

Highland and Western Isles

Valuation Joint Board

Annual Accounts

2018/19

**APPROVED
AT VJB COMMITTEE
12 SEPTEMBER 2019**

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MANAGEMENT COMMENTARY

The Highland and Western Isles Valuation Joint Board succeeded the Joint Valuation Committee on 1st April 1996, following a local government reorganisation, for the discharge of certain statutory functions relating to the preparation, publishing and maintenance of both the Valuation Roll and Council Tax List (Valuation List). The Assessor also provides the electoral registration function on behalf of both Council areas. All three documents (Valuation Roll, Council Tax Valuation List and Electoral Register) are available for public inspection at the Assessor's offices (Moray House, 16-18 Bank Street, Inverness, IV1 1QY).

The Highland and Western Isles Valuation Joint Board is one of 10 joint boards in Scotland appointed by combinations of local authorities; there are 4 boards appointed by single local authorities making 14 boards in total. Each board appoints an independent assessor to ensure that valuations are seen to be free from political influence or interference. This is essential to the performance of the Assessor's statutory duties which can involve situations where the interests of the local authority and the ratepayer may conflict.

The Assessor & Electoral Registration Officer (ERO) is William Gillies, MRICS. Robert Shepherd, MRICS and Frank Finlayson, MRICS are the Assistant Assessors & EROs. Copies of the minutes of meetings and audited accounts of the Board are available on the Assessors website www.highland.gov.uk/hwi-vjb

The Board Composition

The Board is a separate public body from the two constituent authorities (The Highland Council and Comhairle nan Eilean Siar), but draws its membership from them. The Board Members for 2018/19 as at 1 April 2019 are named below:

Highland Council (Substantive)	Highland Council (Substitute)	Western Isles Council (Substantive)	Western Isles Council (Substitute)
Mr J Gray (Convener from 27.06.17)	Mr B Boyd Mrs C Caddick	Mr A Macleod (Vice Convener from 27.06.17)	Mr D F Crichton Mr F Cunningham
Ms K Currie	Miss J Campbell	Mr J Mackay	
Mr L Fraser	Mrs M Cockburn		
Mr A Graham	Mr D MacKay		
Mr A Mackinnon	Mr D Macpherson		
Mr D MacLeod	Mr H Morrison		
Mrs P Munro	Vacancy		
Mrs M Paterson			

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how the Board has performed during financial year 2018/19 and understand the year-end financial position as at 31 March 2019. In addition, it provides a narrative on the financial outlook for the Board during financial year 2019/20 and beyond.

Background

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

The functions of the Assessor are different from those of most other Local Government Officers, whose duties are to carry out the policies of Authorities, as determined by elected councillors. The Assessor is required to balance the interests of individual ratepayers against those of others, in terms of valuation levels and must carry out his duties in accordance with the Valuation Acts. The independence of the Assessor is necessary to ensure that decisions are made on considerations of value, without political pressure. The actions of the Assessor are subject to scrutiny however, through an appeals process.

The Statutory Framework

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

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

- The Local Government (Scotland) Act 1973, section 96, requires Scottish authorities to keep accounts;
- The Local Government in Scotland Act 2003, section 12 places a duty of Best Value on the authority and also a duty to observe proper accounting practices; the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS), the Service Reporting Accounting Code of Practice (SeRCOP) and the Prudential Framework and other statutory guidance issued under section 12 of the 2003 Act, defines proper accounting practices for local authorities in the UK;
- The Local Authority Accounts (Scotland) Amendment Regulations 2014 (SSI No.2014/200) amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No.1985/267) to require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts;
- Under paragraph 21 of the Local Authority Accounts (Scotland) Regulations 2014 (Finance circular 7/2014) the proper officer is responsible for certifying that the Financial Statements give a true and fair view of the financial position of the local authority and its group for the year then ended. The certification includes a statement to this effect as part of the Statement of Responsibilities and by signing the Balance Sheet. This certification is required before the Annual Accounts are submitted to the appointed auditor. The proper officer re-certifies the audited Annual Accounts after they have been approved for signature by the local authority or a committee of the local authority, in this case The Highland and Western Isles Valuation Joint Board. The proper officer, known as the Treasurer, is the Depute Chief Executive and Director of Corporate Resources of Highland Council; and
- The Code was developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board and has effect for financial years commencing on or

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after 1 April 2013.

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

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

Performance Information

2018/19 was another busy year for the Board and its employees.

Individual Electoral Registration (IER) continues to require additional resource to comply with the statutory regime in terms of both staffing and materials.

While there has been some respite from major electoral events during the financial year the valuation environment has been particularly challenging.

2017 was a year of revaluation: new rateable values were issued to interested parties in March and there followed a period of six months to lodge a valid appeal. A total of 4,080 appeals were received together with over 500 enquiries. The Valuation Appeal Committee set a very challenging appeal resolution programme during the second half of 2018 which stretched resources to the limit.

Shooting rights were reintroduced into the Valuation Roll with effect from 1 April 2017. This resulted in a high level of appeal and resolution of these appeals is ongoing.

The performance indicators below were achieved against this background.

