

Agenda Item	6
Report No	VAL 22/14

The Highland & Western Isles

VALUATION JOINT BOARD

ANNUAL REPORT 2013/2014

DRAFT – OCTOBER 2014

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INTRODUCTION

This report relates to the second year of operation of the Board that was elected in May 2012 and will continue until the next local government election in 2017.

The general aim of the report is to summarise the functions and finances of the Board in a manner that is as accessible as possible and to say something of the business that has been undertaken in the year in question and that which appears to lie ahead.

The electoral year has seen two major activities in addition to what might be considered to be business as usual. This involved preparation for both the introduction of Individual Electoral Registration (IER) and the Scottish Independence Referendum. In addition to detailed planning, practical preparations for IER included testing the processes of data matching with the Department of Work and Pensions database and carrying out the last electoral canvass before the introduction of IER in September 2014. This canvass also involved the process of obtaining the names of young persons who would have achieved the age of 16 or 17 by the time of the referendum and would be eligible to vote. These activities have added significantly to the workload of the department and this shall continue in the following year.

On the rating valuation front, the resolution of revaluation 2010 appeals has largely been concluded. All appeals were disposed of within the statutory timescale and there remain only a relatively small number of appeals that have been referred to the Lands Tribunal for Scotland. These appeals shall be listed for hearing by the Tribunal in the months ahead. More than double the number of appeals have been resolved as against the same period for the 2005 revaluation, with over 2400 having been listed in the second half of the year. This is a significant achievement given the difficulties that have been experienced in the property market over the revaluation period.

The Scottish Government has decided to postpone the next rating revaluation from 2015 until 2017. This means that there will be less overlap with the very heavy electoral activity in 2014, however there will still be overlap with major electoral events in the form of the Westminster General election in 2015 and the Scottish Parliament election in 2016.

Council tax work continues to provide a steady workload of new and altered properties that requires timely attention. Time related performance has fallen only slightly against a broadly similar total volume. In the period ahead it seems likely that the technical staff dealing with this work will have an increased involvement in electoral matters as efforts are enhanced to ensure maximum levels of registration over a period involving major polls and administrative change.

The Assessor and Electoral Registration Officer, Douglas Gillespie, retired during the year following 17 years in the post and was replaced in November by the appointment of William Gillies, who had previously held the post of Depute Assessor and ERO. Overall we have been able to achieve a modest underspend against the provisions that were made, albeit there was some fluctuation in certain budget heads. It remains that public expenditure is severely constrained and while it will be necessary to fund the increases in costs that will arise from the new electoral registration regime, every effort will continue to be made to contain expenditure.

I commend this report to you and trust that it provides a helpful guide to the work of the Board.

Helen Carmichael
Convener, Highland and Western Isles Valuation Joint Board

COMMENTARY BY THE ASSESSOR AND ELECTORAL REGISTRATION OFFICER

This is the first annual report that I have written since my appointment in November of last year, which followed the retirement of Douglas Gillespie who had served as Assessor and ERO for the previous 17 years.

Electoral Registration

As has been reported by the Convener, the electoral year has been characterised by continued planning for both the introduction of Individual Electoral Registration (IER) and preparation for the Scottish Independence Referendum (SIR) and the European Election.

The annual electoral canvass held in the autumn was the last to take place before all of these events and it was therefore helpful that the return rate was slightly better than in previous years.

The referendum is not the first to be held in recent years but it is the first to involve the enfranchisement of 16 year old voters, giving rise to the need to create a “young persons’ register”. This was carried out as part of the annual canvass, supported by information from other sources. Computer systems were adapted to allow for a register of young voters in terms of the legislation.

There were two local government by-elections held in November and December and both of these events were concluded successfully from the perspective of electoral registration.

Individual Electoral Registration is the most significant change to registration procedures in a century and marks a movement away from household to individual registration, the creation of opportunity for on-line registration, as well as the establishment of greatly enhanced checking arrangements to ensure that electoral fraud is prevented. All of this requires a change to existing procedure with the need to re-cast computer systems, administrative regimes and established ways of thinking. A thorough retraining of all staff will be required. Work on this aspect started in March when a number of staff attended national training events led by the Cabinet Office.

Part of the process of IER involves verifying the information held by the Electoral Registration Officer against that held by the Department of Work and Pensions (DWP). This task has required a thorough assessment of computer security together with testing the secure means of transferring data to the DWP.

Across the UK the traditional autumn canvass was deferred until October through to March in order to improve the currency of the registers in the run up to the introduction of IER. The ‘transition’ to IER in Scotland has been delayed until after the Scottish Referendum on 18 September. However this does not obviate the need to carry out all of the preparatory work in advance. It is no exaggeration to suggest that on the electoral front 2014 will be the busiest in memory.

Additional funding has been allocated by the Cabinet Office for the introduction of the new system. In the longer term it seems likely that with IER established the annual duties placed on the ERO will be more onerous and costly than hitherto. This would seem necessary if the level of security associated with registration is to be improved while maintaining or improving levels of registration and completeness.

Valuation for Rating

Following the leading cases that confirmed that the approach taken by Assessors to the 2010 revaluation was correct, given the circumstances in the property market at the time, resolution of all outstanding cases has continued at pace. The statutory timetable required that all revaluation 2010 appeals were disposed of by the Valuation Appeal Committee by 31 December 2013 and that was achieved timeously. There only remain a small number of appeals that await listing by the Lands Tribunal for Scotland. In broad terms the number of appeals dealt with to this point in the 2010 cycle is more than double that of 2005.

It was a concern that the peaks of electoral activity and rating appeal clearance and revaluation preparation would pose a critically high workload in 2014. The decision of the Scottish Government to defer the revaluation until 2017 and not to extend the deadline for the disposal of revaluation appeals was therefore welcome.

These decisions allowed a reduction in the overall rating workload in 2014 when every available resource was required to be turned to the considerable demands of electoral registration.

2015 shall be the start of a very busy period in valuation for rating as work commences on the 2017 revaluation.

