

Highland and Western Isles

Valuation Joint Board

Statement of Accounts

2010 - 2011

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

CONTENTS

EXPLANATORY FOREWORD BY THE TREASURER TO THE BOARD	5
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.....	9
STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL	10
REMUNERATION REPORT	11
<u>FINANCIAL STATEMENTS</u>	
MOVEMENTS IN RESERVES STATEMENT 2010/11	15
MOVEMENTS IN RESERVES STATEMENT 2009/10	16
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	17
BALANCE SHEET	18
CASH FLOW STATEMENT	19
ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	20
INDEPENDENT AUDITOR'S REPORT	45

EXPLANATORY FOREWORD BY THE TREASURER TO THE BOARD

Statement of Accounts

The Statement of Accounts reports on the financial performance of the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2011.

The Statement of Accounts (the Accounts) comprise:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Board.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Board may use to provide services, subject to the need to maintain a prudent level of reserves. The second category of reserves is those that the Board is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Pension Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

Accounting Policies and Notes to the Accounts

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Summary of financial results

The Board's financial results for the year, compared against budget, are as shown below. This presentation differs slightly from that shown in the Comprehensive Income and Expenditure Statement which discloses corporate and democratic core costs and non-distributed costs as required by BVACOP. A reconciliation can be found in Note 18.

**Budget Performance Statement
For the year ended 31 March 2011**

2009/10 Actual £000		2010/11		Variance £000
		Budget £000	Actual £000	
1,873	Staff costs	1,947	1,839	(108)
195	Property costs	222	212	(10)
168	Administration expenses	171	146	(25)
3	Transport and plant costs	2	2	0
339	Supplies and services	367	384	17
2,578	Gross expenditure	2,709	2,583	(126)
(24)	Sales of register etc	(4)	(9)	(5)
(1)	Interest on revenue balances	(1)	(1)	0
(25)	Gross income	(5)	(10)	(5)
2,553	Net expenditure	2,704	2,573	(131)
-	Transfer to Reserves		81	81
(2,553)	Requisition Income	(2,704)	(2,654)	50
-		-	-	-

The net budgeted expenditure of the Board in 10/11 was £2.704m (2009/10 £2.685m). The actual expenditure to be met by the constituent authorities is £2.573m (2009/10 £2.553m). There was an underspend in 10/11 of £0.131m (2009/10 £0.132m underspend). The main variations from budget during the year were as follows:

- Staff costs were underspent due to several posts being vacant during the year.
- The board received a refund on the service charge for the rent of Moray House, which produced an underspend on property costs.
- Administration expenses were underspent due to reduced spend on postages and legal expenses.
- The overspend on supplies and services was due to increased spend on appeal hearing expenses during the year.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

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 will be restricted to 3% of the total budget in the year of the transfer and the cumulative balance should not exceed 5% of the total budget in that year. The amount of the transfer in 10/11 is £0.081m. The remaining balance has been allocated to the constituent authorities as follows:

2009/10		Constituent Authority	2010/11	
£000	% share		£000	% share
2,281	89.3	The Highland Council	2,373	89.4
272	10.7	Comhairle Nan Eilean Siar	281	10.6
<u>2,553</u>	<u>100.0</u>	Total	<u>2,654</u>	<u>100.0</u>

Statement of Requisitions 2010/11

Constituent Authority	Population No.	Budget requisition £000	Actual requisition £000	Balance due to constituent authority £000
Highland Council	220,490	2,416	2,373	43
Comhairle Nan Eilean Siar	26,180	288	281	7
Total	246,670	2,704	2,654	50

The movements and balances on the Board's revenue reserves for 2010/11 are summarised below:

	Balance at 01/04/10 £m	Use of earmarked balances £m	Increase in earmarking £m	Surplus 10/11 £m	Balance at 31/03/11 £m
Non-earmarked balances	-	-	-	81	81
General Fund Total	-	-	-	81	81

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Retirement Benefits

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

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by the Highland Council. Note 23 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 18 shows that the Board has a net pension liability of £2.296m as at 31 March 2011 (31 March 2010 £4.519m) 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 2011.