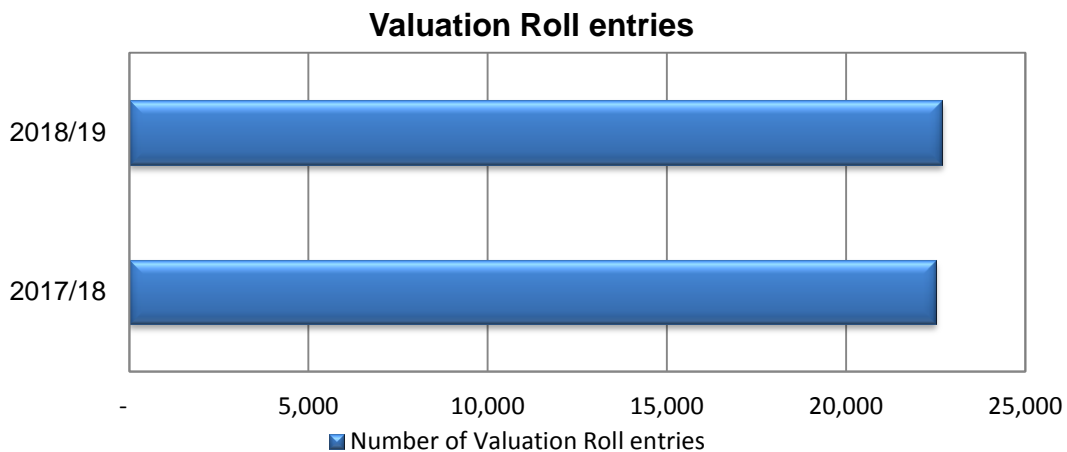
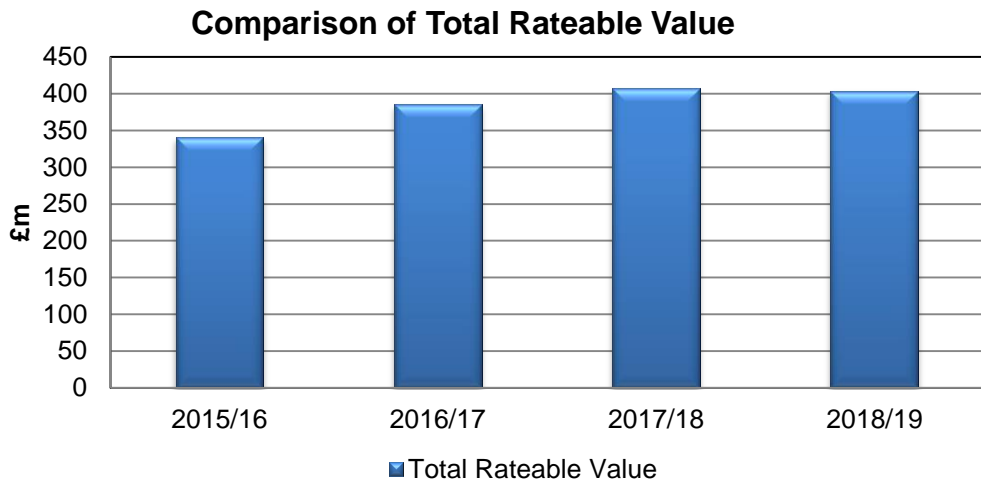
Key Performance Indicators – 2018/19

Valuation Roll	2017/18	2018/19
Total number of entries	22,509	22,864
Total Rateable Value	£407.0m	£403.8m
No of amendments effected	2,005	1,659
Amendments within time periods		
0-3 months	53%	47%
3-6 months	19%	18%
Over 6 months	28%	35%
Council Tax		
Total no. of entries	140,459	141,443
Adjustment to band D equivalent	132,054	138,182
New entries added	1,509	1,773
New entries within time periods		
0-3 months	75%	72%
3-6 months	16%	21%
Over 6 months	9%	7%
General		
Costs of All permanent staff	£1.824m	£1.777m
Number of FTE staff as at 1 April each year	44.3	47.3

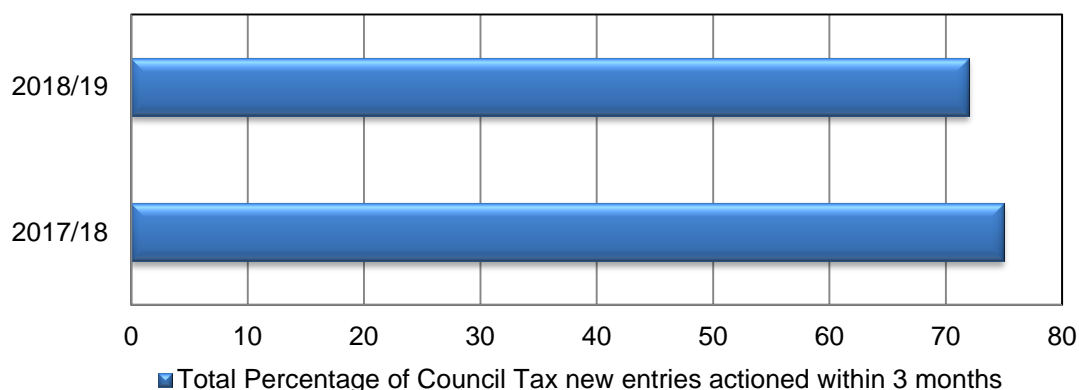
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There has been another measurable reduction in time related performance for entries in the Valuation Roll, with 6% less changes being made within 3 months of the date of material change. The number of subjects in the Valuation Roll has increased slightly. The total rateable value has reduced slightly and this is largely as a consequence of appeal resolution.

The KPI's for Council Tax demonstrate a mixed outcome in performance terms as determined by the KPI's. While there has been a slight decline in the percentage of changes made within three months of the event, there has been a slight improvement in the percentage of changes made more than six months after the event. This is against a background of an increase in the total number of new entries.



Percentage of Council Tax new entries actioned within 3 months



Primary Financial Statements

The Annual Accounts summarise The Highland and Western Isles Valuation Joint Board's transactions for the year, its year-end position at 31 March 2019 and its cash flows. The Annual Accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

Financial Performance

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

The Board's financial results for the year, compared against budget, are as shown in the table on the next page.

