



**Orkney & Shetland
Valuation Joint Board**



**Annual Accounts
(Audited)
2015/16**

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Management Commentary

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how the Board has performed during 2015/16 and understand the year-end financial position as at 31 March 2016. In addition, it provides a narrative on the financial outlook for the Board during financial year 2016/17 and beyond.

Introduction

The Orkney and Shetland Valuation Joint Board (OSVJB) exists for the discharge of certain statutory functions relating to the preparation, publishing and maintenance of both the Valuation Roll and Council Tax List (Valuation List); the Assessor also provides the electoral registration function on behalf of both island areas. All three documents (Valuation Roll, Valuation List and Electoral Register) are available for public inspection at the Assessor's offices, at the main offices of the two constituent authorities and at public libraries.

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

The current Assessor is Dennis M Stevenson MRICS IRRV. Dennis was promoted internally and appointed to the position in May 2015, and is based in the Orkney office in Kirkwall. The post of Assistant Assessor remains vacant following unsuccessful recruitment exercises.

Copies of the Minutes of meetings and audited accounts of the Board can be obtained by emailing assessor@shetland.gov.uk. Alternatively, they can also be found on the Assessors website – www.orkney-shetland-vjb.co.uk/.

The Board Composition

The Board is a separate public body from the two constituent authorities, but draws its membership from them, each nominating 5 councillors to serve on the Board. The Board Members for 2015/16 are named below:

Members:

D Ratter (Convener, SIC)

H Johnston (Vice Convener, OIC)

J Moar (OIC)

S Clackson (OIC)

A Drever (OIC)

D Tullock (OIC)

G Smith (SIC)

T Smith (SIC)

F Robertson (SIC)

M Stout (SIC)

Substitute Members:

G Shearer (OIC)
W L Manson (OIC)
A Cooper (SIC)
M Bell (SIC)
A Duncan (SIC)
S Coutts (SIC)
A I Manson (SIC)

Background

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

The functions of the Assessor are different from those of most other Local Government Officers, whose duties are to carry out the policies of Authorities, as determined by elected councillors. The Assessor is required to balance the interests of individual ratepayers against those of others, in terms of valuation levels. The independence of the Assessor is necessary to ensure that decisions are made on considerations of value, without political pressure. The actions of the Assessor are subject to scrutiny however, through an appeals process. (From: <http://www.saa.gov.uk/theassessor.html>)

The Statutory Framework

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

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

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

Performance Information

2015/16 was another busy year for the Board and its employees.

Immediately following the Scottish Referendum in September 2014 work began on the transition to Individual Electoral Registration (IER). This involved confirming existing electors during 2014/15 before the first full canvass of all households under IER which took place in August 2015. An additional requirement of this canvass was the addition of 14 and 15 year olds to the register, in preparation for the lowering of the voting age to 16 at the Scottish Parliamentary election on 5th May 2016. IER also required significantly more input of resources and staffing, both in training and computer system developments during the transition and on an ongoing basis.

Valuation work progressed in relation to the new gas plant site and this was completed in March 2016. All valuation staff are working towards the 2017 revaluation of non-domestic properties with a proposed finalised completion date of March 2017.

Work on the 5 year programme to update the asset register on behalf of Orkney Islands Council was completed. Work will begin next year on refreshing this process.

Key performance indicators are published on the Orkney and Shetland Valuation Joint Board website, for 2015/16 they show:

Council Tax List	Target %	Actual %
% entered in List within 3 months of occupation	97.00	93.77
% entered in List within 6 months of occupation	99.00	97.91
% entered in List more than 6 months after occupation	< 1.00	2.09
Valuation Roll		
% entered in Roll within 3 months of effective date	85.00	82.20
% entered in Roll within 6 months of effective date	97.00	94.72
% entered in Roll more than 6 months after effective date	< 3.00	5.28
Total Reduction on appeal	1.00	0.0033

Targets have not been achieved during 2015/16 due to the extra work created by the implementation of IER, the loss of key members of staff prior to the end of the financial year and the Assistant Assessor's post remaining vacant. Temporary valuation cover is being provided in the Shetland office by an existing staff member undertaking acting up duties and the employment of a Consultant Valuer to undertake valuations for oil and gas related subjects for the 2017 Revaluation.

Further information on performance can be obtained at www.orkney-shetland-vjb.co.uk/.

Primary Financial Statements

The Annual Accounts summarise the Orkney and Shetland Valuation Joint Board's transactions for the year and its year-end position at 31 March 2016. The Annual Accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

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

Financial Performance

The purpose of the Annual Accounts is to present a public statement on the stewardship of funds for the benefit of both members of the Valuation Joint Board and the public. The Valuation Joint Board is funded by Orkney Islands Council and Shetland Islands Council. The Board meets several times a year, with its budget meeting taking place in January. The Valuation Joint Board's budget is its prime annual planning document and actual expenditure is monitored against it during the year.

The Comprehensive Income and Expenditure Statement (CI&ES) presents the full economic cost of providing the Board's services in 2015/16. This differs from the budgeted outturn position shown in the table below as the CI&ES includes accounting adjustments required to comply with proper accounting practice. Therefore the difference between the CI&ES and the actual outturn position is purely as a result of necessary accounting adjustments in the former. The Cost of Services of £655k, which is disclosed on the CI&ES, has been reconciled to the outturn used for management decision making of £568k at Note 12.