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. The corporate bond rate used for the valuation as at 31 March 2011 is significantly lower than that used at 31 March 2010. This has contributed to a significant increase in the estimated current value of the pension liability.

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

Acknowledgement

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



Alan Geddes
Treasurer
31 May 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of the Board

The Board is required to:

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority'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).

In preparing this Statement of Accounts, the Treasurer:-

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

The Treasurer has also:-

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

I, Alan Geddes, Treasurer to the Board, state that the Accounts for the year ended 31 March 2011 give a true and fair view of the financial position of the authority as at that date and its income and expenditure for the year then ended.



Alan Geddes
Treasurer
31 May 2011

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2011. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

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

A final report on the Centralised Assessor's Tax System (CATS) which is used to manage the Assessor's Valuation Roll and other properties was issued on 04/11/10. The report contained six recommendations, three of which were addressed at the time. The remaining recommendations were subsequently action tracked and have been satisfactorily addressed.

As part of the work of the Internal Audit Section, a number of key financial systems are subject to annual review. The 2010/2011 tactical plan consisted of two financial systems; payroll and accounts payable. No material concerns were noted from the work undertaken during these audits and therefore the Board can place reliance upon the effectiveness of the Board's financial systems.



Alan Geddes
Treasurer
31 May 2011

REMUNERATION REPORT

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

1. Appointments

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

2. Remuneration Policy

2.1 Senior Employees

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

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

2.2 Senior Councillors

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

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

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

3. Remuneration

3.1 Remuneration of Senior Employees of the Board

Name and Post Title	Salary, Fees and Allowances	Taxable Expenses	Total Remuneration 2010-2011	Total Remuneration 2009-10
	£	£	£	£
Douglas Gillespie, Assessor & Electoral Registration Officer	87,474	654	88,128	86,026
William Gillies, Depute Assessor & Electoral Registration Officer	68,583	0	68,583	67,558
Total	156,057	654	156,711	153,584

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

Salary Band	2010-2011 Number	2009-2010 Number
£50,000-£54,999		
£55,000-£59,999		
£60,000-£64,999		
£65,000-£69,999	1	1
£70,000-£74,999		
£75,000-£79,999		
£80,000-£84,999		
£85,000-£89,999	1	1

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

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

Councillor Name & Responsibility	2010-11			2009-10	
	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits-in-kind	Total Remuneration 2010-11	Total Remuneration 2009-10
	£	£	£	£	£
H Carmichael - Convener	4,060	56	0	4,116	4,095
M MacLeod – Vice Convener	3,319	61	0	3,380	3,905
Total	7,379	117	0	7,496	8,000

3.4 Remuneration Paid to Councillors

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

Type of Remuneration	2010-2011	2009-2010
	£	£
Salaries	7,379	7,379
Allowances	0	0
Expenses	668	1,587
Total	8,047	8,966

The annual return of Councillors' salaries and expenses for 2010-2011 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>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

4. Pension Benefits

The pension entitlement of senior employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year

Name and Post Title	In-year pension contributions			Accrued Pension Benefits	
	For year to 31 March 2011	For year to 31 March 2010		As at 31 March 2011	Difference from March 2010
	£	£		£	£
Douglas Gillespie, Assessor & Electoral Registration Officer	24,860	22,769	Pension Lump Sum	30,479 83,499	2,172 2,036
William Gillies, Depute Assessor & Electoral Registration Officer	18,298	16,747	Pension Lump Sum	22,344 60,175	1,661 1,469
Total	43,158	39,516		196,497	7,338

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.