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**Budget Performance Statement
For the year ended 31 March 2019**

2017/18		2018/19		
Actual		Budget	Actual	Variance
£000		£000	£000	£000
1,894	Staff costs	1,996	1,843	(153)
254	Property costs	261	248	(13)
261	Administration expenses	260	316	56
5	Transport and plant costs	5	4	(1)
377	Supplies and services	458	483	25
9	Members Expenses	10	10	-
<hr/> 2,800	Gross expenditure	<hr/> 2,990	<hr/> 2,904	<hr/> (86)
(9)	Sales of register etc.	(4)	(4)	-
(136)	Specific Grants	(125)	(117)	8
(3)	Interest on revenue balances	(1)	(3)	(2)
<hr/> (148)	Gross income	<hr/> (130)	<hr/> (124)	<hr/> 6
<hr/> 2,652	Net expenditure	<hr/> 2,860	<hr/> 2,780	<hr/> (80)
-	Transfer to Reserves	-	-	-
<hr/> (2,652)	Requisition Income	<hr/> (2,860)	<hr/> (2,780)	<hr/> 80
<hr/> -		<hr/> -	<hr/> -	<hr/> -

The net budgeted expenditure of the Board in 2018/19 was £2.860m (2017/18 £2.860m). Actual net expenditure is £2.780m (2017/18 £2.652m). There was an underspend of £0.080m in 2018/19 (2017/18 £0.208m underspend).

The reserves were at the limit that can be transferred to the General Fund (restricted to 3% of total budget in the year of transfer and the cumulative balance should not exceed 5% of the total budget in that year). Therefore £0.080m was returned to the constituent authorities in the same proportion as requisition funding.

The main variations from budget during the year were as follows:

- The variance in the staffing budget was largely due to delays in filling vacancies, changes in the contractual hours of staff throughout the financial year and a further reduction in overtime costs compared to previous years.
- The underspend in property costs was largely due to lower rent and service charges than had been anticipated alongside savings in gas and cleaning costs.
- The overspend in administration expenses was largely due to IER printing costs and advertising costs for the District Valuer job vacancies.
- The supplies and services overspend was due to the high volume of appeals in 2018/19, which increased the Valuation Appeal Committee (VAC) costs.

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- The variance in income is due to a lower than anticipated allocation of funding from the Cabinet Office for IER.

Before the introduction of IER in 2014, one person in each household was responsible for registering everyone living at that address. Under IER each person living in a household must register to vote individually, rather than by household.

Under IER 'identifying information' such as dates of birth and national insurance number must be provided when applying to register. If applicants are unable to supply this information, they can provide an alternative specified form of evidence to confirm their identity. All applications are then verified with the Department of Work and Pensions before individuals are added to the register

The introduction of IER was the most significant change to the way people register to vote in over 100 years. As a consequence of these changes there continue to be additional costs and demands on resources which are largely funded by additional grant from the UK Government.

Reserves

In accordance with the CIPFA guidance "Reserves and Balances in a Local Authority" the Board has determined that General Fund balances should be retained for contingencies and for specific initiatives. The Board agreed that the amount transferred to the General Fund will be restricted to 3% of the total budget in the year of the transfer and the cumulative balance should not exceed 5% of the total budget in that year. The reserves were at the limit so the surplus for the year was returned to constituent authorities.

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

Balance at 01/04/18 £000	Balance at 31/03/19 £000
143	143
General Fund Balance	

The reserves are held as a contingency to deal with any unforeseen pressures that may occur in future years.

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

2017/18		Constituent Authority	2018/19	
£000	% share		£000	% Share
2,369	89.3	The Highland Council	2,484	89.3
283	10.7	Comhairle nan Eilean Siar	296	10.7
2,652	100.0	Total	2,780	100.0

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Statement of Requisitions 2018/19

Constituent Authority	Population	Budget requisition	Actual requisition	Balance due to constituent authority
	No.	£000	£000	£000
Highland Council	232,132	2,555	2,484	(71)
Comhairle nan Eilean Siar	27,684	305	296	(9)
Total	259,816	2,860	2,780	(80)

Provisions, Contingencies and Write-offs

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

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

There were no write offs during the year.

Retirement Benefits

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

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by the Highland Council. Note 12 to the Core Statements details the income and expenditure charged to the income and expenditure account under IAS 19 in respect of the Local Government Scheme, based upon assessments provided by the Actuary to the Scheme.

The Balance Sheet on Page 30 shows that the Board has a net pension liability of £5.968m as at 31 March 2019 (31 March 2018 £4.890m) 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 2019.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in the future. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used.

Service Changes and Future Developments

The previously anticipated 2015 revaluation was deferred by the Scottish Government until 2017 and allowed some relief from the overlap of appeal disposal and revaluation preparation. We have now reverted to a five year cycle and therefore these pressures have returned. The reinstatement of shooting rights into the Valuation Roll has increased the work load and this is set to continue through the period of appeal disposal together with an ongoing maintenance burden. The second half of 2018 was characterised by a particularly demanding appeal resolution schedule set by the Valuation Appeal Committee (VAC). The appeal burden is set to continue as more complex cases are dealt with in the year ahead.

The Scottish Government announced an intention to review business rates and the Barclay Review published their report in 2017. Most of the recommendations of the report have been adopted by the Government with varying implementation dates. The Scottish Assessors through the Scottish Assessors Association have expressed a willingness to work with Government to implement change and an action plan has been published. Some of the changes will require additional resource and others can be implemented at limited cost. It is recognised that other recommendations, such as three yearly revaluations, shall have significant cost implications and additional funding is being put in place commencing 2019-20. The Non Domestic Rates (NDR) Bill has been published and the full position shall become clearer once the Bill completes the review phase and is enacted.

Electoral registration entered a period of greater stability in 2018/19 although uncertainty over Brexit may lead to a higher risk of unexpected electoral events. It is however still intended to review our electoral systems with a view to improving software capabilities.