Council Tax

The maintenance of the council tax list is a broadly stable workload and continues in an orderly fashion. Given the established character of the regime and the freeze on the levels of tax ingathered there has been relatively little controversy in recent years however periodic appeal hearings are held to consider the small number of appeals that cannot be resolved by discussion with the taxpayer.

Information Technology

The department's valuation system continues to cope with the demands upon it and has been the subject of some further improvement to allow an increasing proportion of essential records to be held electronically and a greater proportion of valuation calculations to be held on the main system. Further development is being instigated to allow greater scope for electronic transfer of information between the Assessor and the planning services of the constituent councils.

The electoral registration system is provided by one of the three major suppliers of registration and other electoral software in the UK. It is used by more than a hundred other authorities. The Cabinet Office has been arranging for the necessary changes to the software to handle IER. They are also responsible for procuring the on-line registration software as well as the upload and download facilities needed to check the EROs' registers against the Department of Work and Pensions database en-mass and on a day to day basis for individual changes across the year.

The success of IER will in large measure depend upon the ability of these system changes properly to meet the needs of EROs in the face of a more complex regime applying across increased volumes of transactions.

We continue to co-operate with other Assessors in the maintenance of the SAA Portal which has become a central feature of the access to information for ratepayers and their agents. Efforts will continue to be made to improve the coverage of the portal, with the main focus now being the 2017 revaluation; however, in the current economic climate, resources may restrict the scope for such work.

Staffing

I have to thank all of my staff for having delivered a successful year at a time of very significant change together with very demanding workloads. While it may be thought from the content of this report that the burden of additional work and change will have fallen on administrative and clerical staff dealing with electoral registration, it must be acknowledged that there has also been a very high level of appeal disposal that has required significant valuation resources. It is also the case that these divisions cannot be rigorously applied as the two functions are each dependent on the other to a large degree. Team working and co-operation is essential. I am fortunate in having a team of conscientious, experienced staff and must thank them for all of their efforts over the last year.

I am also grateful to Councillor Carmichael, the Convener of the Board, and to her Members for their advice and support throughout the year.

William J. Gillies
Assessor & Electoral Registration Officer

BACKGROUND INFORMATION

THE BOARD

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

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

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

The Clerk to the Board in 2013/2014: Michelle Morris, Depute Chief Executive, The Highland Council.

MEMBERS OF THE BOARD AS AT 31 MARCH 2014

Highland Council

Councillor H. Carmichael – Convener
Councillor D. Bremner
Councillor I. Cockburn
Councillor J. Ford
Councillor L. Fraser
Councillor M. Paterson
Councillor A. Graham
Councillor A. Duffy

Comhairle nan Eilean Siar

Councillor J. Mackay – Vice-Convener
Councillor A. Macleod

SUBSTITUTES

Councillor C. Caddick
Councillor J. Campbell
Councillor A. Mackinnon
Councillor D. Fallows
Councillor N. Donald
Councillor J. Gordon
Councillor J. Gray
Councillor C. Fraser

Councillor R. Mackinnon
Councillor G. Murray

THE ASSESSOR

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

THE ELECTORAL REGISTRATION OFFICER (ERO)

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

THE DEPARTMENT'S FUNCTIONS

RATING

Valuation Roll

Valuations are compiled at rating revaluations, the most recent one taking effect on 1 April 2010. The valuation roll contains what may loosely be referred to as “non-domestic” properties. It is more technically correct to say that it lists all property other than “dwellings” (which appear in the council tax list) and properties which are not exempt from inclusion in the roll.

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

The valuation roll may be inspected at the Assessor's Offices and at the National Library. It is also available on the Scottish Assessors Portal – saa.gov.uk.

Definition of Value

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

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

Calculation of the Rates Bill

The rates bill which is actually paid is calculated by multiplying the rateable value which appears in the valuation roll by the relevant rate poundage for the property. The rate poundage is determined annually by the Scottish Government. This basic calculation may require further adjustment to take account of any reliefs which apply to particular properties. The Assessor is responsible for determining the net annual value and rateable value only. The levying of rates and their recovery is the responsibility of the Revenues Sections of the two constituent Councils.

Changes to Value

The values determined for the purposes of the 2010 Rating Revaluation were based on the physical circumstances as at 1 January 2010 and the levels of value applicable as at 1 April 2008. Once a roll is in force, the Assessor has a duty to maintain the roll to take account of material changes of circumstances affecting value which includes adjustments necessitated by extensions or demolitions or other changes which may affect the value of the property. The Assessor also has a duty to correct any errors (as defined) which come to light.

Appeals

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

COUNCIL TAX

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

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

Definition of Value

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

Calculation of the Bill

The Assessor is responsible only for the determination of which band applies to a property. The amount of the council tax bill to be paid is set by the local authority who require to determine each year the amount that will be payable for a Band D equivalent property. The related amounts payable by properties in the other bands are set out in statute. The Revenues Section of the local Council also applies in the billing any reliefs which are required in respect of persons living alone, benefit recipients etc.

Changes to Banding

Once they are established there are only limited circumstances in which the Assessor can change the banding of a property. He may do so if there is an error. He may also do so if a property has been reduced in value by virtue of a demolition. He may change the band where the property has increased in value following alteration sufficient to carry it into a different

valuation band, but only if the property has been sold after the alteration was carried out. Notices are sent intimating any change which explain the position in greater detail.

Appeals

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

ELECTORAL REGISTRATION

The Electoral Register

The canvass for the electoral register normally takes place between 1 September and 1 December each year. A new register is published on 1 December. In 2013/14 this has been changed to October to March with a new register published on 10 March.

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

The Right to Vote

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

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

A person is not entitled to vote as an elector –

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

Persons under the Age of 18

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

For the purposes of the Scottish Referendum to be held on 18 September 2014, persons who were sixteen on the day of the poll were entitled to vote in the referendum.

Absent Votes

Electors have a right to vote by post, which can be exercised by completing the relevant form, which includes provision of a specimen signature and date of birth in order that security checks can be carried out at election times. No reason need be given nor is it necessary to wait until an election is called to make an application.

