

The Highland & Western Isles

VALUATION JOINT BOARD

**ANNUAL
REPORT
2004/2005**

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INTRODUCTION

This is the second report of the new Board which was appointed following the local government elections in May 2003. It continues the trend of introducing reporting arrangements complimentary to the duty of Best Value placed upon all local government organisations.

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.

Modernisation of the Board's governance arrangements has continued with the benefit of input from our various auditors and is now close to completion.

As the Assessor's remarks indicate, it was a busy year for the department with the expedited timetable for the 2005 rating revaluation shaping events significantly. In addition the launch of the Scottish Assessors' Web Portal, which was largely funded by the Modernising Government Fund, has improved radically public access to the Valuation Roll and Council Tax list.

The need to make information conveniently available is catered for by linking the all Scotland Portal with the local web site. The practice notes issued by the Scottish Assessor's Association are now publicly available for the first time and provide a ready summary of the valuation of most classes of subject.

The establishment of the Scottish Ratepayers' Forum and the Rating Agents' Forum are significant steps in ensuring that the views of stakeholders are taken into account in planning service delivery

It is hoped that these positive developments will be continued into the future and that the level of understanding of the Department's functions can be improved significantly.

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, the year was dominated by the need to conclude the 2005 rating revaluation and meet a commitment to publishing a draft valuation roll six months earlier than the traditional programme to align with the planned announcements by the Scottish Executive as to rate poundages and related matters.

An additional pressure arose from the intention to publish a draft valuation roll on the internet via a Scottish Assessors' Portal. This project which was greatly assisted by the Modernising Government Fund was intended to provide easy public access to the valuation roll and council tax list, which is particularly pertinent to the Highlands and Islands.

It was also required as a platform to provide government, in assorted forms, with ready access to the statistical information that is required in a 'joined up' manner with the related benefit of freeing Assessors from the need to compile and collate the data. The Portal also provides a convenient way of publishing Assessors' Association practice notes which in light of freedom of information considerations were believed to be papers which ought to be in the public domain.

In the event the timetable was met, albeit that the announcements in question were a little delayed.

The development of the Portal has connections to the DNA Scotland project which is concerned with establishing various national electronic infrastructures. The departmental involvement through the Scottish Assessors' Association at the national level is matched locally via close involvement with planners and others in compiling local corporate address gazetteers which are the bedrock of the initiative.

As I indicated last year, the establishment of the Scottish Ratepayers' Forum and the Rating Agents' Forum were under way in an effort to improve understanding of the rating system. Both forums are now fully functioning, with the Ratepayers' Forum in particular providing fresh insight into the views and requirements of business.

A particularly pleasing development in the course of the year was the success of five staff in achieving the Association of Electoral Administrators Certificate. The Department now has the highest number of certificated staff in Scotland. The aim is now to support a number of staff in studying for their AEA Diploma, which is the highest qualification available in the electoral field.

Inevitably, the necessity to give precedence to the revaluation workload caused a deterioration in the key performance indicators as I discuss in a later section. The position has now been recovered and dependent on the volume of appeal activity following the revaluation will be targeted for further improvement.

The year also saw the conclusion of the appeal activity connected with the 2000 revaluation where it was necessary to have three cases heard by the Lands Tribunal for Scotland. This gave rise to significant additional work. It also involved unanticipated cost as the uncertainty

as to the 'if and when' of appeal cases compels budgeting for legal costs on an averaged basis looking to the point in the cycle.

Council tax activity has tended in recent years to be in maintenance mode with the principal workload arising from new properties. The Burt Commission review of local government finance is now under way and we shall endeavour to assist as required through the Assessors' Association.

For some time it has been apparent that our core taxation computer systems are underpowered and that some development work is needed to keep abreast of modern developments and to accommodate without great disruption the general tightening of timetables. While it is likely to take some years to achieve, the Board has made funds available commensurate with available capacity to effect the necessary changes and I anticipate considerable progress in the year ahead.