In the autumn another full canvass will take place as required by legislation. Every effort will continue to be made to build on savings resulting from electronic communication and automated, digital or online processes.

Mobile technology will continue to be used to improve the efficiency of the canvass where possible.

The service continues to plan with a view to minimising the costs of the additional volume of mail and canvassing associated with IER including the costs of complying with the increased checking requirements. The UK Government continues to provide additional grant funding for these additional costs, however, due to a degree of uncertainty surrounding the actual costs, the grant has been reduced year on year. It is anticipated that these funding pressures will continue in the current and future years, although canvass reform may provide some respite.

The disposal of revaluation appeals continues with completed hearings of appeals against offices, shops, hotels, pubs, retail warehouses and workshops. Hearings will continue before the VAC for the next year with appeals to the Lands Tribunal for Scotland and the Lands Valuation Appeal Court running beyond that period. The Valuation Appeal Panel determines the pace of appeal disposal and they are currently citing cases to be heard broadly on a monthly basis with a view to timeous disposal by the statutory date.

In setting its budget for 2018/2019 through to 2021/22 the Valuation Joint Board agreed an increase in the requisitions for the constituent authorities recognising the move back to a five

yearly cycle of revaluation and the preparation for commencing a three yearly cycle from 2022. This however continues to be a challenging financial position given the actual reduction in Scottish Government grant to local authorities and pressures to produce efficiency savings will continue in the coming years even although overall expenditure is set to increase. This will place significant pressure on the statutory services that are provided by the Assessor and Electoral Registration Officer. The Valuation Joint Board needs to sustain sufficient resources to ensure the delivery of services that are crucial for both elections and tax revenues for councils and are required by law. It should also be recognised that there is an additional workload as the number of subjects in the Valuation Roll and Council Tax list increases. The Assessor will continue to be required to ensure proper dialogue with the constituent authorities so that there is a full financial plan and adequate resources for the future at a time when councils are facing continued significant reductions in funding.

Going Concern

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

The IAS 19 Pension and Injury Benefits Liabilities of £5.968m (2017/18 £4.890m) has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £5.851m (2017/18 £4.767m).

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.

Liz Denovan CPFA
Treasurer

16 September 2019

Jimmy Gray
Convener

12 September 2019

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

12 September 2019

STATEMENT OF RESPONSIBILITIES

The Valuation Joint Board's Responsibilities

The Valuation Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the appointed Treasurer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For the Joint Board, that officer is the Depute Chief Executive and Director of Corporate Resources, Highland Council.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

Jimmy Gray
Convener

12 September 2019

The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Treasurer has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Valuation Joint Board at the reporting date and the transactions of the Board for the year ended 31 March 2019.

Liz Denovan CPFA
Treasurer

16 September 2019

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

The Highland and Western Isles Valuation Joint Board has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government” which was published in early 2016 to provide guidance on the preparation of Annual Governance Statements from financial year 2016/17 onwards. The Code is available on our website www.highland.gov.uk/hwi-vjb

The aim of the CIPFA/SOLACE framework is to “ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”.

The Local Code of Corporate Governance provides evidence of the Board’s commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. This document is regularly reviewed and updated.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the statutory requirements of the Assessor and Electoral Registration Officer are met and policies, aims and objectives can be delivered. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at The Highland and Western Isles Valuation Joint Board for the year ended 31 March 2019 and up to the date of approval of the Board's Annual Accounts.

The governance framework

The key elements of the systems and processes that comprise the Board's governance arrangements are described in terms of the seven principles of good governance defined in the CIPFA/SOLACE framework and summarised as follows:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of intended outcomes;
5. Developing the entity's capacity, including the capacity of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The actions set out in the 2018/19 Code of Corporate Governance are delivered or remain on target and no specific actions are required to be carried forward into the new Code.

Review of effectiveness of governance arrangements

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

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

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

The work undertaken by the Internal Audit Section during the year to 31 March 2019 consists of that undertaken directly for the Board and indirectly where the Highland Council's financial systems are used. For this year, the work included:

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- A review of the systems of internal control to inform the Board's Annual Governance Statement and the Internal Audit Annual Report 2018/19. The audit opinion concluded that reasonable assurance could be placed upon the Board's framework of governance, risk management and control for the year;
- Review of the Individual Electoral Registration process. This work is still in progress but the initial assessment of the internal controls does not indicate any serious areas of weakness. The findings from this audit will be addressed in the relevant audit report. Any identified areas for improvement will be detailed as recommendations in the action plan together with the associated management agreed actions.

All audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. This action tracking process also allows for revision of the agreed action target dates. All actions were either satisfactorily implemented or revised target dates were agreed.

On the basis of the work undertaken during the year, it was considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for the year to 31 March 2019.

The Treasurer to the Board has a statutory responsibility for the proper administration of the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. In 2016 CIPFA updated its Statement on the Role of the Chief Financial Officer in Local Government together with an application note enabling authorities to review the effectiveness of their own governance arrangements by reference to best practice and using self-assessment. This review has been undertaken and the arrangements within the Valuation Joint Board are broadly compliant with the CIPFA Statement. One area of exception is the requirement for the Chief Financial Officer (the Treasurer) to report directly to the Chief Executive (the Assessor and Electoral Registration Officer) and be a member of the leadership team. With regard to the Valuation Joint Board the following arrangements are in place, which achieve the same outcome:

- The Valuation Joint Board's Financial Regulations recognise the Treasurer as being "responsible for the proper financial administration of the Board's affairs, and acts as financial adviser to the Board". In addition, the Regulations require:
 - That the Assessor and Electoral Registration Officer ensures that all spending conforms to proper accounting standards and will seek appropriate clarification on such matters from the Treasurer;
 - The accounting procedures, records of the Board and Annual Accounts are to be prepared in accordance with directions provided by the Treasurer;
 - Reports to the Board containing financial implications are to be discussed with the Treasurer.
- The Treasurer's staff work closely with the Valuation Joint Board staff regarding financial matters.

