







































- translating the vision into objectives for the Board and its partnerships
- measuring the quality of services for users, for ensuring they are delivered in accordance with the Board's objectives and for ensuring that they represent the best use of resources and value for money
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing the effectiveness of the Board's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

Further detail is provided in the "Overview of Governance Arrangements".

### **Review of effectiveness**

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

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

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

The work undertaken by the Internal Audit Section during the year to 31 March 2017 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 2016/17.
- An audit of the Debtors and Income Systems. This audit had the opinion of "Substantial Assurance" and 1 medium grade recommendation was made

Audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. This process also allows for revision of the agreed action target dates and where these cannot be met, the Corporate Audit Manager should be contacted to agree a revised target date. Delays in receiving responses to action tracking requests have occurred but the planned meetings (see update on significant governance issues below) will include review of any outstanding management agreed actions.

Despite the above issues, on the basis of the work undertaken during the year, it was considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However as no system

of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for the year to 31 March 2017.

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 Board are broadly compliant with the CIPFA Statement. One area of exception is the requirement for the Chief Financial Officer (the Treasurer) to report directly to the Chief Executive (the Assessor and Electoral Registration Officer) and be a member of the leadership team. With regard to the Valuation Service the following arrangements are in place which contributes to delivering the same impact:

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

### **Significant governance issues**

Update on significant governance issues previously reported:

The 2015/16 AGS highlighted particular concerns with regard to the robustness of the risk management process and the failure to implement the management agreed actions in response to audit reports. To address this changes are to be made to the risk management process to ensure that this is robust and accords with best practice. Details will be provided to the Valuation Joint Board meeting on 27/06/17. In addition, in order to improve the Internal Audit process, six-monthly meetings will be held with the Assessor and ERO and the Corporate Audit Manager to discuss audit matters and to address any outstanding issues. The first such meeting will take place on 12/06/17

Over the coming year, the Board will take steps to address the above matters to further enhance governance arrangements. This will then address the need for improvements that

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were identified in the review of effectiveness. The implementation and operation of these improvements will be monitored as part of the next annual review.

Jimmy Gray  
Convener

William Gillies MRICS  
Assessor and Electoral Registration Officer

22 September 2017

## **INDEPENDENT AUDITOR'S REPORT**

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

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts of the Highland and Western Isles Valuation Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its deficit on the provision of services 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 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Treasurer for the financial statements**

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

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 circumstances of the body 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.

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

### **Other information in the annual accounts**

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

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Report on other requirements**

### **Opinions on other prescribed matters**

We are required by the Accounts Commission to express an opinion on the following matters.

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

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

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

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

110 Queen Street

Glasgow

G1 3BX

September 2017

## **REMUNERATION REPORT**

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

### **1. Appointments**

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

### **2. Remuneration Policy**

#### **2.1 Senior Employees**

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

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

#### **2.2 Senior Councillors**

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

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

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



### 3. Remuneration

#### 3.1 Remuneration of Senior Employees of the Board

Total Remuneration including salary, fees and allowances

2015/16	Name and Post Title	2016/17
£		£
91,007	William Gillies, Assessor and Electoral Registration Officer	<b>92,301</b>
59,145	Robert Shepherd, Assistant Assessor and Electoral Registration Officer	<b>61,089</b>
54,093	Frank Finlayson, Assistant Assessor	<b>55,896</b>
51,236	Norman MacKenzie, Assistant Assessor	<b>52,998</b>

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

2015/16		2016/17
Number	Salary Band	Number
2	£50,000-£54,999	1
1	£55,000-£59,999	1
-	£60,000-£64,999	1
1	£90,000-£94,999	1

### 3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

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

2015/16	Councillor Name and Responsibility	2016/17
£		£
1,929	H Carmichael - Convener to 16/09/15	-
2,254	K Gowans - Convener from 17/09/15	4,225
3,138	J MacKay – Vice Convener	3,045

### 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.

2015/16	Type of Remuneration	2016/17
£		£
7,321	Salaries	8,114
2,075	Expenses	2,575
<b>9,396</b>	<b>Total</b>	<b>10,689</b>

The annual return of Councillors' salaries and expenses for 2016/17 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>

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**4. Pension Benefits**

The pension entitlements of senior employees for the year to 31 March 2017 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year.

