different valuation band, but only if the property has been sold after the alteration was carried out. Notices are sent intimating any change which explain the position in greater detail.

Appeals

There is a right of appeal against council tax banding to the Valuation Appeal Panel and a further right of appeal, on a point of law only, to the Court of Session.

ELECTORAL REGISTRATION

The Electoral Register

The canvass for the electoral register takes place between 1 September and 1 December each year. A new register is published on 1 December.

Anyone entitled but not registered or anyone who has changed address during the course of the year can apply to register at their current address at any time. The date at which they will be added to the register depends on the point in the month at which they apply. Normally it will take between two and six weeks. Special rules apply during the canvass period.

The Right to Vote

A person is entitled to vote as an elector if on the date of the poll he or she –

- is registered in the relevant register of electors for that constituency;
- is not subject to any legal incapacity to vote (age apart);
- is either a Commonwealth citizen or a citizen of the Republic of Ireland;
- or is a European Union citizen (local government and European parliamentary elections only); and
- is of voting age (that is, 18 years or over).

A person is not entitled to vote as an elector –

- more than once in the same constituency at any election; or
- in more than one constituency.

Persons under the Age of 18

While no-one can vote until they are eighteen, names can be added to the register showing their date of birth up to a maximum of two years before they achieve voting age, depending on the time of application.

Absent Votes

Electors have a right to vote by post which can be exercised by completing the relevant form. No reason need be given nor is it necessary to wait until an election is called to make an application.

Voters may also arrange to vote by proxy whereby another person is authorised to vote on their behalf. Proxy votes are available to electors who cannot reasonably be expected to vote at the polling station allotted to them because of

- the nature of their employment
- their attendance on a course of education
- their physical incapacity
- the necessity of a journey by air or sea to get to the polling station.

Appeals

An elector's first line of appeal against a determination is at a hearing held by the ERO. If the appellant remains dissatisfied, there is a right of appeal to the Sheriff. Further appeal rights exist to the Registration Court, a Division of the Court of Session.

PERFORMANCE REPORT

The overall aim of the Department is:

“to discharge fully the Office of Assessor and Electoral Registration Officer in a manner that is exemplary”

This broad aim requires be rendered more specific and to this end The Scottish Executive, in consultation with the Accounts Commission, established the following key performance indicators for use by Assessors in connection with the ‘best value’ regime.

KEY PERFORMANCE INDICATORS – 2003/2004

VALUATION ROLL	2003/2004	2002/2003	2001/2002
Total number of entries	18,706	18,616	18,512
Total Rateable Value	£192.7m	£189.6m	£189.5m
No of Amendments Effected	1,684	1,608	1,500
Amendments within time periods (%)			
0-3 months	56.1	64.4	60.1
3-6 months	24.4	19.2	17.5
Over 6 months	19.5	16.4	22.4
Adjustment from Appeal Settlement (%)	4.2	1.9	0.8
<u>COUNCIL TAX</u>			
Total No of Entries	119,931	118,652	116,132
Adjustment to Band D Equivalent	110,780	109,293	105,682
New Entries Added	1,935	1,891	1,612
New entries within time periods (%)			
0-3 months	84.5	87.5	84.6
3-6 months	11.3	7.6	11.2
Over 6 months	4.2	4.9	4.2
<u>GENERAL</u>			
Costs of All Permanent Staff	£1.40m	£1.32m	£1.29m
Number of FTE staff as at 1 April each year	56.5	56.5	53

COMMENTARY ON PERFORMANCE REPORT

The foregoing statistics require some explanation and interpretation.

Valuation Roll

At face value the figures show a setback to improvements in performance seen in previous financial years. In fact, as was mentioned in last year's annual report, the commitment required to preparation for the 2005 revaluation made such a downturn possible given finite staff resources.

Deterioration was made inevitable by the decision to computerise the valuation of around 8,000 bulk subjects (shops, offices, industrials and warehouse buildings) for the first time. This encoding work brought forward aspects of the revaluation process and made the demanding timetable set by the Scottish Executive for concluding the work more readily achievable. The investment will unquestionably render future revaluations more manageable.

Further deterioration in the performance on maintenance of the roll and list is likely during the first half of 2004/2005 as the revaluation comes to dominate activity. Once the draft roll has been published in November 2004 the backlog of case work will be retrieved as quickly as possible.

Council Tax

The number of entries on the council tax list continued to increase in 2003/2004. Again, staff involvement in the preparation work for the 2005 revaluation had an effect on the figures though less so than on those for the valuation roll due to this work being given a relatively high priority.

Electoral Registration

There are no key performance indicators established for electoral registration at present. However, the Electoral Commission is currently concluding a consultation with Electoral Registration Officers and Returning Officers with a view to establishing a comprehensive regime for implementation in the near future.

General

The number of full-time equivalent staff remains static at 56.5. Staff costs constitute around 70% of the department's budget.