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

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

Appeals

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

PERFORMANCE REPORT

The overall aim of the Department is:

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

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

KEY PERFORMANCE INDICATORS – 2013/2014

VALUATION ROLL	2013/14	2012/13	2011/12
Total number of entries	19,564	19,582	19,378
Total Rateable Value	£329.63m	£329.01m	£324.76m
No of Amendments Effected	1,682	1,593	1,640
Amendments within time periods (%)			
0-3 months	59	62	59
3-6 months	18	16	16
Over 6 months	24	22	24
Adjustment from Appeal Settlement (%)	n/a	n/a	n/a
<u>COUNCIL TAX</u>			
Total No of Entries	136,028	134,524	131,337
Adjustment to Band D Equivalent	127,432	125,596	122,224
New Entries Added	1,535	1,586	1,712
New entries within time periods (%)			
0-3 months	83	84	84
3-6 months	11	12	10
Over 6 months	6	4	6
<u>GENERAL</u>			
Costs of All Permanent Staff	£1.64m	£1.69m	£1.74m
Number of FTE staff as at 1 April each year	52	52.1	52.3

COMMENTARY ON PERFORMANCE REPORT

The foregoing statistics require some explanation and interpretation.

Valuation Roll

The preponderance of rating work throughout the year was concerned with clearance of revaluation appeals and subsequent appeals on the grounds of material change of circumstances. Overall, the volume was at a level twice that of the preceding revaluation at the same point in the cycle. The programme of disposal established by the Valuation Appeal Panel, allowed for the disposal of outstanding appeals by 31 December 2013 in terms of the statutory timetable, with only a few cases referred to the Lands Tribunal for Scotland and remaining outstanding. Completing this work required a significant resource and it is perhaps not surprising that there has been a slight fall in performance against the measures indicated, albeit that the total number of changes has increased.

Council Tax

Despite the technical staff also having involvement in the clearance of rating appeals, there has been only a minimal fall in time-related performance on council tax maintenance work. The volume of transactions is again slightly lower than in the previous year, although the amount of checking for completion that required to be undertaken was broadly the same, as it involves periodic review of localities.

Electoral Registration

The Electoral Commission performance regime came into effect in 2009. The fifth self-assessment was submitted to the Commission at the end of 2013 and this did not give rise to an inspection visit. This is the last set of performance standards to be compiled on the basis of household registration. The new IER regime will be more prescriptive as to the circumstances in which doorstep visits are carried out and revised standards shall apply in future years to take account of this and other changes.

It is therefore unlikely that these performance measures shall be particularly informative in relation to future standards based on the new regime.

PERFORMANCE STANDARDS FOR ELECTORAL REGISTRATION OFFICERS	OUTCOME
Performance standard 1: Using information sources to verify entries on the register of electors and identify potential new electors	Above the standard
Performance standard 2: Maintaining the property database	Above the standard
Performance standard 3: House-to-house enquiries	Above the standard
Performance standard 4: Maintaining the integrity of registration and absent vote applications	Meeting the standard
Performance standard 5: Supply and security of the register and absent voter lists	Above the standard
Performance standard 6: Public awareness strategy	Meeting the standard
Performance standard 7: Working with partners	Meeting the standard
Performance standard 8: Accessibility and communication of information	Meeting the standard
Performance standard 9: Planning for rolling registration and the annual canvass	Meeting the standard
Performance standard 10: Training	Meeting the standard

General

The number of full-time equivalent staff is static and remains at its lowest for a quarter of a century. Staff costs constitute around 70% of the department's budget.

Across the course of the year, the performance of the department is viewed as satisfactory. The absence of any slack in the organisation made it inevitable that, as rating work reached a peak of appeal clearance, demand for resources reduced the scope for improvement elsewhere. Pressures have also occurred due to the increased workload associated with the introduction of Individual Electoral Registration and other demands in the electoral regime. In this context, the slight fall in time-related performance on the valuation side of the business is understandable.

The programme ahead will continue to mark a reorientation of priority from valuation to electoral activities, with a particularly demanding time through to the UK general election in May 2015. Thereafter, work for the 2017 revaluation will become a more pressing activity.

Against a background of financial constraint the department's budgetary requirements have been contained in recent years. While the establishment of IER will undoubtedly increase costs substantially, the Cabinet Office has awarded a grant to meet the incremental costs of implementing the regime. Whether the funding will truly recoup the increased cost and whether, in the long term, the enhanced cost will be fully funded, remains to be seen.

William J. Gillies
Assessor & Electoral Registration Officer

Highland and Western Isles

Valuation Joint Board

Statement of Accounts

2013/2014

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

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EXPLANATORY FOREWORD BY THE TREASURER TO THE BOARD

Statement of Accounts

The Statement of Accounts reports on the financial performance of the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2014.

The Statement of Accounts (the Accounts) comprise:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents 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.

Accounting Policies and Notes to the Accounts

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

Summary of financial results

The Board's financial results for the year, compared against budget, are as shown below. This presentation differs slightly from that shown in the Comprehensive Income and Expenditure Statement which discloses corporate and democratic core costs as required by SerCOP. A reconciliation can be found in Note 14. The 2012/13 Corporate and Democratic (CDC) costs were overstated by £0.029m due to an error. The 12/13 comparative figure has been adjusted accordingly and this had no impact on opening balances.