Name and Post Title	In-year pension contributions			Accrued Pension Benefits	
	For year to 31/3/17	For year to 31/3/16		As at 31/3/17	Difference from March 2016
	£	£		£000	£000
William Gillies, Assessor and Electoral Registration Officer	17,381	16,756	<b>Pension</b>	40	3
			<b>Lump Sum</b>	80	1
Robert Shepherd, Assistant Assessor and Electoral Registration Officer	11,451	10,790	<b>Pension</b>	20	2
			<b>Lump Sum</b>	36	2
Frank Finlayson, Assistant Assessor	10,464	9,855	<b>Pension</b>	22	1
			<b>Lump Sum</b>	44	1
Norman MacKenzie, Assistant Assessor	9,913	9,327	<b>Pension</b>	30	2
			<b>Lump Sum</b>	69	3

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 2016/17 is 19% of the pensionable salary.

Jimmy Gray  
Convener  
22 September 2017

William Gillies MRICS  
Assessor and Electoral Registration Officer  
22 September 2017



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**MOVEMENT IN RESERVES STATEMENT 2015/16**

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Income and Expenditure line shows the true economic cost of providing the Board's services. This is different from the statutory amounts required to be charged to the General Fund which can be seen in the Expenditure and Funding Analysis.

	Notes	General Fund	<b>Total Usable Reserves</b>	Pension Reserve	Employee Statutory Mitigation Account	<b>Total Reserves</b>
		£000	<b>£000</b>	£000	£000	<b>£000</b>
<b>Balance at 31 March 2015</b>		<b>133</b>	<b>133</b>	<b>(5,779)</b>	<b>(28)</b>	<b>(5,674)</b>
<b>Movement in reserves during 2015/16</b>						
<b>Total Comprehensive Income and Expenditure</b>	<b>9</b>	<b>(342)</b>	<b>(342)</b>	<b>963</b>	<b>-</b>	<b>621</b>
Adjustments between accounting basis and funding basis under regulations	<b>7</b>	<b>342</b>	<b>342</b>	<b>(346)</b>	<b>4</b>	<b>-</b>
Increase/(decrease) in 2015/16		<b>-</b>	<b>-</b>	<b>617</b>	<b>4</b>	<b>621</b>
<b>Balance at 31 March 2016</b>		<b>133</b>	<b>133</b>	<b>(5,162)</b>	<b>(24)</b>	<b>(5,053)</b>

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**MOVEMENT IN RESERVES STATEMENT 2016/17**

	Notes	General Fund	<b>Total Usable Reserves</b>	Pension Reserve	Employee Statutory Mitigation Account	<b>Total Reserves</b>
		£000	<b>£000</b>	£000	£000	<b>£000</b>
<b>Balance at 31 March 2016</b>		<b>133</b>	<b>133</b>	<b>(5,162)</b>	<b>(24)</b>	<b>(5,053)</b>
<b>Movement in reserves during 2016/17</b>						
<b>Total Comprehensive Income and Expenditure</b>	<b>9</b>	<b>(290)</b>	<b>(290)</b>	<b>(2,616)</b>	-	<b>(2,906)</b>
Adjustments between accounting basis and funding basis under regulations	5	299	<b>299</b>	(301)	2	-
<b>Increase/(decrease) in 2016/17</b>		<b>9</b>	<b>9</b>	<b>(2,917)</b>	<b>2</b>	<b>(2,906)</b>
<b>Balance at 31 March 2017</b>		<b>142</b>	<b>142</b>	<b>(8,079)</b>	<b>(22)</b>	<b>(7,959)</b>