Alan Geddes
Treasurer
31 May 2011

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

MOVEMENTS IN RESERVES STATEMENT 2010/11

	General Fund £000	Earmarked General Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2010 brought forward	-	-	-	(4,530)	(4,530)
Movement in reserves during 2010/11					
Surplus/(deficit) on provision of services	907	-	907	-	907
Other Comprehensive Expenditure and Income (note 14)	-	-	-	1,380	1,380
Total Comprehensive Expenditure and income	907	-	907	1,380	2,287
Adjustments between accounting basis and funding basis under regulations (note 6)	(826)	-	(826)	826	0
Net Increase/(Decrease) before Transfers to Earmarked and Other Statutory Reserves	81	-	81	2,206	2,287
Transfers to/from Earmarked Reserves (note 7)	-	-	-	-	-
Transfers to/from Other Statutory Reserves (note 6)	-	-	-	-	-
Increase/(Decrease) in 2010/11	81	-	81	2,206	2,287
Balance at 31 March 2011 carried forward	81	-	81	(2,324)	(2,243)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

MOVEMENTS IN RESERVE STATEMENT 2009/10

	General Fund £000	Earmarked General Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2009	0	-	0	(2,140)	(2,140)
Movement in reserves during 2009/10					
Surplus/(deficit) on provision of services	(53)	-	(53)	-	(53)
Other Comprehensive Expenditure and Income	-	-	-	(2,337)	(2,337)
Total Comprehensive Expenditure and income	(53)	-	(53)	(2,337)	(2,390)
Adjustments between accounting basis and funding basis under regulations (note 6)	53	-	53	(53)	0
Net Increase/(Decrease) before Transfers to Earmarked and Other Statutory Reserves	-		-	(2,390)	(2,390)
Transfers to/from Earmarked Reserves (note 7)	-	-	-	-	-
Transfers to/from Other Statutory Reserves (note 6)	-	-	-	-	-
Increase/(Decrease) in 2009/10	0	-	0	(2,390)	(2,390)
Balance at 31 March 2010 carried forward	0	-	0	(4,530)	(4,530)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2009/10		2010/11	
	Gross Expenditure £000	Gross Income £000	Gross Expenditure £000	Gross Income £000
	433	(2)	870	(3)
	478	(20)	751	(3)
	1,366	(1)	799	(3)
	203	-	243	-
			(985)	(985)
	<u>2,480</u>	<u>(23)</u>	<u>1,678</u>	<u>(9)</u>
				<u>1,669</u>
	-			-
	149			78
				<u>(2,654)</u>
				(907)
				(1,380)
				<u>(2,287)</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

BALANCE SHEET

01/04/09 £000	31/03/10 £000		Notes	31/03/11 £000
3	9	Short term debtors	26	11
98	184	Cash and cash equivalents	16	169
101	193	Current assets		180
(137)	(204)	Short term creditors	27	(127)
(137)	(204)	Current liabilities		(127)
(2,104)	(4,519)	Other long term liabilities	23	(2,296)
(2,104)	(4,519)	Long term liabilities		(2,296)
<u>(2,140)</u>	<u>(4,530)</u>	Net assets		<u>(2,243)</u>
-	-	Usable reserves	13	81
(2,140)	(4,530)	Unusable reserves	14	(2,324)
<u>(2,140)</u>	<u>(4,530)</u>	Total reserves		<u>(2,243)</u>

The unaudited statement of accounts was issued on 31 May 2011 and the audited accounts were authorised for issue on 7th September 2011.



Alan Geddes
Treasurer
31 May 2011

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

CASH FLOW STATEMENT

31/03/10 £000	Notes	31/03/11 £000
(53) Net surplus/deficit on the provision of services		907
139 Adjust net surplus/deficit on the provision of services for non-cash movements		(922)
(1) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities		(1)
85 Net cash flow from operating activities		(16)
- Investing activities		-
1 Financing activities	15	1
86 Net (increase)/decrease in cash and cash equivalents		(15)
98 Cash and cash equivalents at the beginning of the year		184
184 Cash and cash equivalents at the end of the year	16	169