**Budget Performance Statement
For the year ended 31 March 2014**

2012/13		2013/14		
Actual		Budget	Actual	Variance
£000		£000	£000	£000
1,802	Staff costs	1,826	1,749	(77)
238	Property costs	243	255	12
168	Administration expenses	191	208	17
2	Transport and plant costs	3	4	1
414	Supplies and services	414	405	(9)
2,624	Gross expenditure	2,677	2,621	(56)
(4)	Sales of register etc	(5)	(5)	-
-	Specific Grants	(10)	(15)	(5)
(1)	Interest on revenue balances	(1)	(1)	-
(5)	Gross income	(16)	(21)	(5)
2,619	Net expenditure	2,661	2,600	(61)
2	Transfer to Reserves	-	-	-
(2,621)	Requisition Income	(2,661)	(2,600)	61
-		-	-	-

The net budgeted expenditure of the Board in 13/14 was £2.661m (2012/13 £2.661m). Actual net expenditure is £2.600m (2012/13 £2.619m). There was an underspend in 2013/14 of £0.061m (2012/13 £0.042m underspend) which was returned to the constituent authorities in the same proportion as requisition funding. The main variations from budget during the year were as follows:

- The variance on the staffing budget was due to the retiral of the assessor in October 2013 and the subsequent vacancy which was created at depute assessor level following promotion, and the absence on long term sick leave of the principal administrator.
- The overspend in property costs was caused by catch up water charges incurred which had not been advised in prior years.
- The overspend in administration costs (£0.017m) was caused mainly by the additional costs associated with electoral canvass which include employing a number of additional canvassers compared with previous years.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

- The supplies and services budget was overspent by £0.044m under the Valuation Appeal Panel head. This was due to a large number of cases being heard by the Valuation Appeals Committee prior to the end of December. Some of these cases were complex in nature and involved matters of law and required legal advice and representation. This overspend was partially offset by underspends in ICT (£0.048m) and some other small savings in the supplies and services heading.

In accordance with CIPFA guidance "Reserves and Balances in a Local Authority" the Board has determined that General Fund balances should be retained for contingencies and for specific initiatives. The Board agreed that the amount transferred to the General Fund will be restricted to 3% of the total budget in the year of the transfer and the cumulative balance should not exceed 5% of the total budget in that year. The maximum balance was reached in 12/13 so there was no transfer to reserves in 13/14. The full amount of the surplus was returned to the constituent authorities.

The movements and balances on the Board's revenue reserves for 2013/14 are summarised below:

	Balance at 01/04/13 £000	Surplus 2013/14 £000	Balance at 31/03/14 £000
General Fund Balance	133	-	133
General Fund Total	133	-	133

The reserves are held as a contingency to deal with any pressures arising during the year.

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

2012/13		Constituent Authority	2013/14	
£000	% share		£000	% share
2,346	89.5	The Highland Council	2,325	89.4
275	10.5	Comhairle Nan Eilean Siar	275	10.6
<u>2,621</u>	<u>100.0</u>	Total	<u>2,600</u>	<u>100.0</u>

Statement of Requisitions 2013/14

Constituent Authority	Population No.	Budget requisition £000	Actual requisition £000	Balance due to constituent authority
				£000
Highland Council	232,910	2,379	2,325	(54)
Comhairle Nan Eilean Siar	27,560	282	275	(7)
Total	<u>260,470</u>	<u>2,661</u>	<u>2,600</u>	<u>(61)</u>

Retirement Benefits

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

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by the Highland Council. Note 16 to the Core Statements details the income and expenditure charged to the income and expenditure account under IAS 19 in respect of the Local Government Scheme, based upon assessments provided by the Actuary to the Scheme.

The Balance Sheet on Page 20 shows that the Board has a net pension liability of £5.121m as at 31 March 2014 (31 March 2013 £4.368m) 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 2014.

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.

Change in Accounting Policy

There was a change in accounting policy as a result of changes to IAS 19 which require that Return on Assets is now disclosed as Other Comprehensive Income and Expenditure instead of Financing Income and Expenditure. This had no impact on the pension liability but had the effect of increasing both the prior year deficit on provision of services and other comprehensive income by £0.193k.

Economic Climate

The previously anticipated 2015 revaluation has been deferred until 2017 allowing some relief from the overlap of appeal disposal and revaluation preparation. However, there remain a number of high values and complex appeals which have been referred to the Lands Tribunal for Scotland, together with others where there is onward appeal to the Lands Valuation Appeal Court.

Electoral registration will continue to see unprecedented levels of activity through into 2015. During this year two major polls shall take place together with the greatest change to the arrangements for electoral registration in modern times as household based registration moves to individual registration and the level of checking and security is enhanced. This will then be followed by a General Election in May 2015.

Although the revaluation has been postponed until 2017, the target date for the revaluation is two years before that and the process of preparation for the revaluation will start during the course of this year.

The Service continues to plan for the impact these changes will have on the budget particularly with regard to the cost of the additional volume of mail and canvassing associated with individual registration and the cost of complying with the increased checking requirements. The UK Government has provided additional funds to meet the incremental cost of the altered registration arrangements for the transition period; however the actual costs are as yet unknown.

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

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 £5.121m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £5.012m.

Acknowledgement

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

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
12 September 2014

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of the Board

The Board is required to:

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code).

In preparing this Statement of Accounts, the Treasurer:-

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

The Treasurer has also:-

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

I, Derek Yule, Treasurer to the Board, state that the Accounts for the year ended 31 March 2014 give a true and fair view of the financial position of the authority as at that date and its income and expenditure for the year then ended.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
12 September 2014

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2014. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

The Treasurer to the Board has overall responsibility for Internal Audit in Highland and Western Isles Valuation Joint Board. The Highland Council's Head of Audit and Risk Management is responsible for the day to day management of the service and reports to the Treasurer on management and performance issues. In accordance with the principles of Corporate Governance, regular reports are made to the Board. The Internal Audit Service operates in accordance with the Code of Practice for Internal Audit (the standards) which came into effect from 1st April 2013 and applies to all internal audit service providers. These Standards have been developed through collaboration between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Head of Audit and Risk Management prepares an Annual Report containing a view on the adequacy and effectiveness of the system of internal control.

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

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
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The work undertaken by the Internal Audit Section during the year to 31st March 2014 consists of that undertaken directly for the Board and indirectly where the Highland Council's financial systems are used. For this year, the planned work included:

- A review of the systems of internal control for the financial year 2013/14 consisting of a high level review of the adequacy and effectiveness of the Board's system of internal control and targeted testing of key controls. These key controls, summarised below are examined to confirm that the main financial systems are operating as intended.
- Financial procedures and guidance issued to staff;
- Segregation of duties;
- User access levels and appropriateness;
- System backups.
- An audit of the operation of the Accounts Payable system within the Assessor's Department which covers the processing of orders and invoices for goods and services. The Assessor uses the Council's system and certain functions are provided by the Council (system access, reconciliations and back-ups, and the payment to suppliers).