Expenditure (net of income from fees and charges) that is funded from central government and Orkney and Shetland Islands Councils in 2015/16 is summarised in the following table:

	2015-16 Budget £	2015-16 Actual £	2015-16 Variance £
Expenditure:			
Employee Costs	527,287	487,510	39,777
Operating Costs	172,773	167,134	5,639
Income:			
Fees and Charges	(27,900)	(28,743)	843
Specific Grant Income	(43,735)	(57,943)	14,208
Net Expenditure	628,425	567,958	60,467

Overall, the Valuation Joint Board underspent against its budget. There was an under spend of £40k on employee costs for the year mainly due to the Assistant Assessor post remaining vacant for the majority of the year. To provide capacity, and support valuation work an additional £10k was spent on external consultants. There was additional Individual Electoral Registration funding received in 2015/16 of £14k from the Cabinet Office and Scottish Government.

The Balance Sheet as at 31 March 2016

The Balance Sheet sets out the total net worth of the Orkney and Shetland Valuation Joint Board at a snapshot in time. When comparing the net worth of the Board at 31 March 2016 to that of the last Balance Sheet on 31 March 2015 there has been an overall increase in net worth of the organisation of £309k. The increase has been driven by a decrease in the pension liabilities that represent a long term commitment for the Board and do not require to be met in any single year.

Pension Liability

In order to comply with International Accounting Standard (IAS) No.19 (Retirement Benefits), a valuation of the Shetland Islands Council's Pension Fund was made by the Fund Actuary as at 31 March 2016. This indicated a net pension liability for the Valuation Joint Board of £1,403k compared to a net pension liability of £1,710k as at 31 March 2015.

The movement in the year is influenced by actuarial assumptions and changes made to these have benefited the valuation as at 31 March 2016. The pension fund is a long-term commitment and is subject to a triennial actuarial valuation; the last valuation at 31 March 2014 recorded a funding level of 92% and the contributions the Board makes to the pension fund are in line with the actuary's valuation and recommendations.

Orkney and Shetland Valuation Joint Board Outlook

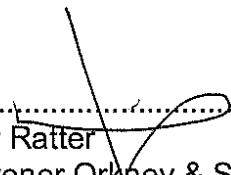
Looking forward the approved 2016/17 budget for the Orkney and Shetland Valuation Joint Board has been set at £671k, which is an increase of £42k (7%) on the 2015/16 budget.

The Board has agreed that a Best Value Review should be carried out to establish if the current organisational structure and activities are fit for the future and to assess any alternatives. This is scheduled to be carried out during 2016/17.

Consideration will also be given to the IER work and its funding, which remains a concern due to the extra costs being incurred to deliver the new obligation.

Acknowledgements

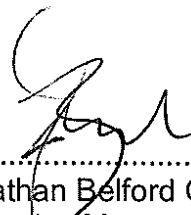
Finally, we would like to acknowledge all the hard work of the officers, in both Orkney and Shetland Islands Councils, and to officers of the Orkney and Shetland Valuation Joint Board who have had a role in the preparation of the annual accounts and those who have worked diligently throughout the year in the delivery of OSVJB objectives.


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Drew Ratter
Convener Orkney & Shetland Valuation Joint Board

Date: 23/09/16


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Dennis M Stevenson
Assessor and Electoral Registration Officer, Orkney & Shetland Valuation Joint Board

Date: 23/09/16


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Jonathan Belford CPFA
Executive Manager - Finance

Date: 23/09/16

Annual Governance Statement

Scope of Responsibility

The Orkney and Shetland Valuation Joint Board (OSVJB) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this accountability, elected members collectively, and senior officers individually are responsible for putting in place proper arrangements for the governance of the organisation's affairs and the stewardship of the resources at its disposal.

The Governance Framework

The undernoted principles were in place throughout 2015/16 when the Board was carrying out its business.

The key elements of the systems and processes that comprise the Board's governance arrangements are summarised as follows:

Governance Principle 1 – focusing on the purpose of the authority and on outcomes for the Island Communities of Orkney and Shetland

This principle is about delivering intended outcomes for citizens and service users, ensuring that high quality valuation assessment and registration services are delivered, and that best use is made of the Board's resources.

The Board is focused around delivery of specialised valuation and registration service. The two services delivered by the Board are foundation stones to local government and democracy at local, national and international levels, as the services provide the means to raise local taxation and to conduct elections / referendums.

The Assessor and Electoral Registration Officer (ERO) is a member of the Scottish Assessors Association and through this non-statutory voluntary association, the 14 Assessors that provide valuation assessments and registration services across the 32 local authority areas in Scotland share expertise and resources.

Through engagement with external stakeholders such as the Electoral Commission, the Cabinet Office, the Scottish Government, the Electoral Management Board for Scotland (EMB), the Institute of Revenue and Rating and Valuation (IRRV), the Royal Institution of Chartered Surveyors (RICS) and through close working with the Corporate Service directorates of the two constituent local authorities, the Assessor and ERO draws on these resources and has developed engagement strategies that reflect the prevailing service requirements.