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the transactions of the Board for the 2010/11 financial year and its position at the year end of 31 March 2011. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

Accruals of income and expenditure

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

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

Cash and cash equivalents

The Highland Council loans fund provides all the day to day banking requirements of the Board. The balance of £0.169m (2009/10 £0.184m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Prior period adjustments and changes in accounting policies and estimates and errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

Employee benefits

Benefits payable during employment

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

Termination benefits

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

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

Post Employment Benefits

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Local Government Pension Scheme

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

- The liabilities of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (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:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

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

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

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

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

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

Exceptional items

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

Government grants and contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Leases

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

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

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

The Board as Lessee

Operating Leases

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

Property, plant and equipment

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

Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Provisions, Contingent liabilities and Contingent assets

Provisions

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

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

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

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

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Board a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Board a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board.

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

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, employee benefits and retirement benefits and that do not represent usable resources for the Board – these reserves are explained in note 14 to the accounts.

VAT

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

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

There are none that apply to the Board.

3. Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the Board might need to reduce levels of service provision.

4. Adoption of International Financial Reporting Standards

Reconciliation of net worth reported under previous GAAP (Generally Accepted Accounting Principles) to net worth under IFRS at date of transition to IFRS

	Notes	As at 31 March 2010	As at 1 April 2009
		£000	£000
Net Assets and Equity under UK GAAP		(4,519)	(2,104)
IAS 19 Employee Benefits	(a)	(11)	(36)
Net Assets and Equity under IFRS		(4,530)	(2,140)

		Year ended 31 March 2010
		£000
Net Cost of Services under UK GAAP		2,482
IAS 19 Employee Benefits	(a)	(25)
Net Cost of Services under IFRS		2,457

(a) IAS 19 – Employee Benefits

Previously no provision was made for holiday pay. Under IAS 19 - Employee Benefits the expected cost of compensated short term absences (e.g. holidays) should be recognised when an employee or employees render the service that increases their entitlement. As a result, an accrual has been made for holidays earned but not taken.

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

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

The items in the Board's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2010/11, the Board's actuaries advised that the net pensions liability had decreased by £2.223m attributable to updating of the assumptions.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Board in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves				Total 2010/11 £000
	General Fund £000	Earmarked General Fund £000	Capital receipts reserve £000	Unusable reserves £000	
Adjustments involving the Pensions Reserve					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 23)	576	-	-	(576)	-
Employers' pension contributions and direct payments to pensioners payable in the year	267	-	-	(267)	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(17)	-	-	17	-
Total adjustments	826	-	-	(826)	

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

	Usable Reserves			Movement in unusable reserves £000	Total 2009/10 £000
	General Fund £000	Earmarked General Fund £000	Capital receipts reserve £000		
Adjustments involving the Pensions Reserve					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 23)	(330)	-	-	330	-
Employers' pension contributions and direct payments to pensioners payable in the year	252	-	-	(252)	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	25	-	-	(25)	-
Total adjustments	(53)	-	-	53	-

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

7. Movements in Reserve Statement – transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in reserves to provide financing for future expenditure plans.

A reserve policy was established by the Board in 2010/11 and therefore there are no transfers out during 2010/11 or comparative figures for 2009/10.

	Balance at 1 April 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 March 2011 £000
General Fund Balance	-	-	(81)	(81)
Total	-	-	(81)	(81)

8. 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.

	2009/10 Net £000		2010/11 Expenditure £000	Income £000	Net £000
	75	Democratic representation and management	112	-	112
	128	Corporate management	131	-	131
Total	203		243	-	243

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

9. Comprehensive Income and Expenditure Statement – Non- distributed costs

Non-distributed costs are excluded from individual services and comprise:

2009/10 £000	2010/11 £000
- Pension fund charges for added years and early retirement	-
- Pension fund past service contributions	(993)
- Pension fund settlements and curtailments	8
- Depreciation of non-operational properties	-
	-
-	(985)

10. Comprehensive Income and Expenditure Statement – Other operating expenditure

In 2009/10 and in 2010/11 the Board had no 'other operating expenditure'.

11. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure

2009/10 £000	2010/11 £000
- Interest payable and similar charges	-
150 Pensions interest cost and expected return on pension assets	79
(1) Interest and investment income	(1)
149	78

12. Comprehensive Income and Expenditure Statement – Taxation and non specific grant income

2009/10 £000	2010/11 £000
(2,553) Requisitions from constituent authorities	(2,654)
(2,553)	(2,654)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

13. Balance Sheet – usable reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement and notes 6 and 7.

14. Balance Sheet – unusable reserves

31/3/2010 £000	31/3/2011 £000
4,519 Pensions reserves (a)	2,296
11 Accumulated compensated absences adjustment account (b)	28
4,530 Total unusable reserves	2,324

(a) Pensions Reserve

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

2009/10 £000	2010/11 £000
2,104 Balance at 1 April	4,519
2,337 Actuarial (gains)/losses on pension assets and liabilities	(1,380)
78 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	(843)
Employer's pension contributions and direct payments to pensioners payable in the year	
4,519 Balance at 31 March	2,296

(b) Accumulated compensated absences adjustment account

The Accumulating compensated absences adjustment account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

2009/10 £000		2010/11 £000
36	Balance at 1 April	11
(36)	Settlement or cancellation of accrual made at the end of the preceding year	(11)
11	Amounts accrued at the end of the current year	28
11	Balance at 31 March	28

15. Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(1)	Interest received	(1)
-	Interest paid	-
(1)		(1)

16. Cash flow statement – cash and cash equivalents

The balances of cash and cash equivalents comprise:

01/04/09 £000	31/03/10 £000		2010/11 £000
-	-	Cash held by officers	-
98	184	Temporary Advances to Loans Fund	169
-	-	Short term deposits	-
98	184	Total cash and cash equivalents	169

17. 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 Best Value Accounting 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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

18. 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

2009/10 £		2010/11 £
2,553	Net expenditure in the service analysis	2,573
-	Net expenditure of services and support services not included in the analysis	
	<i>Amounts in the Comprehensive Income and Expenditure relating to Non Statutory Charges</i>	
	<u>IAS 19 pension benefits net charges made to the Comprehensive Income and Expenditure Statement (note 23)</u>	
180	Current service cost	330
(252)	Employer's contribution	(267)
-	Past service cost	(993)
-	Settlements and Curtailments	<u>8</u> (922)
(25)	IAS 19 Employee Leave	17
	<i>Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement</i>	
1	Interest on revenue balances	1
<u>2,457</u>	Cost of services in Comprehensive Income and Expenditure Statement	<u><u>1,669</u></u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

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

	Service analysis £000	Services and support services not in analysis £000	Non Statutory Charges £000	Amounts not included in I and E £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	Total £000
2010/11								
Fees, charges & other service income	(9)	-	-	-	-	(9)	-	(9)
Interest and investment income	(1)	-	-	1	-	-	(1)	(1)
Income from requisitions	-	-	-	-	-	-	(2,654)	(2,654)
Government grants and contributions	-	-	-	-	-	-	-	-
Total Income	(10)	-	-	1	-	(9)	(2,655)	(2,664)
Employee expenses	1,839	-	(905)	-	-	934	-	934
Other service expenses	685	-	-	-	-	685	-	685
Support Service recharges	59	-	-	-	-	59	-	59
Interest	-	-	-	-	-	-	79	79
Total expenditure	2,583	-	(905)	-	-	1,678	79	1,757
(Surplus)/deficit on the provision of services	2,573	-	(905)	1	-	1,669	(2,576)	(907)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