Assurance is also provided by individual audits of the Council's main financial systems. For this year this consisted of budgetary control and assurance in respect of the central aspects of the Accounts Payable system undertaken by Highland Council staff.

No control issues have been identified from the Internal Audit work undertaken and the audit findings will be addressed in the relevant audit reports. Audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. There are presently no outstanding agreed actions.

The Assessor and Electoral Registration Officer produced a document in August 2010 (an "Overview of Governance Arrangements"). This document provides an overview of the purpose of the Assessor's Department and describes aspects of its governance and management arrangements, including risk management. A revision of this document is nearing completion and will be presented to the Board by the end of November 2014.

An additional Internal Audit review on physical and environmental security for other Inverness data sites, not included in the Fujitsu certificate of assurance, was carried out, this review reported substantial assurance for the areas covered. The annual Risk Profile provided 23rd January 2014 has identified several risks to be addressed in 2014/15 and appropriate action plans are required to be implemented.

On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy, and therefore the Board can place reliance upon the effectiveness of the Board's internal control systems.

In 2010 CIPFA issued its Statement on the Role of the Chief Financial Officer in Local Government together with an application note enabling authorities to review the effectiveness of their own governance arrangements by reference to best practice and using self-assessment. This review has been undertaken and the arrangements within the Valuation Service are broadly compliant with the CIPFA Statement. One area of exception is the requirement for the Chief Financial Officer (nb the Treasurer) to report directly to the Chief Executive (nb the Assessor and Electoral Registration Officer) and be a member of the leadership team. With regard to the Valuation Service the following arrangements are in place which contribute to delivering the same impact:

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

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

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
12 September 2014

REMUNERATION REPORT

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

1. Appointments

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

2. Remuneration Policy

2.1 Senior Employees

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

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

2.2 Senior Councillors

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

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

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

3. Remuneration

3.1 Remuneration of Senior Employees of the Board

Name and Post Title	Salary, Fees and Allowances	Taxable Expenses	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£
Douglas Gillespie, Assessor & Electoral Registration Officer to 20.10.13	48,925	-	48,925	87,745
William Gillies, Depute Assessor & Electoral Registration Officer to 31.10.13 and Assessor & Electoral Registration Officer from 1.11.13	77,784	-	77,784	68,583
Robert Shepherd, Assistant Assessor (reported directly to Assessor from 1.11.13, reported salary covers this period only)	20,648	-	20,648	-

The senior employees included in the table include any employee:

- Who has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons;
- Who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the head of the Board's paid service;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration is £150,000 or more.

The Board also receives services from the Treasurer and the Clerk under a Service Level Agreement with Highland Council. The individuals involved receive no additional payments for carrying out these roles and are included in the Council's remuneration report.

3.2 Remuneration by Pay Band

Analysis of Employees Earning Over £50,000

	2013/14	2012/13
Salary Band	Number	Number
£50,000-£54,999		
£55,000-£59,999		
£60,000-£64,999		
£65,000-£69,999		1
£70,000-£74,999		
£75,000-£79,999	1	
£80,000-£84,999		
£85,000-£89,999		1

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

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

Councillor Name & Responsibility	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits-in-kind	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£	£
H Carmichael – Convener to 03.05.12 and again from 21.06.12	4,101	-	-	4,101	3,526
M MacLeod – Vice Convener to 03.05.12	-	-	-	-	270
J MacKay – Vice Convener from 21.06.12	3,045	-	-	3,045	2,030

3.4 Remuneration Paid to Councillors

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

Type of Remuneration	2013/14	2012/13
	£	£
Salaries	7,146	5,826
Allowances	-	-
Expenses	3,309	1,467
Total	10,455	7,293

The annual return of Councillors' salaries and expenses for 2013/14 is available for any member of the public to view at all public offices and is also available on the Council's website at <http://www.highland.gov.uk/yourcouncil/finance/accountingandbudgeting/membersexpenses.htm>

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

4. Pension Benefits

The pension entitlement of senior employees for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year

Name and Post Title	In-year pension contributions			Accrued Pension Benefits	
	For year to 31 March 2014	For year to 31 March 2013		As at 31 March 2014	Difference from March 2013
	£	£		£000	£000
Douglas Gillespie, Assessor & Electoral Registration Officer to 20.10.13	8,807	15,745	Pension Lump Sum	35 84	1 1
William Gillies, Depute Assessor & Electoral Registration Officer to 31.10.13 and Assessor & Electoral Registration Officer from 1.11.13	14,001	12,345	Pension Lump Sum	29 68	4 8
Robert Shepherd, Assistant Assessor (reported directly to Assessor from 1.11.13, reported pension contributions cover this period only)	1,599	-	Pension Lump Sum	13 28	- -

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 2013/14 is 18% of the pensionable salary which is the same as the 2012/13 contribution rate.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
12 September 2014

Helen Carmichael
Convenor
12 September 2014

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

MOVEMENT IN RESERVES STATEMENT 2012/13 (restated)

	Notes	General Fund £000	Total Usable Reserves £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total Reserves £000
Balance at 31 March 2012 brought forward		131	131	(4,186)	(26)	(4,081)
Movement in reserves during 2012/13						
Surplus/(deficit) on provision of services (accounting basis)		(323)	(323)	-	-	(323)
Other Comprehensive Expenditure and Income	10	-	-	139	-	139
Total Comprehensive Expenditure and income		(323)	(323)	139	-	(184)
Adjustments between accounting basis and funding basis under regulations	5	325	325	(321)	(4)	-
Net Increase/(Decrease) before Transfers to Other Statutory Reserves		2	2	(182)	(4)	(184)
Increase/(Decrease) in 2012/13		2	2	(182)	(4)	(184)
Balance at 31 March 2013 carried forward		133	133	(4,368)	(30)	(4,265)