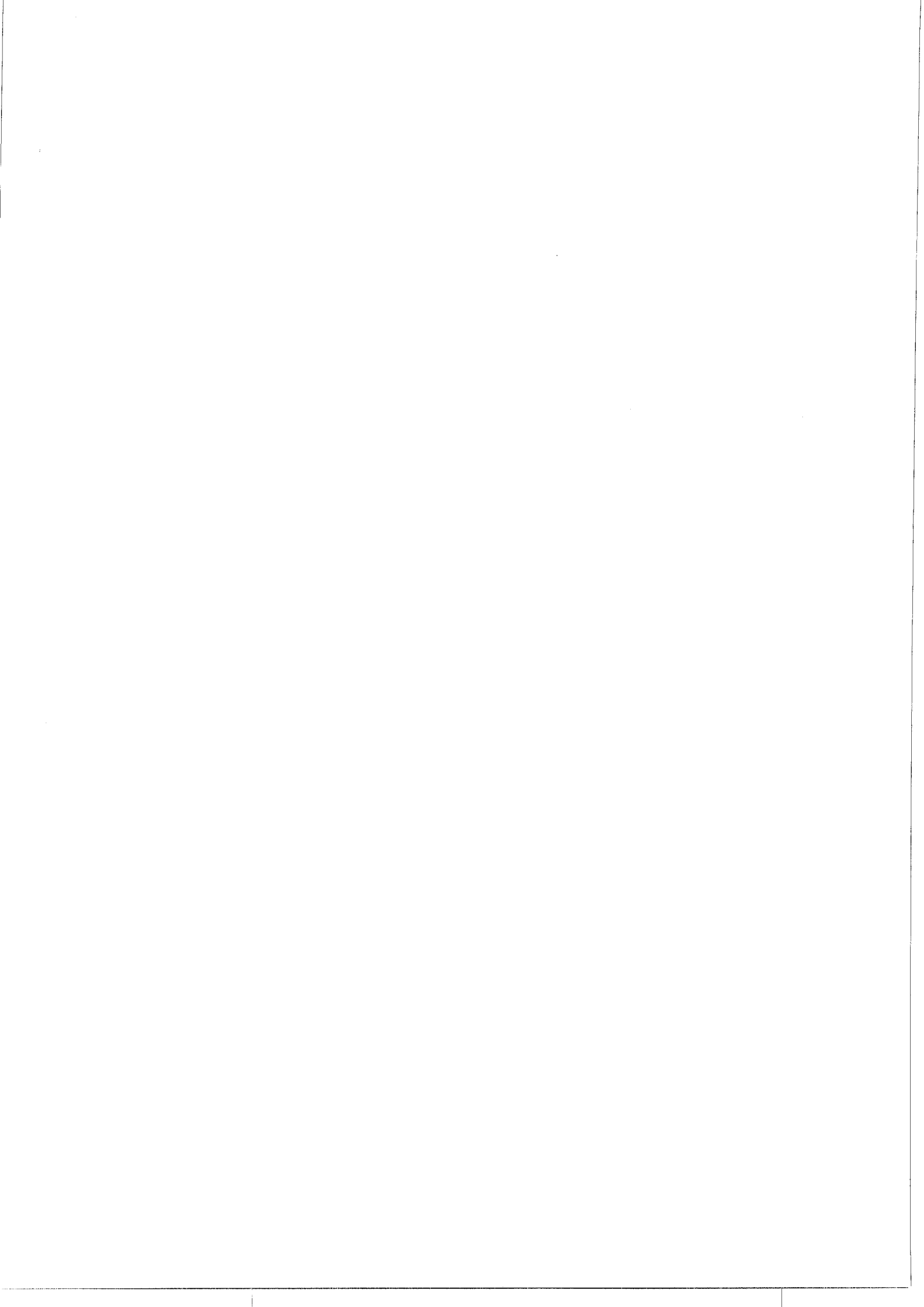
Benchmarking indicates that sickness levels in the department are not excessive in comparison with the Highland Council and other comparable public sector organisations. The loss of time in 2003/04 expressed as a percentage of total staff time was 3.57%. Long term illness tends to cause significant fluctuation from year to year. In 2001/2002 the overall sickness figure was 2.95%; while in 2002/2003 the figure was 4.19%. Efforts will be made through the personal development plan process to assist staff in minimising sick leave.

The performance indicators reflect a year when significant staff resource was also devoted to Scottish parliamentary and local government elections and further preparatory work in

connection with the National Land and Property Gazetteer & Corporate Address Database, where the department is co-operating with the Highland Council and the Comhairle nan Eilean Siar. Work started on establishing a website which will eventually be used by all Scottish Assessors to provide information to the public on-line.

Against this backdrop the department's performance across the year is seen as satisfactory. At the cost of a deterioration in timescales on maintenance work, considerable progress has been made in carrying out rating revaluation in a manner that will yield benefits into the future.