Given the clear intention of government to effect changes in the electoral registration field, and the strong likelihood that these will involve altering computing systems, the timing of the various developments of the taxation systems will be adjusted, as required, to ensure that the changes are complimentary to the emergent electoral requirements.

In the year ahead the balance of emphasis will shift from rating valuation to appeal clearance; in the electoral field there is likely to be a need for a wholesale revision of established procedures to accommodate legislative change; council tax is likely to remain stable pending the outcome of the Burt Commission review.

I am grateful for the assistance and support of the Board throughout the year and would wish to thank my staff for their effort and commitment in delivering what was required in a particularly demanding year.

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 2004/2005: Roslyn Pieroni, Head of Committee and Members' Services, The Highland Council.

MEMBERS OF THE BOARD

The membership of the Board (and their substitutes) in 2004/05 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

D I Nicholson – 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

A Macdonald
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 – 2004/2005

VALUATION ROLL	2004/2005	2003/2004	2002/2003
Total number of entries	18,476	18,706	18,616
Total Rateable Value	196.0m	£192.7m	£189.6m
No of Amendments Effected	1,738	1,684	1,608
Amendments within time periods (%)			
0-3 months	53.3	56.1	64.4
3-6 months	22.4	24.4	19.2
Over 6 months	24.3	19.5	16.4
Adjustment from Appeal Settlement (%)	1.2	2.3	1.9
<u>COUNCIL TAX</u>			
Total No of Entries	121,318	119,931	118,652
Adjustment to Band D Equivalent	112,498	110,780	109,293
New Entries Added	1,912	1,935	1,891
New entries within time periods (%)			
0-3 months	81.9	84.5	87.5
3-6 months	14.4	11.3	7.6
Over 6 months	3.8	4.2	4.9
<u>GENERAL</u>			
Costs of All Permanent Staff	1.48m	£1.40m	£1.32m
Number of FTE staff as at 1 April each year	56.5	56.5	56.5

COMMENTARY ON PERFORMANCE REPORT

The foregoing statistics require some explanation and interpretation.

Valuation Roll

The figures show the anticipated deterioration in performance consequent on the impact of rating revaluation in the context of the department's cyclical functions, though its magnitude was somewhat less than that anticipated.

The position has now largely been retrieved and dependent on the number of appeals lodged we can look to an up-turn.

Council Tax

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. As for rating work, the position has now been retrieved and I expect next year's figures to show improvement.

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. It is unclear at this point whether the regime that emerges will require revision in consequence of legislative change or whether the launch will be delayed to incorporate these pending developments.

General

One area of performance that requires attention is 're-banding on sale' which is concerned with circumstances where a property has had alterations carried out which affect its banding and the subject has been sold. If a property has been altered but has not been sold then the band remains unaltered.

In the early days of council tax, cases likely to require amendment were fairly readily identified for prioritisation, in a market with limited growth. More recently, given the significant movement in sale prices, there is a need to do more work across the circa 5000 sales each year which give rise to no more than a few hundred band changes.

The significance of this class of casework is that the increased liability requires, as a matter of law, to be backdated to the date of sale. As the notifications of sale from the Register of Sasines is retrospective and can only post date the registration of the sale, the implicit delays are significant and give rise to concern on the part of the small number of taxpayers who are affected.

In an effort to focus attention on this area it is intended to institute a specific measure of performance with a view to tuning it to encourage improvement over time. This, however, requires to be accommodated within the overall resources that are available.

It is important to recognise that at the level of key performance indicators a very narrow light is being shone on performance. At some point the question will require to be asked as to whether or not pursuit of improvement in these figures is, in the round, desirable. This emphasizes the dynamic aspect of performance management.

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 2004/05 expressed as a percentage of total staff time was 2.96%. Long term illness tends to cause significant fluctuation from year to year. In 2002/2003 the overall sickness figure was 4.19%; while in 2003/2004 the figure was 3.57%. Efforts continue through the personal development interview process to assist staff in minimising sick leave.

Against this backdrop the department's performance across the year is seen as satisfactory. At the cost of a small deterioration in timescales on maintenance work, the expedited revaluation timetable has been met and progress has been made in structural matters associated with meeting our Best Value obligations.