The Board's performance management framework is reviewed regularly to drive continuous improvement and ensure effective monitoring of progress and outcomes against stated objectives. Best Value progress reports are provided by the Assessor and ERO twice yearly to the Board.

Governance Principle 2 – members and officers working together to achieve a common purpose with clearly defined functions and roles

This principle is about defining roles of elected members and officers, making sure responsibilities are clearly defined.

Standing orders regulate the form and content of Board meetings and the Board's financial regulations, modelled on those of Shetland Islands Council, provide a scheme of delegation for financial decisions.

Performance and Best Value reports are presented to the Board at least twice a year.

Functions and roles of statutory posts including the Clerk, Treasurer, Assessor and ERO are clearly defined.

Governance Principle 3 – promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

High standards of behaviour are essential to good governance. There is an expectation that elected members and senior officers will exercise leadership through exemplary standards of behaviour. This is achieved through compliance with codes of conduct and registers of interests which record any potential areas where conflicts of interest might arise.

The Board has in place a scheme for ensuring equalities compliance.

In order to avoid duplication the Board relies on the register of interests and gifts maintained by the relevant constituent authorities for elected members. The Assessor and ERO are bound by the policies of the Board and also must adhere to the professional standards and ethics regime set by the RICS.

There were no recorded breaches of codes of conduct by officials or members during the 2015/16 period.

Governance Principle 4 – taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Board's decision-making process is well established with governance, finance and performance issues being discussed at Board meetings that take place in public (unless exempt under statutory provision). The Board's reports are published prior to each meeting and made available to the media. Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. Scrutiny is secured through internal and external audit. Minutes of meetings are periodically uploaded onto the Board's website thereby also allowing access through the link to the SAA website. Associated reports and background papers are available on demand.

Decisions of the Assessor and ERO are subject to public scrutiny, scrutiny via an appeal and complaint process to the respective judicial bodies and external stakeholders that monitor performance such as the Electoral Commission and the Electoral Management Board for Scotland.

Risk management is a fundamental part of the organisation's decision making process and informs consideration of reports, both prior to and at Board meetings, reviewing the risk register on an annual basis. The Board recently approved a Register of all evaluated risks and has undertaken to review annually its strategic and corporate risks and its associated Business Continuity Plans.

Governance Principle 5 – developing the capacity and capability of members and officers to be effective

This element of governance is designed to ensure that both elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

New employees receive induction training on taking up their post and some post holders are able to participate in a career grade development scheme that seeks to promote personal and professional development. All officials are subject to a staff review and development scheme and Valuers who are members of the RICS are subject to additional compulsory continuing professional development training that is monitored by the RICS.

Governance Principle 6 – engaging with local people and other stakeholders to ensure robust public accountability

The Board achieves this through timely publication of its annual accounts, of statutory and local performance information, and by publishing the Assessor and ERO's annual public performance report.

The Assessor and ERO also make significant use of media to communicate relevant items of news. Procedures are in place to meet requests made under the Freedom of Information (Scotland) Act. Community engagement is driven by the priorities of the particular aspect of the service under consideration. This is particularly evident during the lead up to elections when the information supplied and personal engagement through the media, gives timely information to the voting public of timescales to meet and the value to be gained, for example, by maximising absent voting options.

The financial management arrangements conform with the governance requirements in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Review of Effectiveness

The Board has a responsibility for ensuring the continuing effectiveness of its governance framework and systems of internal control. The review of effectiveness is informed by:

- progress towards key strategic and service objectives, as demonstrated through reporting on targets and performance;
- financial and budget monitoring;
- Internal Audit reviews on the systems of the Council as used by the Board;
- the work of managers within the Board;
- the Annual Report and Accounts; and
- external inspections.

During the year there were no specific internal audits carried out for the Board, and the controls work undertaken across the Council systems by internal and external audit were found to be adequate.

Significant Governance Issues

The system of governance can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded, material errors or irregularities are either prevented or would be detected within a timely period and all the significant risks impacting on the achievement of our objectives have been mitigated.

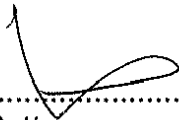
During Summer/Autumn 2016 the Board intends to commission a Best Value Review of both the Valuation and Registration Services. Any governance issues arising will be resolved and noted in future governance statements.

There are no significant governance issues to report.

Certification

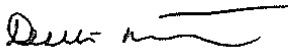
The Governance Framework has been in place for the financial year ended 31 March 2016 and up to the date of approval of the Annual Accounts. Effective governance arrangements will remain a key priority for the Board in the future.

Overall, we consider that the governance and internal control environment operating in 2015/16 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified, and actions taken to avoid or mitigate their impact.



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Drew Ratter
Convener Orkney & Shetland Valuation Joint Board

Date: 23/09/16



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Dennis M Stevenson
Assessor and Electoral Registration Officer, Orkney & Shetland Valuation Joint Board

Date: 23/09/16

Remuneration Report

Introduction

The remuneration report is set out in accordance with the Local Authority (Scotland) Regulations 2014. These Regulations require various disclosures on the remuneration and pension benefits of senior councillors and employees.