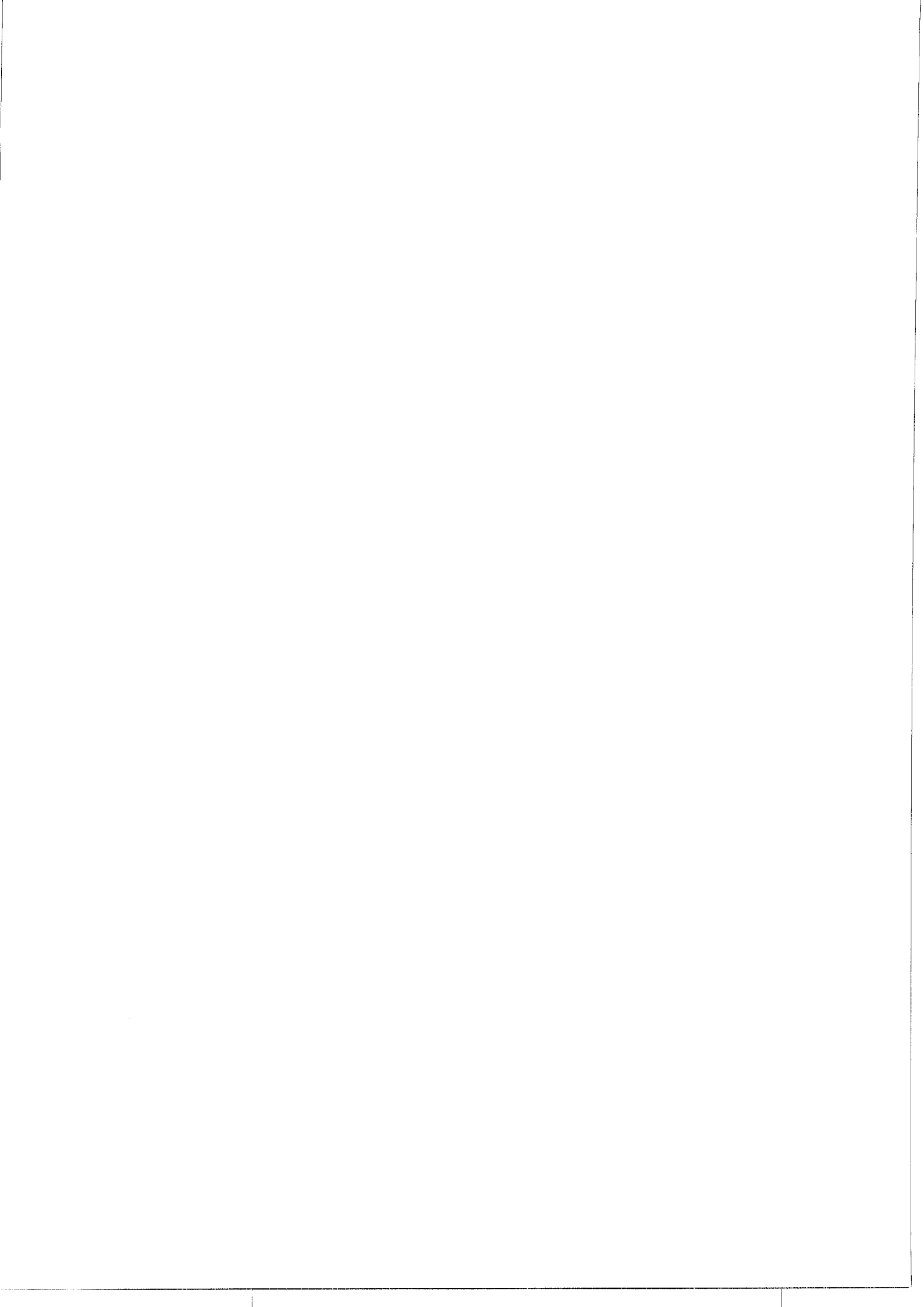
D J Gillespie
Moray House
16-18 Bank Street
INVERNESS IV1 1QY