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

**HIGHLAND AND WESTERN ISLES
VALUATION JOINT BOARD**

STATEMENT OF ACCOUNTS

2004/05

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HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

EXPLANATORY FOREWORD

The accounts of the Board for the year ended 31 March 2005 provide an assessment of the financial performance of the Board. The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The accounts also comply with the requirements of the Best Value Accounting Code of Practice (BVACOP) issued by CIPFA.

The accounts, which follow, comprise:

- 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 and liabilities of the Board as at 31 March 2005 and how these are financed;
- Statement of Total Movement in Reserves which shows the movement in the Pensions Reserve;
- Cash Flow Statement which summarises the inflows and outflows of cash;
- Statement of Responsibilities for the Statement of Accounts which explains the respective 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 THE 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 discloses corporate and democratic core costs and non-distributed costs as required by BVACOP.

Revenue Account for the year ended 31 March 2005

2003/04 Actual £000		2004/05	
		Budget £000	Actual £000
1,493	Staff costs	1,609	1,587
165	Property costs	166	194
115	Administration expenses	146	160
5	Transport and Plant costs	4	5
<u>305</u>	Supplies and Services	<u>298</u>	<u>273</u>
2,083	Gross Expenditure	2,223	2,219
(3)	Sales of Register etc	(3)	(8)
<u>(23)</u>	Interest on Revenue Balance	<u>(20)</u>	<u>(19)</u>
(26)	Gross Income	(23)	(27)
<u>2,057</u>	Net Expenditure	<u>2,200</u>	<u>2,192</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

The net budgeted expenditure of the Board in 2004/05 was £2.200m (2003/04 £2.133m). The actual expenditure to be met by the constituent authorities is £2.192m (2003/04 £2.057m). There was a small underspend of £0.008m (2003/04 underspend £0.076m) which can be broken down as follows:

	2004/05 Over/(under) spend £000	2003/04 Over/(under) spend £000
Staff costs	(22)	(8)
Property costs	28	(36)
Administration expenses	14	(19)
Transport costs	1	-
Supplies and Services	(25)	(13)
Income	(4)	-
Net over/(under)spend	(8)	(76)

The net expenditure of the Board is allocated between the constituent authorities on the basis of population. For 2004/05 the net expenditure has been allocated as follows:

Constituent Authority	2004/05		2003/04	
	£m	% share	£m	% share
The Highland Council	1.939	88	1.817	88
Comhairle Nan Eilean Siar	0.253	12	0.240	12
Total	2.192	100	2.057	100

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

In accordance with CIPFA/LASAAC guidance, FRS 17 has been fully adopted in preparing the accounts of the Board for the year ended 31 March 2005. 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 9 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 provided by the Actuary to the Scheme.

Note 2 to the Balance Sheet shows that the Board has a net pension liability of £2.119m as at 31 March 2005, (31 March 2004 £0.761m) due to the accrual of pension liabilities in accordance with FRS 17. The significant increase in the net pension liability at 31 March 2005 is mainly due to a change in the discount rate applied by the actuaries in their actuarial valuation as explained in note 2 to the balance sheet.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

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.

A handwritten signature in black ink, appearing to read 'A Geddes', written in a cursive style.

A Geddes CPFA
Treasurer
30 June 2005

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared on an historic cost basis and as far as practicable, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (The SORP). 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 in which 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 2005. Creditors include all material sums due by the Board at 31 March 2005 including salaries and wages earned but unpaid at that date and requisition balances due to the constituent authorities.

6. Highland Council Loans Fund

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

7. Pensions

In accordance with the SORP, Financial Reporting Standard 17 (FRS17) has been fully implemented in preparing the statement of accounts. FRS17 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 Board participates in the Local Government Pension Scheme (LGPS) through the Highland Council Pension Scheme which is administered by the Highland Council.

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 2005. 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 pension assets and liabilities attributable to the Board are reflected within the balance sheet. The movements in the pension liabilities during the year are reflected in the Pensions Reserve.

