



Orkney & Shetland Valuation Joint Board



Clerk to the Board: Jan-Robert Riise

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Date: 7 June 2017

Dear Sir/Madam

You are invited to the following meeting:

Orkney and Shetland Valuation Joint Board (By video conference)
Committee Room 1, Council Offices, Kirkwall and
Auditorium, Shetland Museum and Archives, Hay's Dock, Lerwick
Thursday 15 June 2017 at 11am

Apologies for absence should be notified to Louise Adamson at the above number, or by e-mail to louise.adamson@shetland.gov.uk

Yours faithfully

J R Riise
Clerk to the Board

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Confirm the minutes of the meetings held on (i) 17 February 2017, and (ii) 31 May 2017 (attached)

1. Management Accounts – Outturn at Quarter 4 (*Report enclosed*)
2. Unaudited Annual Accounts 2016/17 (*Report enclosed*)

The following item contains Exempt information

3. Valuation Joint Board – Update Report – Staffing (*Report enclosed*)



Orkney & Shetland Valuation Joint Board



C(i)

A & B

Orkney and Shetland Valuation Joint Board
Committee Room 1, Council Offices, Kirkwall
Friday 17 February 2017 at 11.25am

Present:

Orkney

A Drever
L Manson
G Shearer
D Tullock

Shetland

D Ratter
G Smith
T Smith
M Stout

In Attendance:

Orkney

G Mitchell, Head of Legal Services, OIC
D Stevenson, Assessor and Electoral Registration Officer
A Kingston, Committees Officer, OIC

Shetland

J Belford, Treasurer to the Board
J Riise, Clerk to the Board

Apologies:

Orkney

S Clackson
H Johnston
J Moar

Shetland

F Robertson

Chairperson:

Mr D Ratter chaired the meeting.

01/17 Minutes of Previous Meetings – 16 June and 23 September 2016

On the motion of A Drever, seconded by M Stout, the Board confirmed the minutes of the meetings held on 16 June and 23 September 2016 as being a true and accurate record.

02/17 Best Value Regime – Progress Report

The Assessor had presented a six monthly progress report in respect of the Best Value Regime, to which the Board noted its contents.

03/17 Risk Register

The Assessor had presented the Risk Register to ensure operations in relation to the Orkney and Shetland Joint Board's functions could operate effectively under all assessable and identifiable risks.

The Assessor noted that the Risk Register would be made available online.

The Board approved the contents of the Risk Register.

04/17 Management Accounts 2016/17

The Board noted the projected outturn at quarter 3, as shown in the management accounts.

05/17 Annual Audit Plan 2016/17

The Board noted the contents of the Audit Plan 2016/17 provided by the external auditors, Deloitte LLP.

06/17 Corporate Plan and Service Plan 2016 to 2019

The Assessor had presented the three year Corporate and Service Plans to detail the operations and activities undertaken in relation to the Joint Board's statutory function and other service provisions.

The Assessor noted that, if approved, the Corporate and Service Plans would be made available online.

On the motion of M Stout, seconded by A Drever, the Board approved the contents of the Corporate Plan and Service Plan 2016 to 2019.

07/17 2017/18 Budget Strategy

On the motion of G Smith, seconded by D Ratter, the Board agreed that the budget strategy for 2017/18 would be to prepare plans on the basis of a standstill position, subject to pay cost pressures.

08/17 2017/18 Budget

On the motion of M Stout, seconded by D R Tullock, the Board approved the 2017/18 budget, attached as Appendix 1 to the report by the Executive Manager – Finance, subject to consideration of a report by the Assessor later on this agenda.

On the motion of D Ratter, seconded by D R Tullock, the Board resolved in terms of subsection 4 of Section 50A of the Local Government (Scotland) Act 1973 to exclude the public from this meeting during consideration of agenda items 8 and 9 on the grounds that it is likely that, if the public were present, there would be disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 7A to the said Act.

09/17 Staffing Structure – Amended Structure – Cost Pressures

The Board considered a report presented by the Assessor.

On the motion of L Manson, seconded by D Ratter, the Board agreed to:-

1. Convert the two 0.5FTE Technicians posts into a Career Graded Valuer post and appoint the current post holder to the position from 1 April 2017 at J1 grade; and
2. Commence recruitment of the full-time Assistant Assessor post in early April 2017.