**HIGHLAND AND WESTERN ISLES
VALUATION JOINT BOARD**

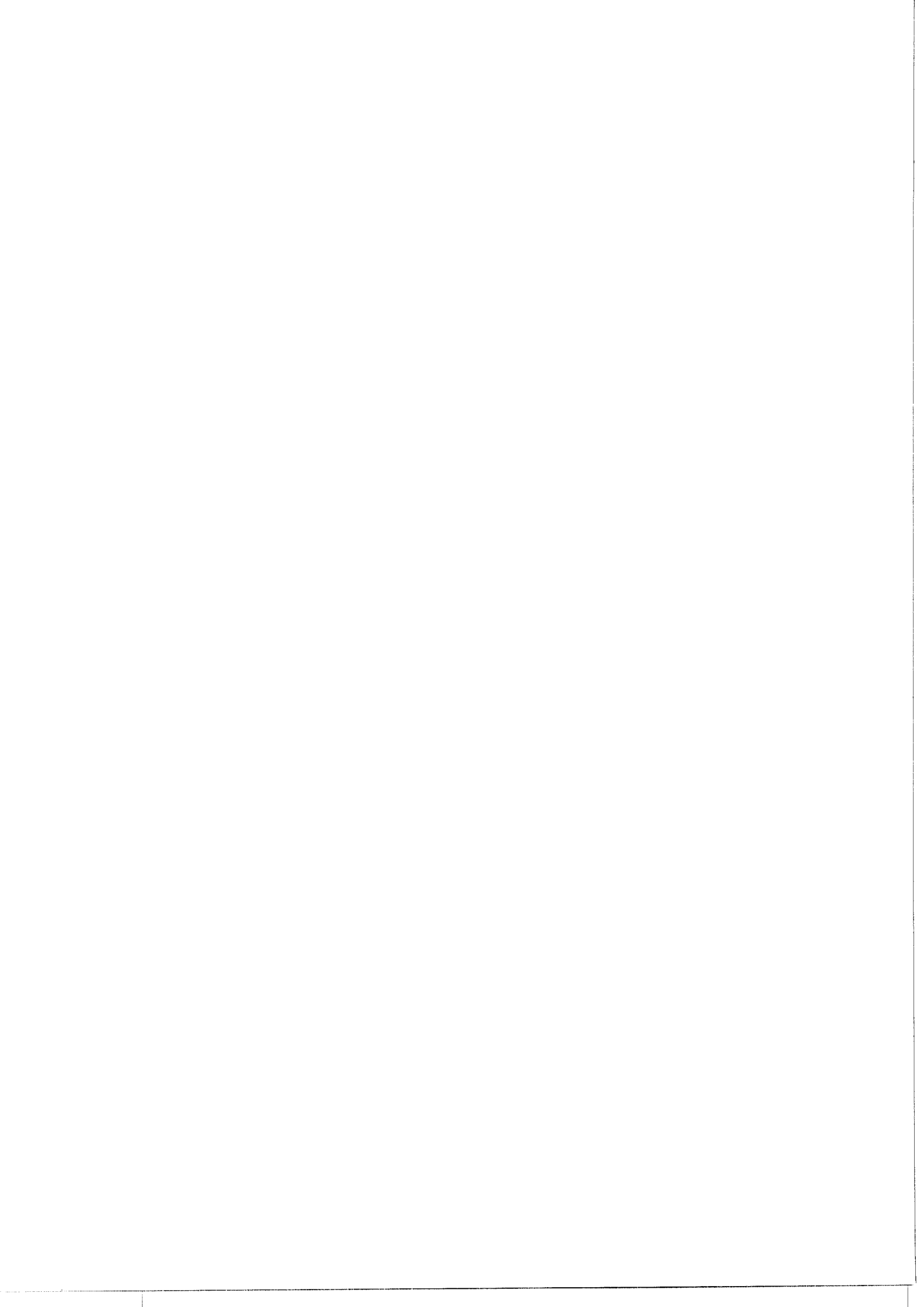
STATEMENT OF ACCOUNTS

2003/04



CONTENTS

	Page
Explanatory Foreword	1
Report by Treasurer to the Board	2-4
Statement of Accounting Policies	5-6
Revenue Account and Notes	7-11
Balance Sheet and Notes	12-14
Statement of Requisitions	15
Statement of Total Movement in Reserves	16
Cash Flow Statement and Notes	17-18
Statement of Responsibilities for the Statement of Accounts	19
Statement on the System of Internal Financial Control	20-21
Independent Auditor's Report	22-23



EXPLANATORY FOREWORD

The Board's accounts for the year ended 31 March 2004 provide an assessment of the Board's financial performance. The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The accounts also comply with the requirements of the Best Value Accounting Code of Practice (BVACOP) issued by CIPFA.

The accounts, which follow, consist of the:

- ◆ Statement of Accounting Policies which explains the policies adopted in compiling the accounts;
- ◆ Revenue Account which reports the net cost of the service and the funding from each constituent authority;
- ◆ Balance Sheet which details the assets, liabilities and their financing as at 31 March 2004;
- ◆ Statement of Total Movements in Reserves which shows the movement in the Pensions Reserve which was introduced as a result of Financial Reporting Standard 17 (Retirement Benefits);
- ◆ Cash Flow Statement which summarises the inflows and outflows of cash;
- ◆ Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Board and the Treasurer; and
- ◆ Statement on the System of Internal Financial Control which sets out the framework within which financial control is managed and reviewed, and the main components of the system, including the arrangements for internal audit.

In addition, the Report by the Treasurer to the Board provides a brief explanation of the financial aspects of the Board's activities and draws attention to the main features of the Board's financing.

REPORT BY TREASURER TO THE BOARD

Introduction

The Highland and Western Isles Valuation Joint Board administers the Rating Valuation, Council Tax Valuation and Electoral Registration services on behalf of Highland Council and Comhairle Nan Eilean Siar.

Operational control of the service is the responsibility of the Assessor who receives administrative, financial and computing support from The Highland Council

Revenue Budget Performance

The Board's financial results for the year, compared against budget are as shown below. This presentation differs slightly from that shown in the Revenue Account which now discloses corporate and democratic core costs and non distributed costs as required by BVACOP.

REVENUE ACCOUNT for the year ending 31 March 2004

2002/03 Actual £'000		2003/04 Budget £'000	2003/04 Actual £'000
1,415	Staff	1,501	1,493
160	Property	202	165
135	Administration	131	115
2	Transport and Plant	3	5
256	Supplies and Services	320	305
<u>1,968</u>	Gross Expenditure	<u>2,157</u>	<u>2,083</u>
(4)	Sales of Register etc	(4)	(3)
<u>(25)</u>	Interest on Revenue Balance	<u>(20)</u>	<u>(23)</u>
<u>(29)</u>	Gross Income	<u>(24)</u>	<u>(26)</u>
<u><u>1,939</u></u>	Net Expenditure	<u><u>2,133</u></u>	<u><u>2,057</u></u>

The Board's net budgeted expenditure in 2003/04 was £2.133m (£2.066m in 2002/03). The actual expenditure to be met from constituent authorities is £2.057m (£1.939m in 2002/03). There was a slight underspend of £0.076m (£0.127m in 2002/03) which can be broken down as follows:

- Staff savings e.g. employer's superannuation contributions, sickness £8,000
- Property e.g. rates, water charges, rent and electricity to a total of £36,000
- Administration e.g. postages, printing and telephones £19,000
- Supplies and Services through lower apportioned costs £13,000

The net expenditure of the Board's service is allocated between the constituent authorities on the basis of population. For 2003/04 the net expenditure of the Board has been allocated as detailed in the following table:

Constituent Authority	2003/2004		2002/2003	
	£m	%	£m	%
The Highland Council	1.817	88	1.712	88
Comhairle Nan Eilean Siar	0.240	12	0.227	12
	2.057	100	1.939	100

Financial Reporting Standard 17 (FRS 17) "Retirement Benefits"

In accordance with CIPFA/LASAAC guidance, FRS 17 is fully adopted for the first time in preparing the Board's statements for the year to 31 March 2004. 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 through the Highland Council Pension Scheme. Note 8 to the Revenue Account details the income and expenditure charged to the revenue account under FRS 17 in respect of the Local Government Scheme, based upon estimates by the Scheme's Actuary.

Note 2 to the Balance Sheet shows that the Board has a net pension liability as at 31 March 2004 of £0.761m based upon the actuarial valuation of the Scheme. This liability is accounted for within the balance sheet and through the creation of a Pension Reserve.

The Balance Sheet as at 31 March 2004 shows an excess of liabilities over assets of £0.761m due to the accrual, for the first time, of pension liabilities in accordance with Financial Reporting Standard 17 (Retirement Benefits). 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 liable to Scheme the liabilities of the Board as they fall due.

In accordance with FRS 3 "Reporting Financial Performance", comparative figures for the year to 31 March 2003 have been restated within the accounts to reflect this change in accounting policy.

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 The Highland and Western Isles Valuation Joint Board for their continued co-operation.

A handwritten signature in black ink, appearing to be 'M. Adams', written in a cursive style.

TREASURER
30 June 2004

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared on an historic cost basis, and are, as far as practicable, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The accounts disclose the corporate and democratic core costs and non distributed costs, as required by the Best Value Accounting Code of Practice (BVACOP).

2. Revenue Transactions

All revenue transactions have been recorded on an accruals basis. This includes employee costs, which are charged to the period that employees worked; and supplies and services, which are accounted for in the period in which they are consumed or received.

3. Leases

Rental repayments under operating leases have been charged to revenue on a straight-line basis over the term of the lease. The Board does not have any finance leases.

4. Overheads

The costs of the directly employed administrative and professional staff are included within "Staff Costs" and "Corporate and Democratic Core". The charges made in relation to support services provided by the Highland Council are based on actual work undertaken, and are included within "Supplies and Services".

5. Debtors and Creditors

Debtors include all material amounts due to the Board at 31 March 2004. Creditors include all material sums due by the Board at 31 March 2004 including salaries and wages earned but unpaid at the year-end and requisition balances due to the constituent authorities.

6. Highland Council's Loans Fund

The Highland Council's Loans Fund provides all the day to day banking requirements of the Board.

7. Pensions

In accordance with ACOP, Financial Reporting Standard 17 (FRS 17) "Retirement Benefits" has, for the first time, been implemented in full in preparing the accounts for the year to 31 March 2004.

FRS 17 replaces the former Statement of Standard Accounting Practice 24 (SSAP 24) "Accounting for Pension Costs" and requires that the financial statements reflect at fair value the assets and liabilities underlying the employer's obligations relating to retirement benefits, and that the true cost of these obligations is recognised.

The Actuary to the Highland Council Pension Scheme was commissioned by the Joint Valuation Board to undertake an assessment of the cost, income, assets and liabilities of the Fund attributable to the Board as at 31 March 2004. The Actuary's assessment of the true cost of retirement benefits earned by employees during the year has been charged in the revenue account and the pensions assets and liabilities attributable to the Board are reflected within the balance sheet. The Board has established a Pensions Reserve to account for its long term net pensions liability.

These accounting policies represent a change to those applied in previous years. The previous policy was to recognise liabilities in relation to pensions benefits only when employer's contributions became payable to the pension fund or payments fell due to pensioners for which the Board is directly responsible. The new policies better reflect the Board's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

ACOP requires that a change in accounting policy be accounted for as a prior period adjustment by restating the comparative figures and adjusting the opening balances of reserves for the cumulative effect. The change has had the following effects on the results of the prior and current periods:

- the overall amount to be met by constituent authorities has remained unchanged, but the costs disclosed for Net Cost of Services are 1.17% higher (2003/04 0.82% higher) after the replacement of employer's contributions by current service cost and Net Operating Expenditure is 3.09% lower (2003/04 2.58% higher) than it would otherwise have been;
- the requirement to recognise the net pensions liability in the balance sheet has reduced the net worth of the Board by £0.761 million (2003/04 £1.631 million) resulting in an excess of liabilities over assets of £0.761 million (2003/04 £1.631 million).