All information disclosed in the tables in this Remuneration Report are audited by Audit Scotland. The other sections of the Remuneration Report are reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration arrangements of Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 and the (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as the leader of Council, the Convener of the Council, Senior Councillors and Councillors.

These regulations 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 Convener and Vice-Convener are the only two Senior Councillor positions recognised by the Orkney & Shetland Valuation Joint Board.

The Board has an arrangement with each Council to reimburse that Council for the additional costs of the 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 do not reflect the full value of the remuneration that may be paid to the Councillor.

The Convener and Vice-Convener of the Orkney & Shetland Valuation Joint Board are remunerated by the Council of which they are a Council Member.

Disclosure of remuneration for Senior Councillors

Name	Designation	2015-16		2014-15
		Salary, Fees and Allowances £	Total Remuneration 2015-16 £	Total Remuneration 2014-15 £
Drew Ratter	Convener	4,182.96	4,182.96	4,142.04
Harvey Johnston	Vice Convener	2,961.21	2,961.21	2,914.03

Remuneration of Senior Employees of Orkney & Shetland Valuation Joint Board

The employees of the Valuation Joint Board are employed on the same terms and conditions as the employees of Shetland Islands Council. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 details the salaries paid to Chief Officers.

The former Assessor was paid at spinal column point 29 on the Chief Officers' Pay Scale. This was subsequently reviewed to spinal column point 24-26 from May 2015. These arrangements were agreed through approval by the Board.

Disclosure of remuneration for Senior Employees

Name	Designation	2015-16			2014-15	Notes
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration 2015-16 £	Total Remuneration 2014-15 £	
Michael Forbes	Assessor & Electoral Registration Officer	13,026.22	-	13,026.22	72,721.54	Left 03/05/2015. Full year equivalent £78,417
Dennis M Stevenson	Assessor & Electoral Registration Officer	64,306.83	-	64,306.83	-	Commenced 04/05/2015. Full year equivalent £69,753

General Disclosure of Pay Band (Para 4 of the schedule)

Remuneration Bands	Number of Employees	
	2015-16	2014-15
£50,000 - £54,999	0	1
£55,000 - £59,999	0	0
£60,000 - £64,999	0	0
£65,000 - £69,999	1	0
£70,000 - £74,999	0	1

Pension Benefits

Pension details of Conveners and Vice Conveners of Orkney & Shetland Valuation Joint Board

The pension disclosure for Joint Boards for a Convener or Vice-Convener is limited to the contribution the Board has been asked to make to that person's pension by the Council of which the Convener or Vice-Convener is a member. No accrued pension benefit needs to be disclosed (per Para 61 of the guidance).

Pension employer contributions – Senior Councillors

Name	Designation	In-Year Employer Pension Contributions	
		Year ending 31 March 2016	Year ending 31 March 2015
		£	£
Drew Ratter	Convener	782.21	774.56
Harvey Johnston	Vice Convener	633.70	623.60

Pension details of Senior Employees of Orkney & Shetland Valuation Joint Board

Pension benefits for local government employees are provided through the Local Government Pension Scheme (LGPS). The Pension Scheme is a funded Pension Scheme, consisting of payments being received from members of the Scheme, as well as from the employer.

From 1 April 2015, the Pension Scheme moved away from a final salary pension scheme to a career average related earnings scheme (CARE). This means that pension benefits are worked out using career average related earnings rather than final salary.

The scheme's normal retirement age for employees is 65.

From 1 April 2009 a five-tier contribution system was introduced, with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The Tiered Contribution Rates for 2015/16 are as follows:	Contribution rate 2015/16
On earnings up to and including £20,500	5.5%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.5%
On earnings above £34,400 and up to £45,800	9.5%
On earnings above £45,800	12%

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

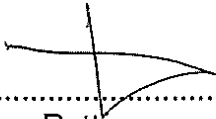
The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

Pension benefits – Senior Employees

Name	Designation	In-Year Employer Pension Contributions		Notes
		Year ending 31 March 2016	Year ending 31 March 2015	
		£	£	
Michael Forbes	Assessor & Electoral Registration Officer	2,228.98	21,354.13	Left 03/05/15
Dennis M Stevenson	Assessor & Electoral Registration Officer	19,985.23	-	Commenced 04/05/15

Name	Designation		Accrued Pension Benefits			Notes	
			As at 31	As at 31	Increase		
			March 2016	March 2015	(Decrease)		
			£	£	£		
Michael Forbes	Assessor & Electoral Registration Officer	Pension	-	34,810.51	-	34,810.51	Left 03/05/15
		Lump Sum	-	82,864.22	-	82,864.22	
Dennis M Stevenson	Assessor & Electoral Registration Officer	Pension	24,934.40	-	-	24,934.40	Commenced 04/05/15
		Lump Sum	52,010.59	-	-	52,010.59	



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Drew Ratter
Convener Orkney & Shetland Valuation Joint Board

Date: 23/09/16



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Dennis M Stevenson
Assessor and Electoral Registration Officer, Orkney & Shetland Valuation Joint Board

Date: 23/09/16

Statement of Responsibilities for the Annual Accounts

1. The Board's responsibilities

The Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the appointed Treasurer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For the Board, that officer is the Executive Manager – Finance of Shetland Islands Council;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 23 September 2016.