MOVEMENT IN RESERVES STATEMENT 2013/14

	Notes	General Fund £000	Total Usable Reserves £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total Reserves £000
Balance at 31 March 2013 brought forward		133	133	(4,368)	(30)	(4,265)
Movement in reserves during 2013/14						
Surplus/(deficit) on provision of services		(347)	(347)	-	-	(347)
Other Comprehensive Expenditure and Income	10	-	-	(400)	-	(400)
Total Comprehensive Expenditure and income		(347)	(347)	(400)	-	(747)
Adjustments between accounting basis and funding basis under regulations	5	347	347	(353)	6	-
Net Increase/(Decrease) before Transfers to Other Statutory Reserves		-	-	(753)	6	(747)
Increase/(Decrease) in 2013/14		-	-	(753)	6	(747)
Balance at 31 March 2014 carried forward		133	133	(5,121)	(24)	(5,012)

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2012/13 (restated)	Net Expenditure £000		Notes	2013/14		
	Gross Income £000				Gross Expenditure £000	Gross Income £000	Net Expenditure £000
789	-	789	Council Tax Valuation		798	-	798
567	(4)	563	Electoral Registration		699	(20)	679
1,110	-	1,110	Rating Valuation		997	-	997
265	-	265	Corporate and democratic core	6	283	-	283
2,731	(4)	2,727	Cost of services	14	2,777	(20)	2,757
		217	Financing and investment income and expenditure	7			190
		(2,621)	Taxation and non-specific grant income	8			(2,600)
		323	(Surplus)/deficit on provision of services	14			347
		(941)	Return on plan assets (excluding the amount included in net interest expense)	16			(333)
		792	Actuarial losses arising on changes in financial assumptions	16			701
		10	Experience adjustments	16			32
		184	Total comprehensive income and expenditure				747

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

BALANCE SHEET

31/03/13 £000		Notes		31/03/14 £000
	Non current assets			
2	Long term debtors	19		-
	Current assets			
22	Short term debtors	19	23	
217	Cash and cash equivalents	12	248	
<u>239</u>				271
(138)	Short term creditors	20	(162)	
<u>(138)</u>	Current liabilities			(162)
(4,368)	Other long term liabilities	16	(5,121)	
<u>(4,368)</u>	Long term liabilities			(5,121)
<u>(4,265)</u>	Net liabilities			<u>(5,012)</u>
133	General Fund	9	133	
(4,368)	Pension Reserve	10	(5,121)	
(30)	Employee Statutory Mitigation Account	10	(24)	
				<u>(5,012)</u>
<u>(4,265)</u>	Total reserves			<u>(5,012)</u>

The unaudited statement of accounts was issued on 26 May and the audited accounts were authorised for issue on 12 September 2014.

Derek Yule B.Com, CPFA, IRRV(Hons)
Treasurer
12 September 2014

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

CASH FLOW STATEMENT

31/03/13 (restated) £000	Notes	31/03/14 £000
(323)	Net surplus/(deficit) on the provision of services	(347)
371	Adjust net surplus/(deficit) on the provision of services for non-cash movements	378
1	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1
49	Net cash flow from operating activities	32
-	Investing activities	-
(1)	Financing activities	(1)
48	Net increase/(decrease) in cash and cash equivalents	31
169	Cash and cash equivalents at the beginning of the year	217
217	Cash and cash equivalents at the end of the year	248

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the transactions of the Board for the 2013/14 financial year and its position at the year end of 31 March 2014. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of 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.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and cash equivalents

The Highland Council loans fund provides all the day to day banking requirements of the Board. The balance of £0.248m (2012/13 £0.217m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

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

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

The 2013/14 Code's adoption of the 2011 amendments to IAS 19 is a change of accounting policy. The nature of the change is that there are new classes of components of defined benefit cost to be recognised in the financial statements (ie net interest on the net defined benefit liability (asset)), and, where there is a material impact, new definitions or recognition criteria for service costs, eg past service costs and new recognition criteria for termination benefits. The change in accounting policy has had no effect on opening balances but had the effect of increasing both the prior year deficit on the provision of services and other comprehensive income by £0.193k.

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

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

The 2012/13 Corporate and Democratic (CDC) costs were overstated by £0.029m due to an error. The 12/13 comparative figure has been adjusted accordingly and this had no impact on opening balances.

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.

Termination benefits

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

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

Post Employment Benefits

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

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
STATEMENT OF ACCOUNTS 2013/14

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 4.1% (based on the indicative rate of return on the iBOxx AA rated over 15 year corporate bond index).
- The assets of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet at their fair value as below:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service accrued in the year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- net interest on the defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements of the net defined benefit liability (asset) comprising:

- the return on 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.

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
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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 Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

Government grants and contributions

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

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

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

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

Leases

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

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

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

The Board as Lessee

Operating Leases

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

Property, plant and equipment

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

Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Code of Practice 2013/14 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Board's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

Provisions, Contingent liabilities and Contingent assets

Provisions

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

Reserves

The General Fund Reserve is the accumulated balance of any underspends since 1 April 2010.

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 – 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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

There are none that apply to the Board.

3. Critical judgements in applying accounting policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension liability. The impact of changes in the assumptions used on the pension liability has been assessed by the actuaries and is illustrated in note 16.

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

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

2012/13 (restated)	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2012/13
		£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	16	(568)	568	-	-
Employers' pension contributions and direct payments to pensioners payable in the year		247	(247)	-	-
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		(4)	-	4	-
Total adjustments		(325)	321	4	-

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2013/14	Notes	General Fund £000	Pension Reserve £000	Employee Statutory Mitigation Account £000	Total 2013/14 £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	16	(591)	591	-	-
Employers' pension contributions and direct payments to pensioners payable in the year		238	(238)	-	-
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		6	-	(6)	-
Total adjustments		(347)	353	(6)	-

6. Comprehensive Income and Expenditure Statement
Corporate and democratic core costs

Corporate and democratic core costs include the costs of democratic representation and management relating to corporate policy making and all other elected member based activities. It also includes the costs of corporate management relating to the activities of the general running of the Board.