HIGHLAND & WESTERN ISLES VALUATION JOINT BOARD

REVENUE ACCOUNT

for the year ending 31 March 2004

2002/03 Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	<u>Direct Cost of Service Provision</u>			
1,358	Staff	1,412	0	1,412
161	Property	165	0	165
130	Administration	107	0	107
2	Transport and Plant	5	0	5
223	Supplies and Services	267	(3)	264
<u>1,874</u>		<u>1,956</u>	<u>(3)</u>	<u>1,953</u>
113	Corporate and Democratic Core	132	0	132
0	Non Distributed Costs	12	0	12
<u>1,987</u>	Net Cost of Services	<u>2,100</u>	<u>(3)</u>	<u>2,097</u>
(25)	Interest on Revenue Balance			(23)
(83)	Pension Interest Costs and Expected Return on Pensions Assets			36
<u>1,879</u>	Net Operating Expenditure			<u>2,110</u>
60	Contribution to/from the Pension Reserve			(53)
<u>1,939</u>	Expenditure to be met by constituent authorities			<u>2,057</u>
	Requisitions			
1,712	- Highland Council			1,817
227	- Comhairle Nan Eilean Siar			240
<u>1,939</u>				<u>2,057</u>

NOTES TO THE REVENUE ACCOUNT

1. Analysis of employees earning over £40,000

Salary Band	2003/04 No. of Employees	2002/03 No. of Employees
£40,000 - £49,999	2	1
£50,000 - £59,999	0	0
£60,000 - £69,999	1	1

2. Manpower Statistics

	2003/04 No. of Employees	2002/03 No. of Employees
Male F/T	26	27
Male P/T	0	0
Female F/T	30	29
Female P/T	1	1
Total	57	57

3. Members Allowances

The Board consists of 10 members comprising:

Highland Council	8
Comhairle Nan Eilean Siar	2

The Board paid a total of £2,727 (£2,163 in 2002/03) to members for travel and subsistence with a further £3,606 (£1,734 in 2002/03) being paid by Highland Council for responsibility allowance.

4. Publicity

Section 5 of the Local Government Act 1986 requires the Board to disclose an analysis of expenditure on publicity. The expenditure was as follows:

	2003/04 £	2002/03 £
Recruitment Advertising	780	1,587
General Advertising	0	0
Total	780	1,587

5. Leases

The Board made the following rental payments in respect of leased property during 2003/04:

	2003/04		2002/03
	Rent p.a.		Rent p.a.
	£		£
Inverness	54,000	Lease ends 30/11/04	54,000
Stornoway	11,000	Lease ends 31/03/08	11,000
Wick	7,000	Lease ends 04/06/06	7,000

Undischarged obligations as at 31 March 2004 amount to £95,247 (£167,247 at 31 March 2003).

6. Corporate and Democratic Core

The BVACOP defines Corporate and Democratic Core costs as follows, and states that these costs should be excluded from the accounts of individual services.

- The Corporate and Democratic Core (CDC) is henceforth defined as comprising two divisions of service:

Democratic Representation and Management (DRM) and Corporate Management (CM).

DRM concerns corporate policy making and all other member based activities.

CM concerns those activities that relate to the general running of the authority.

The costs shown as Corporate and Democratic Core on the Revenue Account are as follows:

	2003/04	2002/03
	£'000	£'000
Democratic Representation and Management Costs	43	32
Corporate Management Costs	89	81
Total	132	113

7. Non Distributed Costs

The BVACOP defines non distributed costs as follows, and states that these costs should be excluded from the accounts of individual Services.

- The whole amount of any past service contribution to meet a pension fund deficit, however arising.
- The whole amount of any reduction in contribution to apply a pension fund surplus.
- Charges (however calculated) for added years and early retirement.
- The costs associated with unused shares of IT facilities.
- The costs of shares of other long-term unused but unrealisable assets.

Non distributed costs incurred by the Board in 2003/04 amounted to £12,000 (2002/03 nil).

8. Pension Costs

Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) prescribes how pension costs and liabilities are to be disclosed in the financial statements. The standard requires employing organisations to account for retirement benefits in the period in which they are committed to give them, even if the actual payment of these benefits will be many years in the future. CIPFA/LASAAC have determined that FRS 17 is to be fully adopted for the first time in the accounts to 31 March 2004 and the following notes are prepared in accordance with ACOP guidance on disclosure requirements.

Employees of the Board are admitted to the Highland Council Pension Fund. A full actuarial valuation was undertaken as at 31 March 2004. Under Pension regulations, employers' contribution rates are set to meet 100% of the overall liabilities of the Fund. The contributions paid by the Board into the Highland Council Pension Fund in 2003/04 represent 12.90% of total pensionable pay (2002/03 12.04%).

In accordance with ACOP guidance on the application of FRS 17, the Revenue Account recognises the true economic cost of retirement benefits earned by employees in 2003/04 irrespective of when benefits are due to be paid. These costs are based upon an assessment by the Fund's Actuary of the share of the Fund Assets and Liabilities attributable to the Joint Valuation Board at 31 March 2004.

The following table summarises the entries reflected within the Revenue Account in respect of accounting for pension costs under FRS 17.