- It is considered that the review of the effectiveness of the governance framework by the Valuation Joint Board provides reassurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant governance issues

Update on significant governance issues previously reported:

It was agreed that to improve the Internal Audit process, six-monthly meetings would be held between the Assessor and Electoral Registration Officer and the Corporate Audit Manager to discuss audit matters and to address any outstanding issues including action tracking. This has been undertaken as planned and there are no outstanding issues.

Jimmy Gray
Convener

William Gillies MRICS
Assessor and Electoral Registration Officer

12 September 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the body as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Treasurer and the Highland and Western Isles Valuation Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Highland and Western Isles Valuation Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore

design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, are set out in our Annual Audit Report.

Use of our report

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 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Joanne Brown (for and on behalf of Grant Thornton UK LLP)

110 Queen Street

Glasgow

G1 3BX

September 2019

REMUNERATION REPORT

All information disclosed in the tables at paragraphs 3 and 4 in the Remuneration Report will be audited by Grant Thornton LLP. The other sections of the Remuneration Report will be reviewed by Grant Thornton LLP to ensure that they are consistent with the financial statements.

1. Appointments

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

2. Remuneration Policy

2.1 Senior Employees

There is no national salary mechanism in place for Assessors. It is up to individual authorities and Boards to determine these salaries. As such, the salaries of senior employees (Assessor and Electoral Registration Officer, Assistant Assessors and Electoral Registration Officers) are set and approved by the Board, based on advice received from the Highland Council's Human Resources Department. The current grading for the post of Assessor and Electoral Registration Officer was agreed by the Board in August 2013.

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

2.2 Senior Councillors

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

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

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

3. Remuneration

3.1 Remuneration of Senior Employees of the Board

Total Remuneration including salary, fees and allowances

2017/18	Name and Post Title	2018/19
£		£
92,394	William Gillies, Assessor and Electoral Registration Officer	93,994
62,295	Robert Shepherd, Assistant Assessor and Electoral Registration Officer	64,475
56,915	Frank Finlayson, Assistant Assessor and Electoral Registration Officer	63,084
27,105	Norman MacKenzie, Assistant Assessor*	-

*Norman Mackenzie left the Assistant Assessor post in October 2017

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.

3.2 Remuneration by Pay Band

Analysis of Employees Earning Over £50,000

2017/18 Number	Salary Band	2018/19 Number
-	£50,000-£54,999	-
1	£55,000-£59,999	-
1	£60,000-£64,999	2
1	£90,000-£94,999	1

3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

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

2017/18 £	Councillor Name and Responsibility	2018/19 £
3,539	J Gray – Convenor from 27/06/2017	4,251
394	K Gowans – Convener to 04/05/2017	-
805	A Macleod – Vice Convenor from 27/06/2017	1,868
284	J MacKay – Vice Convenor to 04/05/2017	-

The role of Convenor and Vice Convenor changed as a result of the Local Government Elections and a change to the Governance Structure.

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.

2017/18 £	Type of Remuneration	2018/19 £
4,707	Salaries	6,119
3,430	Expenses	3,121
8,137	Total	9,240

The annual return of Councillors' salaries and expenses for 2018/19 is available for any member of the public to view at all public offices and is also available on the Council's website at

https://www.highland.gov.uk/downloads/file/20810/valuation_board_expenses_2018_to_2019

4. Pension Benefits

The pension entitlements of senior employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year.

Name and Post Title	In-year pension contributions		Accrued Pension Benefits		
	For year to 31/03/18	For year to 31/03/19	As at 31/03/19	Difference from March 2018	
	£	£	£000	£000	
William Gillies, Assessor and Electoral Registration Officer	18,017	18,329	Pension	45	3
			Lump Sum	82	1
Robert Shepherd, Assistant Assessor and Electoral Registration Officer	12,147	12,573	Pension	23	2
			Lump Sum	39	2
Frank Finlayson, Assistant Assessor	11,098	12,301	Pension	28	4
			Lump Sum	50	5
Norman MacKenzie, Assistant Assessor*	7,298	-	Pension	-	-
			Lump Sum	-	-

*Norman Mackenzie left the Assistant Assessor post in October 2017

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown in the table relate to the benefits that the person has accrued as a consequence of their total local government service. The employer's contribution rate in 2018/19 is 19.5% of the pensionable salary.

5. Trade Union Facility Time

In 2018/19 there was no Trade Union Official within the Valuation Service.

Jimmy Gray
Convener

William Gillies MRICS
Assessor and Electoral Registration Officer

12 September 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than expenditure permitted by regulations which is funded by requisitions from the constituent authorities. The funding position is shown in both the Expenditure and Funding Analysis Note and the Movement in Reserves Statement.

2018/19				
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Cost of Services		3,321	(120)	3,201
Financing and Investment income and expenditure	7			129
Taxation and non-specific grant income	8			(2,780)
Deficit on provision of services				550
Re-measurements of the net defined benefit liability	12			534
Total comprehensive income and expenditure				1,084

2017/18				
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Cost of Services		3,056	(145)	2,911
Financing and Investment income and expenditure	7			202
Taxation and non-specific grant income	8			(2,652)
Deficit on provision of services				461
Re-measurements of the net defined benefit liability	12			(3,653)
Total comprehensive income and expenditure				(3,192)

MOVEMENT IN RESERVES STATEMENT 2018/19

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 Total Comprehensive Income and Expenditure line shows the true economic cost of providing the Board's services. This is different from the statutory amounts required to be charged to the General Fund which can be seen in the Expenditure and Funding Analysis Note.