Signed on behalf of the Valuation Joint Board.


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Date 23/09/16

Dennis M Stevenson

Assessor and Electoral Registration Officer, Orkney & Shetland Valuation Joint Board

2. The Treasurer's responsibilities

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

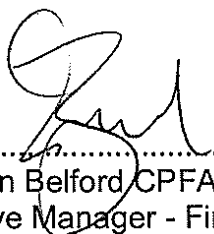
In preparing these Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Orkney and Shetland Valuation Joint Board at the reporting date and the transactions of the Board for the year ended 31 March 2016.



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Jonathan Belford CPFA
Executive Manager - Finance

Date 23/09/16

Movement in Reserves Statement

This shows the movement in reserves that must be set aside under statute and accounting regulations (i.e. unusable reserves); the Valuation Joint Board has no usable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the service, which is different from the statutory amounts required to be funded from taxation in the year.

The Net (Increase)/Decrease before Transfers to Reserves line shows the statutory balance before any discretionary transfers, to or from reserves, are undertaken by the Board.

	Pension Reserve Restated £	Employee Benefits Accrual £	Total Unusable Reserves Restated £
Balance as at 31 March 2014	1,466,000	10,928	1,476,928
Movement in reserves during 2014/15			
(Surplus) or deficit on the provision of services	65,000	1,675	66,675
Other comprehensive I&E	179,000	0	179,000
(Increase)/Decrease in 2014/15	244,000	1,675	245,675
Balance as at 31 March 2015	1,710,000	12,603	1,722,603
Movement in reserves during 2015/16			
(Surplus) or deficit on the provision of services	57,000	(2,476)	54,524
Other comprehensive I&E	(364,000)	0	(364,000)
(Increase)/Decrease in 2015/16	(307,000)	(2,476)	(309,476)
Balance as at 31 March 2016	1,403,000	10,127	1,413,127

Comprehensive Income and Expenditure Statement

This shows the full economic cost of providing the service in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation by way of central government grant-in-aid and amounts requisitioned from Orkney and Shetland Islands Councils. Where accounting costs are different from those to be funded from taxation in the year (e.g. pension costs) the difference is shown in the Movement in Reserves Statement.

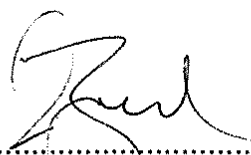
2014/15 £		Note	2015/16 £
466,817	Employee costs		488,034
30,492	Property costs		29,317
4,648	Supplies & services		4,272
30,581	Transport		30,597
87,931	Administration Costs		97,955
2,287	Payments to other bodies		4,993
622,756	Cost of Services		655,168
63,000	Pension interest cost and expected return on pension assets		54,000
(28,905)	Sales, fees & charges	14	(28,743)
(30,959)	Specific grant income	14	(57,943)
(559,217)	Requisitions from Member Authorities	15	(567,958)
66,675	Deficit on the Provision of Services		54,524
179,000	Actuarial (gains)/losses on pension assets/liabilities		(364,000)
245,675	Total Comprehensive Income and Expenditure		(309,476)

Balance Sheet as at 31 March 2016

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board.

31 March 2015 £	Current Assets	Note	31 March 2016 £
64,179	Short-term Debtors	7	75,620
64,179			75,620
(76,782)	Less Current Liabilities Short-term Creditors	8	(85,747)
(12,603)	Net Assets Excluding Pension Liability		(10,127)
(1,710,000)	Pension Liability	17	(1,403,000)
(1,722,603)	Net Liabilities Including Pension		(1,413,127)
	Represented by		
12,603	Employee Benefits Accrual	9	10,127
1,710,000	Pension Reserve	9 & 10	1,403,000
1,722,603			1,413,127

The audited accounts were authorised for issue on 23 September 2016.



Jonathan Belford CPFA
Executive Manager - Finance

Date: 23/09/16

Notes to the Financial Statements

Note 1: Summary of Accounting Policies

General Principles

The Code specifies the applicable accounting policies for:

- selecting measurement bases for recognising assets, liabilities, gains and losses in the annual accounts;
- making changes to reserves;
- the minimum disclosure requirements.

A valid estimation technique can be used to derive the monetary amount (i.e. the one that best reflects the economic reality of a transaction or event) to be recognised in the financial statements in such circumstances when the basis of measurement for the monetary amount cannot be applied with certainty (and the range of options is considered to be material).

Accounting Conventions and Concepts

The concept of the Valuation Joint Board as a going concern is based on the premise that its functions and services will continue in existence for the foreseeable future.

The concept of materiality derives from the premise that financial statements need not be precisely accurate to represent a true and fair view. It is a matter of professional judgement as to whether users of the accounts could come to different conclusions about the Board's standards of stewardship or make different economic decisions as a result of deviations from the provisions set out in the Code.

The Valuation Joint Board accounting policies, which are significant in terms of the amounts recognised in its financial statements, are summarised (a – g) below:

a) 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; and
- 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.

b) Accumulated Absences

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

c) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year in which employees render service to the Board.