Local Government Pension Scheme

	2003/04		2002/03	
	£'000	£'000	£'000	£'000
Employer Pension Contributions		158		131
Less FRS 17 Charges				
Current Service Costs	163		154	
Past Service Costs	12		-	
Interest Costs	453		455	
Expected Return on Assets	<u>(417)</u>		<u>(538)</u>	
		<u>(211)</u>		<u>(71)</u>
Contribution (from)/to Pension Reserve		<u><u>(53)</u></u>		<u><u>60</u></u>

8. Pension Costs (Continued)

Note 2 to the Balance Sheet details the assets and liabilities of the Fund and the assumptions used by the Fund's Actuary in estimating the figures included within this note. The note to the Statement of Total Movements in Reserves sets out the implications of accounting for pension costs under FRS 17 on the Board's reserves.

9. Fees Payable to Audit Scotland

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice in 2003/04 amounted to £6,870 (2002/03 £6,550)

No other fees were payable in respect of any other services provided by the appointed auditor in 2003/04 or 2002/03.

HIGHLAND & WESTERN ISLES VALUATION JOINT BOARD

BALANCE SHEET AS AT 31 MARCH 2004

As at 31
March 2003

As at 31
March 2004

£'000

£'000

Current Assets

1	Sundry Debtors: General	4
349	Temporary Advance with Loans Fund	248
<u>350</u>	Total Assets	<u>252</u>

Current Liabilities

60	Sundry Creditors: General	48
290	Constituent Authorities	204
<u>350</u>		<u>252</u>

<u>0</u>	Total Assets Less Current Liabilities	<u>0</u>
----------	--	----------

(1,631)	Net Pensions Liability	(761)
---------	------------------------	-------

<u>(1,631)</u>	Total Assets Less Liabilities	<u>(761)</u>
----------------	--------------------------------------	--------------

Financed by:

(1,631)	Pensions Reserve	(761)
---------	------------------	-------

<u>(1,631)</u>	Total Net Worth	<u>(761)</u>
----------------	------------------------	--------------



A.GEDDES C.P.F.A.
Treasurer
30 June 2004

NOTES TO THE BALANCE SHEET

1 Financial Reporting and the Euro

The following statement complies with the Accounting Standards Board Urgent Issues Task Force (UITF) Extract 21 "Consensus on Financial Reporting and the Euro".

- (i) Particulars of commitments at the balance sheet date in respect of costs to be incurred:
 - There are no commitments as at 31 March 2004
- (ii) An indication of the likely costs to be incurred:
 - There are no likely future costs
- (iii) Disclosure of expenditure regarded as exceptional in accordance with FRS 3:
 - No exceptional expenditure was incurred in the year.

2 Retirement Benefits (FRS 17)

The Accounting Code of Practice requires information to be provided in the notes to the accounts on the assets and liabilities arising from the retirement benefit obligations of the Board as defined under Financial Reporting Standard 17 (FRS 17) "Retirement Benefits". CIPFA/LASAAC have determined that FRS 17 is to be fully adopted for the first time in preparing the accounts for financial year 2003/04.

The Board participates in the local Government Pension Scheme which is administered by Highland Council Pension Fund. The scheme provides members with defined benefits related to pay and service.

An actuarial valuation as at 31 March 2004 was carried out by Hymans Robertson, the independent actuaries to the Board. The main assumptions used in the calculation are:

Actuaries' Assumptions	2003/04	2002/03
	per annum	per annum
Price Increases	2.90%	2.50%
Salary Increases	4.40%	4.00%
Pension Increases	2.90%	2.50%
Discount Rate	6.50%	6.10%

Retirement Benefits (FRS 17) continued

The actuaries' assessment of the assets and liabilities of the Fund at 31 March 2004 is set out below. The estimates have been prepared in accordance with guidance on accounting for retirement benefits under FRS 17 issued by the Institute and Faculty of Actuaries:

	31 March 2004		31 March 2003	
	Asset Value	Expected Rate of Return	Asset Value	Expected Rate of Return
	£000	%	£000	%
Equity Investments	5,232	7.7	4,374	8.0
Bonds	1,389	5.1	1,107	4.8
Property	317	6.5	142	6.0
Cash	152	4.0	200	4.0
Estimated employer assets	<u>7,090</u>		<u>5,823</u>	
Present value of scheme liabilities	(7,670)		(7,270)	
Present value of unfunded liabilities	(181)		(184)	
Net Pensions Liability	<u><u>(761)</u></u>		<u><u>(1,631)</u></u>	

The movement in the Highland Council Pension Fund attributable to the Joint Valuation Board is analysed below in accordance with CIPFA/LASAAC guidelines:

	2003/04 £000
Net Pensions Liability at 1 April 2003	(1,631)
Movements in the year:	
Current Service Cost	(163)
Employer Contributions	146
Contributions in respect of unfunded benefits	12
Past Service Costs	(12)
Net Return on Assets	(36)
Actuarial Gains	923
Net Pensions Liability at 31 March 2004	<u><u>(761)</u></u>

HIGHLAND & WESTERN ISLES VALUATION JOINT BOARD

STATEMENT OF REQUISITIONS AS AT 31 MARCH 2004

Constituent Authority	Population	Budget Requisition 2003/04 £	Actual Requisition 2003/04 £	Balance Due (to)/from Constituent Authority 2003/04 £	Balance Due (to)/from Constituent Authority Prior Years £	Net Balance £
Highland Council	208,600	1,884	1,817	(67)	(114)	(181)
Comhairle Nan Eilean Siar	27,560	249	240	(9)	(14)	(23)
TOTAL	236,160	2,133	2,057	(76)	(128)	(204)