	Notes	General Fund	Total Usable Reserves	Pension Reserve	Employee Statutory Mitigation Account	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2018		143	143	(4,890)	(20)	(4,767)
Movement in reserves during 2018/19						
Total Comprehensive Income and Expenditure	10	(550)	(550)	(534)	-	(1,084)
Adjustments between accounting basis and funding basis under regulations	9	550	550	(544)	(6)	-
Increase/(decrease) in 2018/19		0	0	(1,078)	(6)	(1,084)
Balance at 31 March 2019		143	143	(5,968)	(26)	(5,851)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
ANNUAL ACCOUNTS 2018/19

MOVEMENT IN RESERVES STATEMENT 2017/18

	Notes	General Fund	Total Usable Reserves	Pension Reserve	Employee Statutory Mitigation Account	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2017		143	143	(8,079)	(23)	(7,959)
Movement in reserves during 2017/18						
Total Comprehensive Income and Expenditure	10	(461)	(461)	3,653	-	3,192
Adjustments between accounting basis and funding basis under regulations	9	461	461	(464)	3	-
Increase/(decrease) in 2017/18		0	0	3,189	3	3,192
Balance at 31 March 2018		143	143	(4,890)	(20)	(4,767)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
ANNUAL ACCOUNTS 2018/19

BALANCE SHEET

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

31/03/18 £000		Notes	31/03/19 £000
Current assets			
50	Short term debtors	15	49
406	Cash and cash equivalents		248
<u>456</u>			<u>297</u>
(333)	Short term creditors	16	(180)
<u>(333)</u>	Current liabilities		<u>(180)</u>
(4,890)	Other long term liabilities	12	(5,968)
<u>(4,890)</u>	Long term liabilities		<u>(5,968)</u>
<u>(4,767)</u>	Net liabilities		<u>(5,851)</u>
143	General Fund		143
(4,890)	Pension Reserve	10	(5,968)
(20)	Employee Statutory Mitigation Account	10	(26)
			<u>(5,851)</u>
<u>(4,767)</u>	Total reserves		<u>(5,851)</u>

The unaudited Annual Accounts were issued on 21 June 2019 and the audited Annual Accounts were authorised for issue on 12 September 2019

Liz Denovan CPFA
Treasurer

16 September 2019

CASH FLOW STATEMENT

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

31/03/18	Notes	31/03/19
£000		£000
(461)	Net deficit on the provision of services	(550)
353	Adjust net deficit on the provision of services for non-cash movements	392
2	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	4
(106)	Net cash inflow/(outflow) from operating activities	(154)
(2)	Financing activities	(4)
(108)	Net increase/(decrease) in cash and cash equivalents	(158)
514	Cash and cash equivalents at the beginning of the year	406
406	Cash and cash equivalents at the end of the year	248

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

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

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the funding available to the Board for the year has been used in providing services in comparison with those resources consumed or earned by the Board in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure statement.

2018/19	Net Expenditure chargeable to the General Fund £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure in the CIES £000
Staff costs	1,843	417	2,260
Property costs	248	-	248
Administration expenses	316	-	316
Transport and plant costs	4	-	4
Supplies and services	483	-	483
Members Expenses	10	-	10
Income	(120)	-	(120)
Net Cost of Services	2,784	417	3,201
Other Income and Expenditure:	(2,784)	133	(2,651)
(Surplus)/Deficit	0	550	550
General Fund Movements:			
Opening Balance	(143)		
(Surplus)/Deficit on General Fund	0		
Closing Balance	(143)		
2017/18			
Staff costs	1,894	256	2,150
Property costs	254	-	254
Administration expenses	261	-	261
Transport and plant costs	5	-	5
Supplies and services	377	-	377
Members Expenses	9	-	9
Income	(145)	-	(145)
Net Cost of Services	2,655	256	2,911
Other Income and Expenditure:	(2,655)	205	(2,450)
(Surplus)/Deficit	0	461	461
General Fund Movements:			
Opening Balance	(143)		
(Surplus)/Deficit on General Fund	0		
Closing Balance	(143)		

2. Note to Expenditure and Funding Analysis

The following provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding & Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000
Staff costs	411	6	417
Net Cost of Services	411	6	417
Other Income and expenditure	133	-	133
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	544	6	550

Adjustments between Funding & Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000
Staff costs	259	(3)	256
Net Cost of Services	259	(3)	256
Other Income and expenditure	205	-	205
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	464	(3)	461

3. Accounting Policies

General principles

The Annual Accounts summarise the transactions of the Board for the 2018/19 financial year and its position at the year end. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is historical cost.

Accruals of income and expenditure

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

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

Cash and cash equivalents

The Highland Council loans fund provides all the day to day banking requirements of the Board. The balance of £0.248m (2017/18 £0.406m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

Employee benefits

Benefits payable during employment

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

Post-Employment Benefits

Employees of the Board are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. As of 1st April 2015 this is a defined benefit career average revalued earnings (CARE) scheme. In addition the Board has liabilities for discretionary pension payments outside the main scheme.

Local Government Pension Scheme

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

- The liabilities of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings of current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (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 as below:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service accrued in the year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of staff costs. In this year's accounts an adjustment was made to reflect the potential impact of the McCloud ruling and more information on this is provided in Note 5.
- net interest on the defined benefit liability, i.e. net interest expense for the Board – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements of the net defined benefit liability (asset) comprising:

- The return on pension plan assets – excluding amounts included in net interest on the net pensions liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Highland Council pension fund

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

Adjusting events

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

Non-adjusting events

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

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

Government grants and contributions

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

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

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

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

Leases

Operating Leases

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

Property, plant and equipment

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

Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Code of Practice 2018/19 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

Contingent liabilities

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

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

Reserves

The General Fund Reserve is at the maximum level permitted.