	Service analysis £000	Services and support services not in analysis £000	Non Statutory Charges £000	Amounts not included in I & E £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	Total £000
2009/10 comparative figures								
Fees, charges & other service income	(8)	-	-	-	-	(8)	-	(8)
Interest and investment income	(1)	-	-	1	-	-	(1)	(1)
Income from requisitions	-	-	-	-	-	-	(2,553)	(2,553)
Government grants and contributions	(16)	-	-	-	-	(16)	-	(16)
Total Income	(25)	-	-	1	-	(24)	(2,554)	(2,578)
Employee expenses	1,792	-	(97)	-	-	1,695	-	1,695
Other service expenses	728	-	-	-	-	728	-	728
Support Service recharges	58	-	-	-	-	58	-	58
Interest	-	-	-	-	-	-	150	150
Total expenditure	2,578	-	(97)	-	-	2,481	150	2,631
(Surplus)/deficit on the provision of services	2,553	-	(97)	1	-	2,457	(2,404)	53

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

19. Members allowances and expenses

A breakdown of allowances and expenses paid to members of the Board can be found in the Remuneration Report.

20. Officers remuneration

A breakdown of the number of employees receiving remuneration above £50,000, including redundancy and retirement pay where appropriate, can be found in the Remuneration Report.

21. External audit costs

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

2009/10		2010/11
£		£
8,450	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	8,280
8,450		8,280

22. Grant income

The Board credited no specific grants to the Comprehensive Income and Expenditure Statement in 2010/11

2009/10		2010/11
£000		£000
16	Ministry of Justice – Electoral Registration Data Standard	-
16		-

23. Defined benefit pension schemes

Participation in pension schemes

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

The authority participates in one post employment scheme:

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

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI).

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

This has the effect of reducing the Board's liabilities by £0.993m and has been recognised as a past service gain in accordance with guidance set down in UITF (Urgent Issues Task Force) Abstract 48: the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Transactions relating to post employment benefits

The Board recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2009/10 £000		2010/11 £000
	Comprehensive Income and Expenditure Statement	
	<i>Cost of services</i>	
180	Current service cost	330
-	Past service cost	(993)
-	Settlements and curtailments	8
<u>180</u>		<u>(655)</u>
	<i>Financing and investment income and expenditure</i>	
590	interest cost	758
<u>(440)</u>	expected return on scheme assets	<u>(679)</u>
<u>150</u>		<u>79</u>
330	Total post employment benefits charged to the surplus or deficit on the provision of services	(576)
	<i>Other post employment benefits charged to the comprehensive income and expenditure statement</i>	
2,337	actuarial (gains) and losses	(1,380)
<u>2,667</u>	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	<u>(1,956)</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

2009/10 £000		2010/11 £000
	Movement in reserves statement	
(330)	Reversal of net charges made to the Comprehensive Income and Expenditure Statement	576
	<i>Actual amount charged against the General Fund balance for pensions in the year</i>	
252	Employers contributions payable to the scheme	267

The cumulative amount of actuarial gains and losses since 1 April 2005, recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £0.925m.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Assets and liabilities in relation to post employment benefits

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

31/03/10 £000		31/03/11 £000
9,020	Opening value	13,808
180	Current service cost	330
590	Interest cost	758
4,637	Actuarial loss/(gain)	(1,298)
(692)	Estimated benefits paid (net of transfers in)	(460)
88	Contributions by scheme participants	86
(15)	Unfunded pension payments	(14)
-	Past service cost	(993)
-	Losses on curtailments	8
<u>13,808</u>	Closing value	<u>12,225</u>

Reconciliation of fair value of the scheme assets

31/03/10 £000		31/03/11 £000
6,916	Opening value	9,289
440	Expected return on Scheme assets	679
2,300	Actuarial gain	82
252	Contributions by employer	267
88	Contributions by Scheme participants	86
(707)	Estimated benefits paid (net of transfers in)	(474)
<u>9,289</u>	Closing value	<u>9,929</u>

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

The actual return on scheme assets in the year was £0.762m. (2009/10 £ 2.740m)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Scheme history