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Valuation Joint Board makes contributions towards the cost of post employment benefits. These benefits will not become payable until employees retire. The Board has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Employees of Orkney and Shetland Valuation Joint Board are members of the Shetland Island Council Local Government Pension Scheme which is administered locally.

From 1 April 2015, the Pension Scheme moved away from a final salary pension scheme to a career average related earnings scheme (CARE). The main changes of the Scheme are:

- A move towards benefits being worked out using career average related earnings rather than final salary;
- Pensions being built up at a rate of 1/49th of annual pensionable pay;
- Member's Normal Retirement Age being linked to their own State Pension Age. Members will still be able to retire any time from age 60 but a reduction for early payment may apply;
- Protection of benefits for members age 55 and over at 1 April 2012 who will be guaranteed that their benefits will not be less than they would have been if the 2015 scheme had never been introduced; and
- Benefits built up before April 2015 will continue to be calculated using actual final pensionable pay at date of leaving.

Arrangements for the award of discretionary post retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made, however, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when earned by employees, rather than when the benefits are eventually paid as pensions. The charge against council tax, however, is based on the cash payable in the year, so the real cost of

post employment/retirement benefits is reversed out via the Movement in Reserves Statement.

Statutory provisions require the amount payable by the Valuation Joint Board to be the amount paid directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the Movement in Reserves Statement.

This treatment requires appropriations to and from the Pension 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 to the Valuation Joint Board balance 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 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 that are applied to the Local Government Pension Scheme.

d) Exceptional Items and Prior Period Adjustments

There are no exceptional items or prior period adjustments for 2015/16.

e) Overheads and Support Services

Whereby, under agreement with the Board, the constituent authorities place their own staff at the disposal of the Board, the Board pays to that authority such amounts as may be agreed for such 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 Reporting Code of Practice for Local Authorities 2015/16 (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.

f) Leases

Operating Leases – The Authority as Lessee: Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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).

g) Government Grants and other 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 Statement until conditions attaching to the grant or contribution have

been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

Note 2: Critical Judgements in applying accounting policies

There is a high degree of uncertainty about future levels of funding for local government in general, however, the Valuation Joint Board has determined that this uncertainty is not an indication that the Orkney and Shetland Island Councils intend to close facilities or reduce levels of service provision.

Note 3: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £400,000; however, the assumptions interact in complex ways. During 2015/16, the net pension liability decreased by £307,000. This is due to the employer contributions to the pension fund increasing from 29.7% to 33.8% in 2015/16 to combat continued falling real bond yields which was increasing the net pension liability.

Note 4: Employee Benefits Accrual

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

2014/15 £	Employee Benefits Accrual	2015/16 £
(10,928)	Balance at 1 April	(12,603)
10,928	Settlement or cancellation of accrual made at the end of the preceding year	12,603
(12,603)	Amounts accrued at the end of the current year	(10,127)
	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	
(12,603)	Balance at 31 March	(10,127)

Note 5: Events after the Balance Sheet Date

The Annual Accounts were authorised for issue by the Treasurer on 23 September 2016. Events taking place after this date are not reflected in the financial statements or notes.

Note 6: 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 Valuation Joint Board in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to meet future expenditure. Such adjustments involve the Pension Reserve and Employee Benefits Accrual by which amounts charged for holiday pay to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.

31 March 2015 £	Unusable Reserves	31 March 2016 £
	Adjustments primarily involving the Pensions Reserve:	
341,000	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 17)	(197,000)
(97,000)	Employer's pension contributions and direct payments to pensioners payable in the year	(110,000)
	Adjustments involving the Employee Benefits Accrual:	
1,675	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	2,476
245,675	Total Adjustments	(304,524)

Note 7: Short-term Debtors

31 March 2015 £		31 March 2016 £
38,156	Other local authorities	36,380
26,023	Other entities and individuals	39,240
64,179	Total short-term debtors	75,620

The 2015/16 short-term debtors balance represents amounts due by Shetland Islands Council at March 2016 in respect of its requisition costs, the amount paid to Orkney Islands Council in advance for lease of the Board's office premises in Kirkwall, and carry forward and repayment of unspent funding received in respect of the implementation of Individual Electoral Registration.

Note 8: Short-term Creditors

31 March 2015 £		31 March 2016 £
(38,156)	Other local authorities	(36,380)
(38,626)	Other entities and individuals	(49,367)
(76,782)	Total short-term creditors	(85,747)

The 2015/16 short-term creditors represents the net balances with third parties that Shetland Islands Council and Orkney Islands Council hold on behalf of the Board. This represents the Council's obligation to pay the Board's liabilities as they fall due as part of their responsibilities in hosting the Board.