In accordance with the SORP the discount rate employed for 2004/05 by the actuaries is the yield available on long-dated high quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years) as at 31 March 2004. This change in estimation technique has had the result of significantly increasing the projected value of the liabilities of the Fund.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

REVENUE ACCOUNT

For the year ended 31 March 2005

2003/04		Gross expenditure	2004/05	Gross income	Net expenditure
Net expenditure		£000		£000	£000
	Direct Cost of Service Provision				
1,412	Staff costs	1,548	-		1,548
165	Property costs	194	-		194
107	Administration expenses	155	-		155
5	Transport and Plant expenses	5	-		5
264	Supplies and Services costs	248	(8)		240
<u>1,953</u>		<u>2,150</u>	<u>(8)</u>		<u>2,142</u>
132	Corporate and Democratic Core	130	-		130
12	Non Distributed Costs	-	-		-
<u>2,097</u>	Net Cost of Services	<u>2,280</u>	<u>(8)</u>		<u>2,272</u>
(23)	Interest on Revenue Balances				(19)
36	Pension Interest Costs and expected return on Pensions Assets				(66)
<u>2,110</u>	Net Operating Expenditure				<u>2,187</u>
(53)	Contribution to/(from) the Pension Reserve				5
<u>2,057</u>	Expenditure to be met by constituent authorities				<u>2,192</u>
	Requisitions				
1,817	Highland Council				1,939
240	Comhairle Nan Eilean Siar				253
<u>2,057</u>					<u>2,192</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

NOTES TO THE REVENUE ACCOUNT

1. Analysis of employees earning over £40,000

Salary Band	Number of employees	
	2004/05	2003/04
£40,000 - £49,999	2	2
£50,000 - £59,999	1	0
£60,000 - £69,999	1	1

2. Manpower Statistics

	Number of employees	
	2004/05	2003/04
Male F/T	26	26
Male P/T	0	0
Female F/T	30	30
Female P/T	1	1
Total	<u>57</u>	<u>57</u>

3. Members Allowances

The Board consists of 10 members comprising 8 from Highland Council and 2 from Comhairle Nan Eilean Siar.

During the year the Board paid a total of £3,539 (2003/04 £2,727) to members for travel and subsistence with a further £3,712 (2003/04 £3,606) being paid by Highland Council for a 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:

	2004/05	2003/04
	£	£
Recruitment Advertising	776	780
General Advertising	0	0
Total	<u>776</u>	<u>780</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

5. Leases

The Board made the following rental payments in respect of leased property during 2004/05:

	2004/05	2003/04	Lease ends
	£	£	
Inverness	57,259	54,000	13/11/2018
Stornoway	11,000	11,000	31/03/2008
Wick	7,000	7,000	04/06/2006
	<u>75,259</u>	<u>72,000</u>	

Undischarged obligations as at 31 March 2005 amount to £520,462 (31 March 2004 £95,247).

6. Lease Commitments

At 31 March 2005 the Board was committed to making payments of £73,581 under operating leases in 2005/06 as follows:

Land and Buildings	£
Leases expiring in 2005/06	-
Leases expiring between 2006/07 and 2009/10	18,000
Leases expiring after 2009/10	<u>55,581</u>
	<u>73,581</u>

7. 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 comprises 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 service.

The costs shown as Corporate and Democratic Core in the Revenue Account are as follows;

	2004/05	2003/04
	£'000	£'000
Democratic Representation and Management Costs	29	43
Corporate Management Costs	<u>101</u>	<u>89</u>
	<u>130</u>	<u>132</u>

8. Non Distributed Costs

The BVACOP defines Non Distributable 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 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 unrealised assets.

There were no non distributed costs in 2004-05. The non distributed costs of £12,000 in 2003/04 related to settlements on the defined benefits scheme.

9. Pension Costs

Financial Reporting Standard 17 "Retirement Benefits" (FRS17) prescribes how pension costs and liabilities 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.

Employees of the Board are admitted to the Highland Council Pension Fund. Under pension regulations, employers' contributions 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 2004/05 represent 13.6% of total pensionable pay (2004 12.9%).