2012/13 Net £000		Expenditure £000	2013/14 Income £000	Net £000
132	Democratic representation and management	153	-	153
133	Corporate management	130	-	130
265	Total	283	-	283

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

2012/13 (restated) £000		2013/14 £000
-	Interest payable and similar charges	-
218	Net Interest	191
(1)	Interest and investment income	(1)
217		190

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

2012/13 £000		2013/14 £000
(2,621)	Requisitions from constituent authorities	(2,600)
(2,621)		(2,600)

9. Balance Sheet – usable reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement and note 5.

10. Balance Sheet – unusable reserves

(a) Pensions Reserve

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

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2012/13 (restated) £000		2013/14 £000
(4,186)	Balance at 1 April	(4,368)
941	Return on plan assets (excluding the amount included in the net interest expense)	333
(792)	Actuarial losses arising on changes in financial assumptions	(701)
(10)	Experience adjustments	(32)
139		(400)
(568)	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	(591)
247	Employer's pension contributions and direct payments to pensioners payable in the year	238
<u>(4,368)</u>	Balance at 31 March	<u>(5,121)</u>

(b) Employee Statutory Mitigation Account

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

2012/13 £000		2013/14 £000
(26)	Balance at 1 April	(30)
26	Settlement or cancellation of accrual made at the end of the preceding year	30
(30)	Amounts accrued at the end of the current year	(24)
<u>(30)</u>	Balance at 31 March	<u>(24)</u>

11. Cash flow statement – financing activities

The cash flows for financing activities include the following items:

2012/13 £000		2013/14 £000
(1)	Interest received	(1)
-	Interest paid	-
<u>(1)</u>		<u>(1)</u>

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12. Cash flow statement – cash and cash equivalents

The balances of cash and cash equivalents comprise:

2012/13 £000		2013/14 £000
-	Cash held by officers	-
	Temporary Advances to	
217	Highland Council Loans Fund	248
-	Short term deposits	-
<hr/> <u>217</u>	Total cash and cash equivalents	<hr/> <u>248</u>

13. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Code of Practice. However, decisions about resource allocation are taken by the Board on the basis of monitoring reports analysed across the service. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

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14. Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2012/13 £000		2013/14 £000
2,619	Net expenditure in the service analysis	2,600
	Net expenditure of services and support services not included in the analysis	
	<i>Amounts in the Comprehensive Income and Expenditure relating to Non Statutory Charges</i>	
	IAS 19 pension benefits net charges made to the Comprehensive Income and Expenditure Statement (note 16)	
350	Current service cost	400
(247)	Employer's contribution	(238)
-	Past service cost	-
-	Settlements and Curtailments	-
<u>103</u>		<u>162</u>
4	IAS 19 Employee Leave	(6)
	<i>Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement</i>	
1	Interest on revenue balances	1
<u>2,727</u>	Cost of services in Comprehensive Income and Expenditure Statement	<u>2,757</u>

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Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2013/14	Service analysis £000	Non Statutory Charges £000	Amounts not included in I and E £000	Cost of services £000	Corporate amounts £000	Total £000
Fees, charges & other service income	(5)	-	-	(5)	-	(5)
Interest and investment income	(1)	-	1	-	(1)	(1)
Income from requisitions	-	-	-	-	(2,600)	(2,600)
Government grants and contributions	(15)	-	-	(15)	-	(15)
Total Income	(21)	-	1	(20)	(2,601)	(2,621)
Employee expenses	1,749	156	-	1,905	-	1,905
Other service expenses	815	-	-	815	-	815
Support Service recharges	57	-	-	57	-	57
Pension interest cost and expected return on Pension Assets	-	-	-	-	191	191
Total expenditure	2,621	156	-	2,777	191	2,968
(Surplus)/deficit on the provision of services	2,600	156	1	2,757	(2,410)	347

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2012/13 comparative figures (restated)	Service analysis £000	Non Statutory Charges £000	Amounts not included in I & E £000	Cost of services £000	Corporate amounts £000	Total £000
Fees, charges & other service income	(4)	-	-	(4)	-	(4)
Interest and investment income	(1)	-	1	-	(1)	(1)
Income from requisitions	-	-	-	-	(2,621)	(2,621)
Government grants and contributions	-	-	-	-	-	-
Total Income	(5)	-	1	(4)	(2,622)	(2,626)
Employee expenses	1,802	107	-	1,909	-	1,909
Other service expenses	764	-	-	764	-	764
Support Service recharges	58	-	-	58	-	58
Pension interest cost and expected return on Pension Assets	-	-	-	-	218	218
Total expenditure	2,624	107	-	2,731	218	2,949
(Surplus)/deficit on the provision of services	2,619	107	1	2,727	(2,404)	323

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15. External audit costs

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

2012/13 £		2013/14 £
7,700	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	7,700
-	Rebate on prior year audit fee	-
<u>7,700</u>		<u>7,700</u>

16. Defined benefit pension schemes

Participation in pension schemes

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

The authority participates in one post employment scheme:

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

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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2012/13 (restated)		2013/14
£000		£000
Comprehensive Income and Expenditure Statement		
Cost of services		
350	Current service cost	400
-	Past service cost (including curtailments)	-
<u>350</u>		<u>400</u>
	Financing and investment income and expenditure	
218	Net interest expense	191
<u>568</u>	Total post employment benefits charged to the surplus or deficit on the provision of services	<u>591</u>
	Other post employment benefits charged to the comprehensive income and expenditure statement	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(941)	Return on plan assets (excluding the amount included in the net interest expense)	(333)
792	Actuarial losses arising on changes in financial assumptions	701
10	Experience adjustments	32
<u>429</u>	Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	<u>991</u>
Movement in reserves statement		
<u>(568)</u>	Reversal of net charges made to the Surplus or deficit on the provision of services for post employment benefits in accordance with the code	<u>(591)</u>
Actual amount charged against the General Fund balance for pensions in the year		
<u>247</u>	Employers contributions payable to the scheme	<u>238</u>

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Pension assets and liabilities recognised in the Balance Sheet