## EXPENDITURE AND FUNDING ANALYSIS 2015/16

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

2015/16	Notes	Net Expenditure chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000	£000	£000
Staff costs		1,938	160	2,098
Property costs		250	-	250
Administration expenses		173	-	173
Transport and plant costs		5	-	5
Supplies and services		479	-	479
Members Expenses		9	-	9
Income		(245)	-	(245)
<b>Net Cost of Services</b>	8	2,609	160	2,769
Other Income and Expenditure:	8	(2,609)	182	(2,427)
<b>(Surplus)/Deficit</b>		-	<b>342</b>	<b>342</b>
<b>General Fund Movements:</b>				
Opening Balance		(133)		
(Surplus)/Deficit on General Fund		-		
<b>Closing Balance</b>		<b>(133)</b>		

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**EXPENDITURE AND FUNDING ANALYSIS 2016/17**

<b>2016/17</b>	Notes	<b>Net Expenditure chargeable to the General Fund</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Staff costs		1,917	122	2,039
Property costs		252	-	252
Administration expenses		294	-	294
Transport and plant costs		5	-	5
Supplies and services		390	-	390
Members Expenses		11	-	11
Income		(185)	-	(185)
<b>Net Cost of Services</b>	8	2,684	122	2,806
Other Income and Expenditure:	8	(2,693)	177	(2,516)
<b>(Surplus)/Deficit</b>		<b>(9)</b>	<b>299</b>	<b>290</b>
<b>General Fund Movements:</b>				
Opening Balance		(133)		
(Surplus)/Deficit on General Fund		(9)		
<b>Closing Balance</b>		<b>(142)</b>		



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## BALANCE SHEET

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

31/03/16 £000		Notes	£000	31/03/17 £000
	<b>Current assets</b>			
180	Short term debtors	14	39	
270	Cash and cash equivalents		514	
<u>450</u>				<b>553</b>
<u>(341)</u>	Short term creditors	15	(433)	
(341)	<b>Current liabilities</b>			<b>(433)</b>
<u>(5,162)</u>	Other long term liabilities	11	(8,079)	
(5,162)	<b>Long term liabilities</b>			<b>(8,079)</b>
<u>(5,053)</u>	<b>Net liabilities</b>			<b>(7,959)</b>
133	General Fund		142	
(5,162)	Pension Reserve	9	(8,079)	
(24)	Employee Statutory Mitigation Account	9	(22)	
<u>(5,053)</u>	<b>Total reserves</b>			<b>(7,959)</b>
				<b>(7,959)</b>

Derek Yule B.Com, FCPFA, IRRV (Hons)  
Treasurer  
22 September 2017

## CASH FLOW STATEMENT

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

31/03/16	Notes	31/03/17
£000		£000
(342)	Net deficit on the provision of services	(290)
216	Adjust net deficit on the provision of services for non-cash movements	534
2	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	2
<u>(124)</u>	Net cash inflow/(outflow) from operating activities	<u>246</u>
<u>(2)</u>	Financing activities	<u>(2)</u>
<u>(126)</u>	Net increase/(decrease) in cash and cash equivalents	<u>244</u>
396	Cash and cash equivalents at the beginning of the year	270
<u>270</u>	<b>Cash and cash equivalents at the end of the year</b>	<u>514</u>

## **ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

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

### **1. ACCOUNTING POLICIES**

#### **General principles**

The Annual Accounts summarise the transactions of the Board for the 2016/17 financial year and its position at the year end. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

#### **Accruals of income and expenditure**

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

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

#### **Cash and cash equivalents**

The Highland Council loans fund provides all the day to day banking requirements of the Board. The balance of £0.514m (2015/16 £0.270m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

## Employee benefits

### Benefits payable during employment

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

### Post-Employment Benefits

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

### Local Government Pension Scheme

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

- The liabilities of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on the iBOxx AA rated over 15 year corporate bond index).
- The assets of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet at their fair value as below:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The change in the net 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 Board – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

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

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

**Contributions paid to the Highland Council pension fund**

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

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

**Discretionary Benefits**

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and

accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Events after the reporting period**

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

#### Adjusting events

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

#### Non-adjusting events

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

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

### **Government grants and contributions**

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

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

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or 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**

#### 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 2016/17 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

### **Contingent liabilities**

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

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

### **Reserves**

The General Fund Reserve is at the maximum level permitted.