In accordance with SORP guidance on the application of FRS17, the Revenue Account recognises the true economic cost of retirement benefits earned by employees in 2004/05 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 Valuation Joint Board at 31 March 2005.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

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

	2004/05		2003/04	
	£000	£000	£000	£000
Employer pension contributions		174		158
Less FRS17 charges				
Current service costs	235		163	
Past service costs	0		12	
Interest costs	433		453	
Expected return on assets	<u>(499)</u>		<u>(417)</u>	
		<u>(169)</u>		<u>(211)</u>
Contribution to/(from) pension reserve		<u>5</u>		<u>(53)</u>

Note 2 to the Balance Sheet details the assets and liabilities of the Fund attributable to the Board and the assumptions made 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 on the reserves of the Board of accounting for pension costs under FRS17.

10. Audit Fees

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice in 2004/05 amounted to £7,570 (2003/04 £6,870).

No other fees were payable in respect of any other services provided by the appointed auditor in 2004/05 or 2003/04.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

BALANCE SHEET

As at 31 March 2005

31/03/04 £000		31/03/05 £000	£000
	Current assets		
4	Sundry debtors	7	
248	Temporary advance with Loans Fund	<u>121</u>	
<u>252</u>	Total Assets		<u>128</u>
	Current liabilities		
(48)	Sundry creditors: General	(43)	
	Constituent		
<u>(204)</u>	Authorities	<u>(85)</u>	
(252)			<u>(128)</u>
<u>0</u>	Total assets less current liabilities		<u>(0)</u>
(761)	Net pensions liability		(2,119)
<u>(761)</u>	Total assets less liabilities		<u>(2,119)</u>
	Financed by:		
<u>(761)</u>	Pensions reserve		<u>(2,119)</u>
<u>(761)</u>	Total net worth		<u>(2,119)</u>



A Geddes CPFA
Treasurer
30 June 2005

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 2005.
- ii. An indication of the total likely costs to be incurred:
 - There are no likely future costs.
- iii. Disclosure of expenditure regarded as exceptional in accordance with FRS3:
 - 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".

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

An actuarial valuation as at 31 March 2005 was carried out by Hymans Robertson LLP, the independent actuaries to the Board. The main assumptions used in the calculations are as follows:

Actuaries' assumptions	Per annum	
	2004/05	2003/04
Price increases	2.9%	2.9%
Salary increases	4.4%	4.4%
Pension increases	2.9%	2.9%
Discount rates	5.4%	6.5%

The discount rate employed for 2004/05 is the yield available on long-dated high quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years) at 31 March 2004 as required by the SORP. This has resulted in a lower discount rate being applied in 2004/05 than in 2003/04 which has the effect of significantly increasing the projected value of the liabilities of the Fund.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

The actuaries' assessment of the assets and liabilities of the Fund attributable to the Board as at 31 March 2005 is set out below. The estimates have been prepared in accordance with guidance on accounting for retirement benefits under FRS17 issued by the Institute and Faculty of Actuaries.

	Asset value		Expected rate of return	
	31/03/05 £000	31/03/04 £000	31/03/05 %	31/03/04 %
Equity investments	5,665	5,232	7.7%	7.7%
Bonds	1,468	1,389	4.8%	5.1%
Property	692	317	5.7%	6.5%
Cash	170	152	4.8%	4.0%
Estimated employer assets	<u>7,995</u>	<u>7,090</u>	6.9%	7.1%
Present value of scheme liabilities	(9,911)	(7,670)		
Present value of unfunded liabilities	(203)	(181)		
Net pensions liability	<u>(2,119)</u>	<u>(761)</u>		

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

	2004/05 £000	2003/04 £000
Net pensions liability as at 1 April	(761)	(1,631)
Movements in the year:		
Current service cost	(235)	(163)
Employer contributions	161	146
Contributions in respect of unfunded benefits	13	12
Past service costs	0	(12)
Net return on assets	66	(36)
Actuarial losses	(1,363)	923
Net pensions liability as at 31 March	<u>(2,119)</u>	<u>(761)</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