The 2017/18 approved budget was consequentially revised to take account of this decision.

10/17 Individual Electoral Registration – Temporary Administrative Posts

The Board considered a report presented by the Assessor.

On the motion of G Smith, seconded by T Smith, the Board agreed to retain the two 0.5FTE Administrative Assistant posts up to May 2020 in tandem with Cabinet Office funding.

The meeting concluded at 12.35pm.

Chair



Orkney & Shetland Valuation Joint Board



C(ii)

Orkney and Shetland Valuation Joint Board
The Bunker, Council Offices, Kirkwall, and
Boardroom, Lystina House, Lerwick (by video conference)
Wednesday 31 May 2017 at 9.30am

A & B

Present:

Orkney

S Clackson

D Dawson

A Drever

S Heddle

H Johnston

J R Scott (Substitute/Observer)

Shetland

A Cooper

A Duncan

T Smith

B Wishart

In Attendance:

Orkney

D Stevenson, Assessor and Electoral Registration Officer

G Mitchell, Head of Legal Services

Shetland

J Riise, Clerk to the Board

J Belford, Treasurer to the Board

L Adamson, Committee Officer

Apologies:

None

Circular

The circular calling the meeting was held as read.

Chairperson

The Clerk to the Board chaired the meeting, pending the appointment of the Convener.

11/17

Membership of the Valuation Joint Board

A report by the Clerk to the Board advised on the recent appointments to the Board made by Orkney Islands Council and Shetland Islands Council following the recent Local Government elections [Appendix 1].

The Clerk to the Board introduced the report.

Reference was made to paragraph 2.2 of the report, where the statement was highlighted that the practice in Orkney Islands Council is for annual re-appointment to the Board. In that regard, it was confirmed that the appointments made to the Board by both Orkney Islands Council, and Shetland Islands Council, continue until the date of the next ordinary election of the Council.

The Board otherwise noted the report.

12/17

Appointment of Convener and Vice-Convener

A report by the Clerk to the Board sought the appointment of a Convener and Vice-Convener in accordance with the provisions of the Valuation Joint Boards (Scotland) Order 1995 [Appendix 2].

After introducing the report, the Clerk to the Board sought nominations to the role of Convener.

Mr Drever was nominated, on the motion of Mr Johnston, seconded by Mr T Smith.

Mr Clackson was nominated, on the motion of Mr Heddle, seconded by Mr Dawson.

There were no further nominations.

Mr T Smith moved that voting takes place by a show of hands. Mr Cooper seconded.

The result of the vote was as follows:

Mr Drever	6
Mr Clackson	3

(Mr Drever accepted the position and assumed the Chair).

Nominations were then sought to the role of Vice-Convener.

Mr T Smith was nominated to the role of Vice-Convener, on the motion of Mr Cooper, seconded by Mr Duncan.

13/17

Appointment of Clerk and Treasurer

The Board considered a report, which referred to the provisions of the Valuation Joint Boards (Scotland) Order 1995 regarding the appointment of a Clerk and Treasurer [Appendix 3].

The Clerk to the Board introduced the report.

During the discussion, Mr Drever said that after 20 years of the roles being with Shetland Islands Council, he suggested that the time was right for a change and for the roles to revert to Orkney Islands Council. Mr Johnston agreed, saying that with both the Convener and Assessor based in Orkney, the Clerk also being with Orkney Islands Council would be beneficial in terms of joint working. In that regard, a suggestion was made on the need for a phased approach to relocate the role of Clerk to Orkney Islands Council. The Clerk to the Board acknowledged that there would be the need for a handover period, and he reminded Members that as a component of the clerking role, Shetland Islands Council also provides Human Resources support to the Board.

The Head of Legal Services, Orkney Islands Council, advised on the need for due diligence prior to transfer of the Clerk and the HR functions to ensure Orkney Islands Council is best placed to carry on the clerking role. He said that at this time there was no recovery of costs, and suggested the need for a report to the Board prior to any final decision. In terms of cost recovery, the Treasurer to the Board advised that in financial year 2016/17 Shetland Islands Council charged the VJB £12k, and as a Council charged an amount for each of the functions provided; namely, finance, clerking and HR. He advised that the VJB is also a scheduled body of Shetland Islands Council's Pension Fund; however he did not anticipate any change in that regard but he said the matter would be included in the report.