	31/03/14	31/03/13
	£000	£000
Present value of the defined benefit obligation	(17,938)	(16,544)
Fair value of pension fund assets	12,817	12,176
Net liability arising from defined benefit obligation	(5,121)	(4,368)

Information about the defined benefit obligation

	Liability split		Duration
	£000's	Percentage (%)	
Active members	9,153	51.6%	18.4
Deferred members	1,021	5.8%	26.6
Pensioner members	7,553	42.6%	9.4
Total	17,727	100.0%	15.0

Reconciliation of the movements in the fair value of scheme assets

		31/03/14
31/03/13 (restated) £000		£000
10,881	Opening fair value of scheme assets	12,176
467	Interest income	519
941	Return on plan assets	333
247	Contributions by employer	238
86	Contributions by Scheme participants	82
(446)	Estimated benefits paid (net of transfers in)	(531)
-	Payment of bulk transfer value	
12,176	Closing fair value of scheme assets	12,817

Assets and liabilities in relation to post employment benefits

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

		31/03/14
31/03/13 £000		£000
15,067	Opening defined benefit obligation	16,544
350	Current service cost	400
685	Interest cost	710
86	Contributions by scheme participants	82
	<i>Remeasurement (gains) and losses:</i>	
792	Actuarial losses from changes in financial assumptions	701
10	Experience Adjustments	32
(433)	Estimated benefits paid (net of transfers in)	(517)
(13)	Unfunded pension payments	(14)
16,544	Closing value	17,938

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Analysis of Pension Fund's Assets

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

2012/13 (restated)		2013/14
2%	Cash and cash equivalents	2%
	Equity Securities:	
	<i>By industry type</i>	
12%	Consumer	11%
8%	Manufacturing	8%
6%	Energy and utilities	6%
9%	Financial institutions	10%
3%	Health and care	3%
7%	Information technology	7%
2%	Other	2%
	Debt Securities:	
	<i>By sector</i>	
13%	Corporate	12%
7%	Government	7%
1%	Private Equity	2%
	Property:	
7%	UK	7%
1%	Overseas	1%
	Other Investment Funds:	
22%	Equity	22%
100%	Total	100%

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

	Fair value of pension fund assets	
	31 March 2013 £000	31 March 2014 £000
Equity Instruments		
• Quoted in an active market	11,104	11,588
• Not quoted in an active market	1,072	1,229
Sub total equity instruments	12,176	12,817

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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 2011.

The significant assumptions used by the actuary have been:

	2012/13	2013/14
Mortality Assumptions:		
Longevity at 65 for current pensioners (years)		
• Men	21.3	21.3
• Women	23.6	23.6
Longevity at 65 for future pensioners (years)		
• Men	22.6	22.6
• Women	25.1	25.1
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.7%	4.9%
Rate of increase in pensions	2.5%	2.6%
Rate for discounting fund liabilities	4.3%	4.1%
Take up option to convert annual pension into retirement lump sum	50.0%	50.0%

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

	Impact on the Defined Benefit Obligation in the Fund	
	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
Member life expectancy (increase or decrease in 1 year)	3%	538
Rate of increase in salaries (increase or decrease by 0.5%)	3%	519
Rate of increase in pensions (increase or decrease by 0.5%)	6%	1,076
Rate for discounting fund liabilities (increase or decrease by 0.5%)	9%	1,622

Impact on the Board's Cash Flow

The aims of the fund are to:

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

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (the most recent being as at 31 March 2011), 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 2015 will be approximately £0.223m.

17. Related parties

The Board is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

Highland Council

The Highland Council provided £2.325m representing 89.4% of the funding for the Board and holds 8 of the 10 seats on the Board. In addition Highland Council provides administrative, financial and computing services to the Board. In 2013/14 the Board paid £0.057m to the Highland Council for these services.

Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.275m representing 10.6% of the funding for the Board and holds 2 of the 10 seats on the Board.

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18. Operating Leases

The Board leases a number of office premises.

Board as Lessee

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

2012/13		2013/14
£		£
112,395	Not later than one year	113,924
457,372	Later than one year and not later than five years	439,948
528,850	Later than five years	429,250
<u>1,098,617</u>		<u>983,122</u>

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

2012/13		2013/14
£		£
112,395	Minimum lease payments	112,395
<u>112,395</u>		<u>112,395</u>

19. Debtors

Long Term Debtors

2012/13		2013/14
£000		£000
2	Car loans payable in more than 1 year	-
<u>2</u>	Total	<u>-</u>

Short Term Debtors

2012/13		2013/14
£000		£000
22	Other entities and individuals	23
<u>22</u>	Total	<u>23</u>

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20. Short Term Creditors

2012/13		2013/14
£000		£000
(27)	Central government bodies	(43)
(41)	Other local authorities	(64)
(70)	Other entities and individuals	(55)
(138)	Total	(162)

21. Financial Instrument Balances

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

2012/13			2013/14	
Long term	Current		Long term	Current
£000	£000		£000	£000
-	217	Cash and cash equivalents	-	248
2	22	Debtors	-	23
-	138	Creditors	-	162

22. Contingent Liability

A contingent liability is a possible obligation which may require a payment or a transfer of economic benefits.

The Board is required to implement a single status and equal pay scheme in respect of the employment conditions of staff. Discussions have been held with Personnel at the Highland Council and the financial risk has been identified as being low.

As a consequence of the level of risk, and the uncertainty regarding the timing of eventual implementation, no provision for these outcomes has been made in the year and disclosure is by way of contingent liability.

23. Events after the Balance Sheet date

The unaudited statement of the accounts was issued by the Treasurer on 26 May 2014 and the audited accounts were authorised for issue on 12 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of Highlands and Western Isles Valuation Joint Board for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movements in Reserves Statements, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Joint Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of Highland and Western Isles Valuation Joint Board as at 31 March 2014 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 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

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Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2013/14 Code.

I have nothing to report in respect of these matters.

Maggie Bruce CA
Senior Audit Manager
Audit Scotland - Audit Services
Ballantyne House, 84 Academy Street
Inverness IV1 1LU

12 September 2014