Note 9: Unusable Reserves

31 March 2015 £		31 March 2016 £
1,710,000	Pension Reserve	1,403,000
12,603	Employee benefits accrual	10,127
1,722,603	Total unusable reserves	1,413,127

Note 10: Pension Reserve

31 March 2015 £		31 March 2016 £
1,466,000	Balance at 1 April	1,710,000
179,000	Actuarial (gains)/losses on pensions assets and liabilities	(364,000)
162,000	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	167,000
(97,000)	Employer's pensions contributions and direct payments to pensioners payable in the year	(110,000)
1,710,000	Balance at 31 March	1,403,000

Note 11: Amounts Reported for Resource Allocations

This provides a subjective analysis of the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

The income and expenditure of the Joint Board's contributing authorities recorded in the budget reports for the year is as follows:

Valuation Joint Board Income & Expenditure 2015/16	Orkney Islands Council £	Shetland Islands Council £	Total £
Expenditure			
Employee costs	243,755	243,755	487,510
Property costs	18,267	11,050	29,317
Supplies & services	2,656	1,616	4,272
Transport costs	15,298	15,298	30,596
Administration costs	51,833	46,123	97,956
Payments to other bodies	2,298	2,695	4,993
TOTAL EXPENDITURE	334,107	320,537	654,644
Income			
Fees & charges	(13,841)	(14,902)	(28,743)
Specific grant income	(28,971)	(28,972)	(57,943)
TOTAL INCOME	(42,812)	(43,874)	(86,686)
CONTRIBUTION BY AUTHORITIES	291,295	276,663	567,958

Valuation Joint Board Income & Expenditure 2014/15	Orkney Islands Council £	Shetland Islands Council £	Total £
Expenditure			
Employee costs	231,571	231,571	463,142
Property costs	19,457	11,035	30,492
Supplies & services	982	3,666	4,648
Transport costs	14,609	15,972	30,581
Administration costs	39,700	48,231	87,931
Payments to other bodies	1,046	1,241	2,287
TOTAL EXPENDITURE	307,365	311,716	619,081
Income			
Fees & charges	(13,767)	(15,138)	(28,905)
Specific grant income	(15,480)	(15,479)	(30,959)
TOTAL INCOME	(29,247)	(30,617)	(59,864)
CONTRIBUTION BY AUTHORITIES	278,118	281,099	559,217

Note 12: Reconciliation of Contributing Authorities Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

2014/15 £		2015/16 £
559,217	Net expenditure on Contributing Authorities analysis	567,958
63,539	Net expenditure of services and support services not included in the analysis	87,210
622,756	Cost of Services in Comprehensive Income and Expenditure Statement	655,168

Note 13: External Audit Costs

2014/15 £		2015/16 £
7,230	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	7,150
7,230	Total	7,150

Note 14: Grant and Other Income

2014/15 £		2015/16 £
3,905	Sales, fees and charges	3,743
30,959	Specific Grant Income	57,943
25,000	Asset valuation service to Orkney Islands Council	25,000
59,864	Total	86,686

Note 15: Related Parties

The Valuation Joint Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Board, or to be controlled or significantly influenced by the Board. The Board is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

The member authorities of the Valuation Joint Board have contributed requisitions in the following proportions to enable the Board to carry out its objectives. The Board in turn pays Shetland Islands Council for property and support services. The amount paid in respect of these services for the year ended 31 March 2016 was £11,050 and £10,853 (2014/15 £11,000 and £7,944). The Board paid Orkney Islands Council £18,267 for the year ended 31 March 2016 in respect of property services (2014/15 £19,422) and in turn Orkney Islands Council paid the Board for valuation services. The amount for 2015/16 was £25,000 (2014/15 £25,000).

2014/15 £		2015/16 %	2015/16 £
	Council		
278,118	Orkney Islands Council	51.3%	291,295
281,099	Shetland Islands Council	48.7%	276,663
559,217	Total	100.0%	567,958

Note 16: Operating Leases

The Board leases a property in Orkney from the Orkney Islands Council. This lease is due to expire in 2017.

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

2014/15 £		2015/16 £
12,000	Not later than one year	12,000
15,000	Later than one year and less than five years	3,000
27,000		15,000

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

2014/15 £		2015/16 £
12,000	Minimum lease payments	12,000
12,000		12,000

Shetland premises are provided by the Shetland Islands Council. There is no formal lease agreement. The Board's only obligation is to fund the actual running costs of their share of the building.

Note 17: Retirement Benefits

The Local Government Pension Scheme, administered locally by Shetland Islands Council, is a funded defined benefit career average related earnings scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The pension accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.)

There is no automatic entitlement to a lump sum in respect of Post 2009 service. Members may however opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The scheme's normal retirement age is 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Shetland Islands Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the

responsibility of the Pension Fund Consultative Panel of Shetland Islands Council. The Panel comprises of elected members of Shetland Islands Council along with employee and employer representatives and a pension/deferred member representative.

Policy is determined in accordance with the Pensions Fund Regulations. Management of the Fund's investments is carried out by Shetland Islands Council which receives recommendations from the Fund's Consultative Panel. Shetland Islands Council selects and appoints a number of external investment managers/partners and monitors their investment performance.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the contributing authorities the amounts required by statute as described in the accounting policies note.

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.