STATEMENT OF REQUISITIONS

As at 31 March 2005

Constituent Authority	Population No	2004-05			2003-04	Total Balances Due £000
		Budget requisition £000	Actual requisition £000	Balance due £000	Balance due £000	
Highland Council	208,600	1,946	1,939	(7)	(68)	(75)
Comhairle Nan Eilean Siar	27,180	254	253	(1)	(9)	(10)
Total	235,780	2,200	2,192	(8)	(77)	(85)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000
Pensions Reserve		
Balance at 01 April 2004	(761)	(1,631)
Net surplus/(deficit) for the year	5	(53)
Actuarial (losses)/gains	(1,363)	923
Balance at 31 March 2005	<u>(2,119)</u>	<u>(761)</u>

NOTE TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Year ended 31 March 2005 £000	Year ended 31 March 2004 £000	Year ended 31 March 2003 £000
Difference between the expected and actual return on assets	442	920	(2,197)
Value of assets	7,995	7,090	5,823
Percentage of assets	5.5%	13.0%	(37.7)%
Experience (losses)/gains on liabilities	(10)	3	119
Present value of liabilities	10,113	7,851	7,454
Percentage of the present value of liabilities	(0.1)%	0.0%	1.6%
Actuarial (losses)/gains recognised in the STRGL	(1,363)	923	(2,078)
Present value of liabilities	10,113	7,851	7,454
Percentage of the present value of liabilities	(13.5)%	11.8%	(27.9)%

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

CASH FLOW STATEMENT

For the year ended 31 March 2005

2003/04 £000		2004/05 £000	£000
	Revenue Activities		
	<i>Cash Outflows</i>		
(1,485)	Cash paid to and on behalf of employees	(1,598)	
(613)	Other operating cash payments	(629)	
(2,098)			(2,227)
	<i>Cash Inflows</i>		
3	Cash received for goods and services	8	
1,971	Other operating cash receipts	2,073	
1,974			2,081
(124)	Net cash (outflow)/inflow from Revenue Activities		(146)
	Servicing of finance		
	Cash inflows		
23	Interest received	19	
23	Net cash inflow from servicing of finance		19
(101)	Net decrease in cash		(127)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
Statement of Accounts for the year ended 31 March 2005

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of net cash outflow from revenue activities

2003/04 £000		2004/05 £000
-	Surplus/deficit on Revenue Account	-
	Non revenue items	
(23)	Interest on revenue balances	(19)
	Items on an accruals basis	
(3)	(Increase)/decrease in debtors	(3)
(98)	Increase/(decrease) in creditors	(124)
(101)		(127)
<u>(124)</u>	Net Cash Outflow from revenue activities	<u>(146)</u>

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

2003/04 £000		2004/05 £000
	Temporary advance to Loans Fund	
349	As at 1 April 2004	248
(101)	Net decrease in cash	(127)
<u>248</u>	As at 31 March 2005	<u>121</u>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of the Board

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 and Western Isles Valuation Joint Board that officer is the Treasurer to the Board.
- to manage its affairs, to secure economic, efficient and effective use of resources and safeguard its assets.

Responsibilities of the Treasurer

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 SORP).

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 local authority SORP.

The Treasurer has also:-

- ◆ kept proper accounting records which were up to date; and
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

I, Alan Geddes, Treasurer to the Board, state that the Statement of Accounts for the year ended 31 March 2005 presents fairly the financial position of the authority at that date and its income and expenditure for the year then ended.



A Geddes CPFA
Treasurer
30 June 2005

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

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 forecasts;
- 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 previous years Annual Reports have now been successfully addressed with only three remaining outstanding, as detailed below:

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

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 August 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 August 2005.

Valuation Roll/Council Tax Valuation List

Consolidated procedural notes are required for valuation systems with a regular reconciliation between the Assessors and the Finance Service to ensure consistency.

The timescale for remedial action was agreed at September 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 2005.



A Geddes CPFA
Treasurer
30 June 2005

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 2005 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.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

Statement of Accounts for the year ended 31 March 2005

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 2005 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

09 September 2005