The Pension Reserve and the Employee Statutory Mitigation Account are kept to manage the accounting processes for employee benefits and retirement benefits and do not represent usable resources for the Board – movements on these reserves are explained in note 9 to the accounts.

### **VAT**

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

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

Amendments to the following accounting standards will be adopted within the 2017/18 Code effective from 1 April 2017. There is therefore no impact on the 2016/17 financial statements.

- Amendment to the reporting of pension fund scheme transaction costs

- Amendment to the reporting of investment concentration

Changes arising from the adoption of these standards are not expected to have any impact on the Revenue Fund balance.

Amendments to the following accounting standard will be adopted within the 2018/19 Code effective from 1 April 2018. There is therefore no impact on the 2016/17 financial statements.

- Amendments to IFRS 15 Revenue from Contracts with Customers (recognition of revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services)

Amendments to the following accounting standard, not yet endorsed, will have an impact on the accounts, however will be largely presentational.

- Amendments to IFRS 16 Leases (specifies an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value)

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

### **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 Annual Accounts are:

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

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

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

The only item in the Board's Balance Sheet at 31 March 2017 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 11.



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**5. Comprehensive Income and Expenditure Statement: Financing and investment income and expenditure**

2015/16		2016/17
£000		£000
182	Pensions Net Interest	177
(2)	Interest receivable	(2)
<u>180</u>		<u>175</u>

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

2015/16		2016/17
£000		£000
<u>(2,607)</u>	Requisitions from constituent authorities	<u>(2,691)</u>

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

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

<b>2015/16</b>	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	<b>Total 2015/16</b>
		£000	£000	£000	<b>£000</b>
<b>Adjustments involving the Pensions Reserve</b>					
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	11	604	(604)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	11	(258)	258	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
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	9	(4)	-	4	-
<b>Total adjustments</b>		<b>342</b>	<b>(346)</b>	<b>4</b>	<b>-</b>

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<b>2016/17</b>	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	<b>Total 2016/17</b>
		£000	£000	£000	<b>£000</b>
<b>Adjustments involving the Pensions Reserve</b>					
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	11	563	(563)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	11	(262)	262	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
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	9	(2)	-	2	-
<b>Total adjustments</b>		<b>299</b>	<b>(301)</b>	<b>2</b>	<b>-</b>

## 8. Note to the Expenditure and Funding Analysis

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

### 2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000
Staff costs	164	(4)	160
Net Cost of Services	<u>164</u>	<u>(4)</u>	<u>160</u>
Other Income and expenditure	182	-	182
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	<u><b>346</b></u>	<u><b>(4)</b></u>	<u><b>342</b></u>

### 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000
Staff costs	123	(1)	122
Net Cost of Services	<u>123</u>	<u>(1)</u>	<u>122</u>
Other Income and expenditure	177	-	177
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	<u><b>300</b></u>	<u><b>(1)</b></u>	<u><b>299</b></u>

## 9. Balance Sheet – unusable reserves

### (a) Pensions Reserve

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

### Pensions Reserve

2015/16 £000		2016/17 £000
(5,779)	Balance at 1 April 2016	(5,162)
(171)	Return on plan assets (excluding the amount included in the net interest expense)	2,182
945	Actuarial (losses)/gain arising on changes in financial assumptions	(4,767)
189	Experience adjustments	(31)
963		(2,616)
(604)	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	(563)
258	Employer's pension contributions and direct payments to pensioners payable in the year	262
(5,162)	Balance at 31 March 2017	(8,079)