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Pensions Reserve		
Balance as at 01/04/03	(1,631)	387
Net surplus/(deficit) for year	(53)	60
Actuarial gains/(losses)	923	(2,078)
Balance as at 31/03/04	<u>(761)</u>	<u>(1,631)</u>

NOTE TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

History of Experience Gains and Losses	2003/04 £'000	2002/03 £'000
Difference between the expected and actual return on assets	920	(2,197)
Value of assets	7,090	5,823
Percentage of assets	13.0%	(37.7%)
Experience gains/(losses) on liabilities	3	119
Present value of liabilities	7,851	7,454
Percentage of the present value of liabilities	0.0%	1.6%
Actuarial gains/(losses) recognised in the STRGL	923	(2,078)
Present value of liabilities	7,851	7,454
Percentage of the present value of liabilities	11.8%	(27.9%)

HIGHLAND & WESTERN ISLES VALUATION JOINT BOARD

CASH FLOW STATEMENT

for the year ended 31 March 2004

2002/03 £'000		2003/04 £'000	2003/04 £'000
REVENUE ACTIVITIES			
Cash Outflows			
(1,386)	Cash Paid to and on behalf of employees	(1,485)	
<u>(551)</u>	Other operating cash payments	<u>(613)</u>	
(1,937)			(2,098)
Cash Inflows			
11	Cash received for goods and services	3	
<u>1,951</u>	Other operating cash receipts	<u>1,971</u>	
1,962			<u>1,974</u>
25	Net Cash Inflow/(Outflow) from Revenue Activities		(124)
 SERVICING OF FINANCE			
Cash Inflows			
<u>25</u>	Interest Received	<u>23</u>	
25	Net Cash Inflow/(Outflow) from Servicing of Finance		23
<u>50</u>	NET INCREASE/(DECREASE) IN CASH		<u>(101)</u>

HIGHLAND & WESTERN ISLES VALUATION JOINT BOARD

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of net cash outflow from revenue activities

2002/03 £'000	2003/04	
	£'000	£'000
- Surplus/Deficit on Revenue Account	-	-
Non revenue items		
(25) Interest on Revenue Balances		(23)
Items on an accruals basis:		
7 (Increase)/Decrease in Debtors	(3)	
43 Increase/(Decrease) in Creditors	(98)	
<u>50</u>		(101)
<u>25</u> Net Cash Inflow/(Outflow) from Revenue Activities		<u>(124)</u>

2. Reconciliation of Movement in Cash to the Movement in Net Debt

2002/03 £'000	01/04/03 £'000	31/3/04 £'000	Movement £'000
50 Temporary Advance to/(from) Loans Fund	349	248	(101)
- Cash in Hand	-	-	-
<u>50</u> Net Increase/(Decrease) in Cash	<u>349</u>	<u>248</u>	<u>(101)</u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Board's responsibilities

The Board is required:

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

The Treasurer's Responsibilities

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

In preparing this statement of 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 Code of Practice.

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.

The Statement of Accounts presents fairly the financial position of the Board at the accounting date and its Income and Expenditure for the year ended 31 March 2004.



TREASURER

30 June 2004

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for Highland and Western Isles Valuation Joint Board. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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

- comprehensive budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports, which indicate actual expenditure against forecasts.

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

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

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

During the past number of years, almost all major financial systems utilised by the Board, as provided by Highland Council, have been the subject of change. Reviews of these systems, undertaken as part of the Council's audit, indicate that significant improvements have now been made to many aspects of these systems.

Many areas of improvement identified in the previous years Annual Report have now been successfully addressed with only two remaining outstanding, as detailed below:

Code of Corporate Governance

The Board should review its existing corporate governance arrangements against the CIPFA/SOLACE framework.

The timescale for remedial action was agreed at March 2005.

Risk Management

A risk management strategy should be introduced which includes an assessment of financial and non-financial risks and the setting of control objectives.

The timescale for remedial action was agreed at March 2005.

It is my opinion, based on the above information, that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system in the year to 31 March 2004.



TREASURER
30 June 2004

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 statement of accounts on pages 5 to 18 under the Local Government (Scotland) Act 1973. The statement of accounts has been prepared in accordance with the accounting policies set out on pages 5 to 6.

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 the Code of Audit Practice approved by the Accounts Commission and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Treasurer and Auditor

As described on page 19 the Treasurer of the Joint Board is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). My responsibilities, as independent auditor, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the statement of accounts presents fairly the financial position of the Joint Board at 31 March 2004 and its income and expenditure for the year. I also report if, in my opinion, the Joint Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control on pages 20 and 21 complies with the requirements of the SORP. I report if, in my opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Joint Board's corporate governance procedures or risk and control procedures.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Joint Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion

In my opinion the statement of accounts presents fairly the financial position of the Joint Board as at 31 March 2004 and its income and expenditure for the year then ended.

Maggie Bruce
Maggie Bruce CA
Senior Audit Manager
Audit Scotland
Ballantyne House
84 Academy Street
INVERNESS
IV1 1LU

30 September 2004