The Pension Reserve and the Employee Statutory Mitigation Account are kept to manage the accounting processes for employee benefits and retirement benefits and do not represent usable resources for the Board – movements on these reserves are explained in note 10 to the accounts.

VAT

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

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

The following accounting standards will be adopted within the 2019/20 Code effective from 1 April 2019. There is therefore no impact on the 2018/19 financial statements.

- Amendments to IAS 40 Investment Property: Transfers of Investment Property (clarifies guidance regarding transfers in and out of investment properties)
- Annual improvements to IFRS Standards 2014-2016 cycle
 - The improvement to IFRS 1 First-time Adoption of International Financial Reporting (deletion of short term exceptions)
 - IFRS 12 Disclosure of Interests in Other Entities (disclosure requirements of an entity's interests that are classified as held for sale, held for distribution or as discontinued operations)
 - IAS 28 Investments in Associates and Joint Ventures (clarifies the election to measure at fair value through profit and loss an investment in an associate or joint venture that is held by an entity)
- IFRIC 22 Foreign Currency Transactions and Advance Considerations (where a non-monetary asset or liability arises from either the payment or receipt of an advance consideration)
- IFRIC 23 Uncertainty over Tax Treatments (clarifies the accounting for uncertainties in income taxes)
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (alters the existing requirements in IFRS 9 regarding termination rights)

The overall impact of this adjustment on the financial position of the Board is not expected to be material.

5. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3, the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

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

McCloud ruling

With regard to past service cost, an adjustment has been made using information provided by the Pension Fund's Actuary to reflect the potential impact of the McCloud ruling and background on this is provided below.

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The recent ruling by the Supreme Court has denied the Government's right to appeal the McCloud judgement. With this decision, it is understood that the Government's right to appeal is now fully exhausted.

As the Government's request for appeal is now rejected, benefits accrued from 2015 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact of the above at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is provided in GAD's paper, dated 10 June 2019.

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

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

The only item in the Board's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension liability. The impact of changes in the assumptions used on the pension liability has been assessed by the actuaries and is illustrated in Note 12.

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

2017/18		2018/19
£000		£000
205	Pensions Net Interest	133
(3)	Interest receivable	(4)
<u>202</u>		<u>129</u>

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

2017/18		2018/19
£000		£000
<u>(2,652)</u>	Requisitions from constituent authorities	<u>(2,780)</u>

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

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

	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2018/19
2018/19		£000	£000	£000	£000
Adjustments involving the Pensions Reserve					
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12	811	(811)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(267)	267	-	-
Adjustments involving the Employee Statutory Mitigation Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	6	-	(6)	-
Total adjustments		550	(544)	(6)	-

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	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2017/18
2017/18		£000	£000	£000	£000
Adjustments involving the Pensions Reserve					
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12	726	(726)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(262)	262	-	-
Adjustments involving the Employee Statutory Mitigation Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	(3)	-	3	-
Total adjustments		461	(464)	3	-

10. Balance Sheet – unusable reserves

(a) Pensions Reserve

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

Pensions Reserve

2017/18 £000		2018/19 £000
(8,079)	Opening balance at 1 April	(4,890)
43	Return on plan assets (excluding the amount included in the net interest expense)	592
936	Actuarial (losses)/gain arising on changes in financial assumptions	(1,110)
81	Actuarial (losses)/gain arising on changes in demographic assumptions	0
2,593	Experience adjustments	(16)
3,653		(534)
(726)	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	(811)
262	Employer's pension contributions and direct payments to pensioners payable in the year	267
(4,890)	Closing balance at 31 March	(5,968)

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(b) Employee Statutory Mitigation Account

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

2017/18 £000		2018/19 £000
(23)	Opening balance at 1 April	(20)
23	Settlement or cancellation of accrual made at the end of the preceding year	20
(20)	Amounts accrued at the end of the current year	(26)
(20)	Closing balance at 31 March	(26)

11. External audit costs

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

2017/18 £	2018/19 £
7,080 External audit costs	7,280

12. Defined benefit pension schemes

Participation in pension schemes

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

The Board participates in one post-employment scheme:

- The Local Government Pension Scheme, administered locally by the Highland Council Pension Fund – This is a funded defined benefit career average revalued earnings (CARE) scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Transactions relating to post-employment benefits

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

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	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of services				
Current service cost	521	535	-	-
Past service cost (including curtailments)	-	143	-	-
	521	678	-	-
Financing and investment income and expenditure				
Net interest expense	199	128	6	5
Total post-employment benefits charged to the deficit on the provision of services	720	806	6	5
Other post-employment benefits charged to the comprehensive income and expenditure statement				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(43)	(592)	-	-
Actuarial losses/(gain) arising on changes in financial assumptions	(935)	1,107	(1)	3
Actuarial losses/(gain) arising on changes in Demographic assumptions	(81)	-	-	-
Experience adjustments	(2,563)	-	(30)	16
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(3,622)	515	(31)	19
Movement in reserves statement				
Reversal of net charges made to the deficit on the provision of services for post-employment benefits in accordance with the code	(720)	(806)	(6)	(5)
Actual amount charged against the General Fund balance for pensions in the year				
Employers contributions payable to the scheme	250	254	12	13
Total movement in reserves in respect of post-employment benefits	(470)	(552)	6	8

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Pension assets and liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/18	31/03/19	31/03/18	31/03/19
	£000	£000	£000	£000
Present value of the defined benefit obligation	(20,475)	(22,245)	(203)	(214)
Fair value of pension fund assets	15,788	16,491	-	-
Net liability arising from defined benefit obligation	(4,687)	(5,754)	(203)	(214)

Information about the defined benefit obligation – Funded obligations

	Liability split		Duration
	£000	Percentage (%)	Years
Active members	12,163	55.1%	21.3
Deferred members	2,308	10.4%	23.8
Pensioner members	7,629	34.5%	10.8
Total	22,100	100.0%	17.0

The durations are weighted averages as at the last formal valuation date 31 March 2017.