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(b) Employee Statutory Mitigation Account

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

2015/16 £000		2016/17 £000
(28)	Balance at 1 April 2016	(24)
28	Settlement or cancellation of accrual made at the end of the preceding year	24
(24)	Amounts accrued at the end of the current year	(22)
<u>(24)</u>	<u>Balance at 31 March 2017</u>	<u>(22)</u>

## 10. External audit costs

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

2015/16 £		2016/17 £
<u>7,800</u>	External audit costs	<u>6,970</u>

## 11. Defined benefit pension schemes

### Participation in pension schemes

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

The Board participates in one post-employment scheme:

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

### Transactions relating to post-employment benefits

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

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2015/16 £000		2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services</b>		
422	Current service cost	386
-	Past service cost (including curtailments)	-
422		386
	Financing and investment income and expenditure	
182	Net interest expense	177
604	<b>Total post-employment benefits charged to the deficit on the provision of services</b>	<b>563</b>
	Other post-employment benefits charged to the comprehensive income and expenditure statement	
	Remeasurement of the net defined benefit liability comprising:	
171	Return on plan assets (excluding the amount included in the net interest expense)	(2,182)
(945)	Actuarial losses/(gain) arising on changes in financial assumptions	4,767
(189)	Experience adjustments	31
(963)	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,616</b>
<b>Movement in reserves statement</b>		
	Reversal of net charges made to the deficit on the provision of services for post-employment benefits in accordance with the code	
(604)		(563)
	Actual amount charged against the General Fund balance for pensions in the year	
258	Employers contributions payable to the scheme	262
(346)	<b>Total movement in reserves in respect of post-employment benefits</b>	<b>(301)</b>



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**Pension assets and liabilities recognised in the Balance Sheet**

31/03/16 £000		31/03/17 £000
(18,559)	Present value of the defined benefit obligation – including unfunded obligations	(23,798)
13,397	Fair value of pension fund assets	15,719
<b>(5,162)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(8,079)</b>

**Information about the defined benefit obligation – Funded obligations**

	£000	Liability split Percentage (%)	Duration Years
Active members	14,161	60.1%	20.2
Deferred members	2,035	8.6%	26.4
Pensioner members	7,362	31.3%	10.8
<b>Total</b>	<b>23,558</b>	<b>100.0%</b>	<b>16.1</b>

**Reconciliation of the movements in the fair value of scheme assets**

31/03/16 £000		31/03/17 £000
13,622	Opening fair value of scheme assets	13,397
415	Interest income	450
(171)	Return on plan assets	2,182
258	Contributions by employer	262
84	Contributions by Scheme participants	85
(811)	Estimated benefits paid (net of transfers in)	(657)
<b>13,397</b>	<b>Closing fair value of scheme assets</b>	<b>15,719</b>

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**Assets and liabilities in relation to post-employment benefits**

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

<b>Funded Liabilities: Local Government Pension Scheme</b>	<b>Unfunded Liabilities: Discretionary Benefits</b>		<b>Funded Liabilities: Local Government Pension Scheme</b>	<b>Unfunded Liabilities: Discretionary Benefits</b>
<b>31/03/2016</b>	<b>31/03/2016</b>		<b>31/03/2017</b>	<b>31/03/2017</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
19,181	220	Opening defined benefit obligation	18,358	201
422	-	Current service cost	386	-
590	7	Interest cost	621	6
84	-	Contributions by scheme participants	85	-
		Remeasurement (gains) and losses:		
(941)	(4)	Actuarial (gains)/losses from changes in financial assumptions	4,752	15
(180)	(9)	Experience adjustments	-	31
(798)	-	Estimated benefits paid (net of transfers in)	(644)	
-	(13)	Unfunded pension payments	-	(13)
<b>18,358</b>	<b>201</b>	Closing value	<b>23,558</b>	<b>240</b>

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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:

2015/16		2016/17
4%	<b>Cash and cash equivalents</b>	2%
	<b>Equity Securities:</b>	
	By industry type	
14%	Consumer	11%
5%	Manufacturing	12%
4%	Energy and utilities	4%
10%	Financial institutions	10%
2%	Health and care	3%
8%	Information technology	8%
2%	Other	-
	<b>Debt Securities:</b>	
	By sector	
13%	Corporate	12%
5%	Government	5%
4%	<b>Private Equity</b>	5%
	<b>Property:</b>	
10%	UK	11%
	<b>Other Investment Funds:</b>	
19%	Equity	17%
<b>100%</b>	<b>Total</b>	<b>100%</b>

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

31/03/16	Fair value of pension fund assets	31/03/17
£000		£000
	Equity Instruments	
12,860	Quoted in an active market	13,207
537	Not quoted in an active market	2,512
<b>13,397</b>	<b>Subtotal equity instruments</b>	<b>15,719</b>

### 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 2014.

The significant assumptions used by the actuary have been:

2015/16		2016/17
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
22.5	Men	<b>22.5</b>
24.1	Women	<b>24.1</b>
	Longevity at 65 for future pensioners (years)	
24.7	Men	<b>24.7</b>
26.8	Women	<b>26.8</b>
2.1%	Rate of inflation	<b>2.4%</b>
4.1%	Rate of increase in salaries	<b>4.4%</b>
2.1%	Rate of increase in pensions	<b>2.4%</b>
3.4%	Rate for discounting fund liabilities	<b>2.5%</b>
50.0%	Take up option to convert annual pension into retirement lump sum (pre 2009)	<b>50.0%</b>
75.0%	Take up option to convert annual pension into retirement lump sum (post 2009)	<b>75.0%</b>

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

**Impact on the Defined Benefit  
Obligation in the Fund**

	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
Rate of increase in salaries (increase or decrease by 0.5%)	<b>3%</b>	<b>636</b>
Rate of increase in pensions (increase or decrease by 0.5%)	<b>7%</b>	<b>1,681</b>
Rate for discounting fund liabilities (increase or decrease by 0.5%)	<b>10%</b>	<b>2,383</b>

**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 2014), 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 2017 will be approximately £0.256m.

## 12. 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 £2.403m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board. In addition Highland Council provides administrative, financial and computing services to the Board. In 2016/17 the Board paid £0.062m to the Highland Council for these services.

### Comhairle Nan Eilean Siar

The Comhairle Nan Eilean Siar provided £0.287m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board.

### Scottish Government/UK Government

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

2015/16	Government	Nature of Funding	2016/17
£000			£000
230	UK Government	IER funding	182
12	Scottish Government	Funding for additional costs of registering young people	-
<u>242</u>		<b>Total</b>	<u>182</u>

### 13. 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

2015/16 £000		2016/17 £000
121	Not later than one year	124
443	Later than one year and not later than five years	403
606	Later than five years	327
<u>1,170</u>		<u>854</u>

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

2015/16 £000		2016/17 £000
<u>121</u>	Minimum lease payments	<u>121</u>

### 14. Debtors

#### Short Term Debtors

2015/16 £000		2016/17 £000
150	Central government bodies	-
30	Other entities and individuals	39
<u>180</u>	Total	<u>39</u>

### 15. Short Term Creditors

2015/16 £000		2016/17 £000
(33)	Central government bodies	(32)
(200)	Other local authorities	(348)
(108)	Other entities and individuals	(48)
-	Public Corporations	(5)
<u>(341)</u>	Total	<u>(433)</u>

## 16. Financial Instrument Balances

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

2015/16		2016/17
Current		Current
£000		£000
270	Cash and cash equivalents	<b>514</b>
150	Debtors	-
(341)	Creditors	<b>(433)</b>

## 17. 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.

## 18. Events after the Balance Sheet date

The unaudited annual accounts were issued by the Treasurer on 15 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.