The charge required to be funded in the year, however, is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement during the year:

Note 17a: Transactions relating to post-employment benefits

2014/15 £	Local Government Pension Scheme	2015/16 £
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
99,000	Current service cost	113,000
0	Past service cost (including curtailments)	0
	Financing and Investment Income and Expenditure:	
63,000	Net interest expense	54,000
162,000	Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	167,000
	Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(214,000)	Return on plan assets (excluding the amount included in the net interest expense)	50,000
(53,000)	Actuarial (gains) and losses arising on changes in demographic assumptions	0
444,000	Actuarial (gains) and losses arising on changes in financial assumptions	(375,000)
2,000	Actuarial (gains) and losses arising from other experience	(39,000)
341,000	Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(197,000)
	Movement in Reserves Statement	
341,000	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(197,000)
	Actual amount charged against the General Fund balance for pensions in the year:	
(97,000)	Employers' contributions and direct payments to pensioners payable in the year	(110,000)

The amount included in the Balance Sheet arising from the schemes obligation in respect of the pension fund is as follows:

	2014/15 £	2015/16 £
Present value of the defined benefit obligation	(4,482,000)	(4,083,000)
Fair value of assets in the Local Government Pension Scheme	2,772,000	2,680,000
Net liability arising from Defined Benefit Obligation	(1,710,000)	(1,403,000)
Local Government Pension Scheme	(1,686,000)	(1,381,000)
Unfunded liabilities for Pension Fund	(24,000)	(22,000)
Total	(1,710,000)	(1,403,000)

Note 17b: Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of fair value of the scheme assets:

2014/15 £		2015/16 £
2,414,000	Opening balance at 1 April	2,772,000
105,000	Interest income	87,000
	Re-measurement gains and (losses)	
214,000	Return on assets excluding amounts included in net interest	(50,000)
97,000	Employer contributions	110,000
23,000	Contributions by scheme participants	20,000
(81,000)	Benefits paid	(259,000)
2,772,000	Closing balance at 31 March	2,680,000

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

2014/15 £		2015/16 £
3,880,000	Opening balance at 1 April	4,482,000
99,000	Current service cost	113,000
168,000	Interest cost	141,000
23,000	Contributions by scheme participants	20,000
	Remeasurement (gains) and losses:	
(53,000)	Actuarial (gains) and losses from changes in demographic assumptions	-
444,000	Actuarial (gains) and losses from changes in financial assumptions	(375,000)
2,000	Actuarial (gains) and losses from other experience	(39,000)
(81,000)	Benefits paid	(259,000)
-	Past service costs including curtailments	-
4,482,000	Closing balance at 31 March	4,083,000

Note 17c: Analysis of Pension Fund's Assets

The Valuation Joint Board's share of the Pension Funds assets at 31 March 2016 comprised:

2014/15	£ Quoted Prices not in Active Markets	2015/16
0	£	£
	Cash and Cash Equivalents	0
	Property:	
269,000	UK Property	260,000
18,000	Overseas Property	18,000
287,000	Sub-total Property	278,000
	Investment Funds and Unit Trusts:	
1,678,000	Equities	1,623,000
268,000	Bonds	259,000
539,000	Other	520,000
2,485,000	Sub-total Investment Funds and Unit Trusts	2,402,000
2,772,000	Total Assets	2,680,000

Note 17d: Basis for estimating assets & liabilities

The Valuation Joint Board's share of the liabilities of Shetland Islands Council Pension Fund 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 upon assumptions about mortality rates, salary levels, etc. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2014.

The principal assumptions used by the actuary have been:

2014/15		2015/16
	Long-term expected rate of return on assets in the scheme:	
3.2%	Investment Funds and Unit Trusts	3.1%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (in years):	
22.8	Men	22.8
23.8	Women	23.8
	Longevity at 65 for future pensioners (in years):	
24.9	Men	24.9
26.7	Women	26.7
2.8%	Rate of inflation	3.1%
4.3%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
70.0%	Take-up of option to convert annual pension into retirement lump sum	70.0%

The estimation of the defined benefit obligations 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 analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Change in assumptions as at 31 March 2016	Approximate increase to employer liability %	Approximate monetary amount £
0.5% decrease in Real Discount Rate	10%	400,000
1 year increase in Member Life Expectancy	3%	122,000
0.5% increase in the Salary Increase Rate	3%	123,000
0.5% increase in the Pension Increase Rate	7%	270,000

Shetland Islands Council does not have an asset and liability matching strategy (ALM).

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep the employers' contributions rate as constant as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's common contribution rate has been set at 20.7% for 2016-17. The next three years will be set following completion of the triennial valuation as at 31 March 2017.

The Fund now takes account of the national changes to the Local Government Pension Scheme in Scotland, from 1 April 2015, to a new career average revalued earning scheme (CARE) for future accruals.

The total contributions expected to be made by the Board to the Pension Fund in the year to 31 March 2017 is £0.109m.

The weighted average duration of the defined benefit obligation for scheme members is 17.1 years for 2015/16.

Independent auditor's report to the members of Orkney and Shetland Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Orkney and Shetland Valuation Joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and 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 2015/16 (the 2015/16 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 Executive Manager - Finance and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Manager - Finance, and the overall presentation of the financial statements. In addition, I 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 me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, 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 the 2015/16 Code of the state of the body's affairs as at 31 March 2016 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 2015/16 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.

Opinion on other prescribed matters

In my opinion:

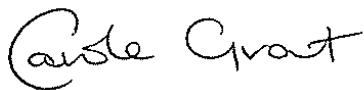
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with 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 Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Carole Grant CPFA
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G2 1BT

23 September 2016