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31/03/18	31/03/19	31/03/18	31/03/19
	£000	£000	£000	£000
Opening fair value of scheme assets	15,719	15,788	-	-
Interest income	388	406	-	-
Return on plan assets	43	592	-	-
Contributions by employer	250	254	12	13
Contributions by Scheme participants	83	83	-	-
Estimated benefits paid (net of transfers in)	(695)	(632)	(12)	(13)
Closing fair value of scheme assets	15,788	16,491	-	-

Assets and liabilities in relation to post-employment benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	31/03/2018	31/03/2019	31/03/2018	31/03/2019
	£000	£000	£000	£000
Opening defined benefit obligation	23,558	20,475	240	203
Current service cost	521	535	-	-
Past service cost		143		
Interest cost	587	534	6	5
Contributions by scheme participants	83	83	-	-
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in financial assumptions	(935)	1,107	(1)	3
Actuarial (gains)/losses from changes in demographic assumptions	(81)	-	-	-
Experience adjustments	(2,563)	-	(30)	16
Estimated benefits paid (net of transfers in)	(695)	(632)	-	-
Unfunded pension payments	-	-	(12)	(13)
Closing value	20,475	22,245	203	214

Analysis of Pension Fund's Assets

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

2017/18		2018/19
3%	Cash and cash equivalents	2%
	Equity Securities:	
	By industry type	
14%	Consumer	16%
6%	Manufacturing	9%
3%	Energy and utilities	3%
11%	Financial institutions	12%
2%	Health and care	3%
9%	Information technology	5%
2%	Other	2%
	Debt Securities:	
	By sector	
6%	Corporate	7%
9%	Government	8%
3%	Property debt	3%
4%	Private Equity	5%
	Property:	
9%	UK	9%
	Other Investment Funds:	
19%	Equity	16%
100%	Total	100%

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

Fair value of pension fund assets		
31/03/18		31/03/19
£000		£000
	Equity Instruments	
14,507	Quoted in an active market	15,181
1,281	Not quoted in an active market	1,310
15,788	Subtotal equity instruments	16,491

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary have been:

2017/18		2018/19
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
21.9	Men	21.9
24.3	Women	24.3
	Longevity at 65 for future pensioners (years)	
23.3	Men	23.3
26.1	Women	26.1
2.4%	Rate of inflation	2.5%
3.4%	Rate of increase in salaries	3.5%
2.4%	Rate of increase in pensions	2.5%
2.6%	Rate for discounting fund liabilities	2.4%
50.0%	Take up option to convert annual pension into retirement lump sum (pre 2009)	50.0%
75.0%	Take up option to convert annual pension into retirement lump sum (post 2009)	75.0%

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

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Impact on the Defined Benefit Obligation in the Fund		
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
Rate of increase in salaries (increase or decrease by 0.5%)	1%	304
Rate of increase in pensions (increase or decrease by 0.5%)	7%	1,655
Rate for discounting fund liabilities (increase or decrease by 0.5%)	9%	1,996

Impact on the Board's Cash Flow

The aims of the fund are to:

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

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (as at 31 March 2017 for the 2017/18 Annual Accounts), or at any other time as instructed to do so by the Council. The actuaries have estimated that contributions for the year to 31 March 2020 will be approximately £0.254m.

13. 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 £2.484m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board. In addition Highland Council provides administrative, financial and computing services to the Board. In 2018/19 the Board paid £0.062m to the Highland Council for these services (2017/18 £0.063m).

Comhairle Nan Eilean Siar

Comhairle Nan Eilean Siar provided £0.296m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board (2017/18 £0.283m).

Scottish Government/UK Government

Both the Scottish and the UK Governments provided additional funding to the Valuation Joint Board in relation to the implementation of Individual Electoral Registration (IER) as follows:

2017/18 £000	Government	Nature of Funding	2018/19 £000
136	UK Government	IER funding	117
<u>136</u>		Total	<u>117</u>

14. 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:

2017/18 £000		2018/19 £000
121	Not later than one year	121
462	Later than one year and not later than five years	433
148	Later than five years	132
731		686

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

2017/18 £000		2018/19 £000
121	Minimum lease payments	121

15. Short Term Debtors

2017/18 £000		2018/19 £000
1	Other local authorities	-
49	Other entities and individuals	-
-	Prepayments	49
50	Total	49

16. Short Term Creditors

2017/18 £000		2018/19 £000
(32)	Central government bodies	-
(243)	Other local authorities	(118)
(58)	Other entities and individuals	(62)
-	Public Corporations	-
(333)	Total	(180)

17. Financial Instrument Balances

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

Financial Assets

Current Investments 31 March 2018 £000		Current Investments 31 March 2019 £000
406	Amortised cost	248
406	Total Financial Assets	248

Financial Liabilities

Current Creditors 31 March 2018 £000		Current Creditors 31 March 2019 £000
331	Amortised cost	180
331	Total Financial Liabilities	180

Financial Instrument Gains and Losses

2017/18 Surplus or Deficit on the Provision of Services £000		2018/19 Surplus or Deficit on the Provision of Services £000
	Interest revenue:	
(3)	Financial assets measured at amortised cost	(4)
(3)	Total interest revenue	(4)
205	Interest expense	129

18. Contingent Liability

A contingent liability is a possible obligation which may require a payment or a transfer of economic benefits. There are no contingent liabilities to disclose.