Year ended	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Present value of liabilities	(12,225)	(13,808)	(9,020)	(11,266)	(11,795)
Fair value of assets	9,929	9,289	6,916	9,378	9,933
Deficit	<u>(2,296)</u>	<u>(4,519)</u>	<u>(2,104)</u>	<u>(1,888)</u>	<u>(1,862)</u>

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

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £12.225m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £2.296m. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Board in the year to 31 March 2012 is £0.245m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The principal actuarial assumptions adopted as at 31 March 2011 are as follows:

2009/10	2010/11
Long term expected rate of return on assets in the scheme	
7.9% Equity investments	7.8%
4.5% Gilts	4.4%
5.5% Bonds	5.5%
5.9% Property	5.8%
3.0% Cash	3.0%
Longevity at age 65 for current pensioners	
18.9 Men	18.9
21.9 Women	21.9
Longevity at age 65 for future pensioners	
19.9 Men	19.9
23.0 Women	23.0

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Financial Assumptions

2009/10	2010/11
3.9% RPI Increases	3.5%
N/A CPI Increases	2.7%
5.4% Rate of increase in salaries	5.0%
3.9% Rate of increase in pensions	2.7%
5.5% Rate for discounting scheme liabilities	5.5%
50.0% Take up of option to convert annual pension into retirement lump sum	50.0%

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

2009/10	2010/11
79% Equities	79%
5% Gilts	5%
7% Bonds	6%
8% Property	9%
1% Cash	1%
<u>100%</u> Total	<u>100%</u>

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
% Experience adjustments on Scheme liabilities	0.1	0.4	13.3	-	-
% Experience adjustments on Scheme assets	0.8	24.8	(42.7)	(13.3)	1.6

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

24. 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 £2.373m representing 89.4% of the funding for the Board and holds 8 of the 10 seats on the Board. In addition Highland Council provides administrative, financial and computing services to the Board.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.281m representing 10.6% of the funding for the Board and holds 2 of the 10 seats on the Board.

25. Operating Leases

The Board leases a number of office premises.

Board as Lessee

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

31/03/10 £		31/03/11 £
99,081	Not later than one year	111,000
319,729	Later than one year and not later than five years	368,500
543,313	Later than five years	514,313
<u>962,123</u>		<u>993,813</u>

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

31/03/10 £		31/03/11 £
99,081	Minimum lease payments	99,081
-	- Contingent rents	-
<u>99,081</u>		<u>99,081</u>

26. Debtors

01/4/09 £000	31/03/10 £000		2010/11 £000
-	-	Central government bodies	-
-	-	Other local authorities	-
-	-	NHS bodies	-
-	-	Public corporations	-
3	9	Other entities and individuals	11
<u>3</u>	<u>9</u>	Total	<u>11</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

27. Creditors

01/04/09	31/03/10		2010/11
£000	£000		£000
50	30	Central government bodies	31
25	134	Other local authorities	55
-	-	NHS bodies	-
-	4	Public corporations	-
62	36	Other entities and individuals	41
<u>137</u>	<u>204</u>	Total	<u>127</u>

28. 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. Progress on this issue has been reported to the Board throughout the year.

It is not possible to assess the cost impact of these possible changes, or the timing of any outcome. Therefore no provision for these outcomes has been made in the year and disclosure is by way of contingent liability.

29. Events After The Balance Sheet Date

The Statement of the Accounts was authorised for issue by the Treasurer on 31 May 2011. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash-Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities [set out on page 8 of the accounts], the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Explanatory Foreword and the Remuneration Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Highland and Western Isles Valuation Joint Board as at 31 March 2011 and of the income and expenditure of Highland and Western Isles Valuation Joint Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2010/11

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code.

I have nothing to report in respect of these matters.

M Tate

Pearl Tate
Senior Audit Manager
Audit Scotland
Osborne House
1/5 Osborne Terrace
Edinburgh
EH12 5HG

7th September 2011