Mr Cooper said that he did not support the transfer of the role of Clerk at this time, as with the Convener and Assessor now based in Orkney, and no Assistant Assessor in post in the Shetland office, a balance of functions was required. In that regard, Mr Cooper proposed that both the Clerk and Treasurer roles remain in Shetland for the time being, until the balance of Assessor and Assistant Assessor has been resolved.

During the discussion, it was acknowledged that with this being a Joint Board, the distribution of the senior posts and roles across both Councils would be favourable. Mr T Smith called for a report setting out all aspects of the local authorities taking on the role of Clerk and Treasurer, to the next meeting of the Board in June. However after hearing the Clerk to the Board advise on the main purpose of the June meeting, and in terms of timescales, Mr T Smith moved that the report be presented to the September meeting of the Board. Mr A Drever seconded.

The Clerk and Treasurer to the Board confirmed they were happy to continue in their respective roles until consideration of the report in September. There was a call for the September meeting to be a face to face meeting, in either Orkney or Shetland.

The meeting concluded at 10am.

Chair



Orkney & Shetland Valuation Joint Board



Agenda Item

1

Meeting(s):	Orkney & Shetland Valuation Joint Board	15 June 2017
Report Title:	Management Accounts for Orkney & Shetland Valuation Joint Board 2016/17 - Outturn at Quarter 4	
Reference Number:	VF-002-F	
Author / Job Title:	Treasurer to the Board	

1.0	Decisions / Action required:
1.1	The Orkney & Shetland Valuation Joint Board ("the Board") review the management accounts showing the outturn position at Quarter 4 (Appendix 1).
2.0	High Level Summary:
2.1	The report sets out the Board's financial position as at Quarter 4. This shows that expenditure on services was £578k against a budget of £643k; an outturn underspend of £65k.
2.2	This is largely due to an underspend on employee costs owing to staff vacancies; see Appendix 1 for further detail.
3.0	Corporate Priorities and Joint Working:
3.1	Reduction in funding may impact on the Board's ability to deliver service priorities. In 2016/17 there was a significant constraint on local authority funding and it is essential that the Board is able to plan and measure its outcomes and their associated costs.
4.0	Key Issues:
4.1	On 8 March 2016 (O&SVJB Min Ref: 03/16), the Board approved the 2016/17 revenue budget with a net expenditure of £643k. It is vital to the economic wellbeing of the constituent authorities that the Board's financial resources are managed effectively and that expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on the reserves of constituent authorities.
4.2	On 8 March 2016 (O&SVJB Min Ref: 02/16), the Board approved the scope of a Best Value review with date of completion of autumn 2016. On 23 September 2016, the outturn report for period 4 2015/16 included an estimated cost for the review of £20k. This review has not yet taken place, however, as the Board has been unable to recruit an independent reviewer.
4.3	Funding of £55k has been claimed from the Cabinet Office to meet the Board's additional costs of Individual Electoral Registration. To date, this has proved to be sufficient to fully meet the associated costs being incurred by the Board.
5.0	Exempt and/or confidential information:
5.1	None.
6.0	Implications :

6.1 Service Users, Patients and Communities:	None.	
6.2 Human Resources and Organisational Development:	The vacant Assistant Assessor post is currently being covered by consultancy services and extended duties of other staff. This is a temporary arrangement that still requires to be resolved, but it is being managed within existing budgets.	
6.3 Equality, Diversity and Human Rights:	None.	
6.4 Legal:	None.	
6.5 Finance:	<p>The Board is wholly funded by its constituent authorities: Orkney Islands Council and Shetland Islands Councils.</p> <p>The Board's outturn position at Quarter 4 is £578k against a budget of £643k, an outturn underspend of £65k.</p> <p>This results in a reduced requisition to each authority: Shetland Islands Council by £32k and Orkney Islands Council by £33k.</p>	
6.6 Assets and Property:	None.	
6.7 ICT and new technologies:	None.	
6.8 Environmental:	None.	
6.9 Risk Management:	<p>From a financial management perspective, risks are an integral part of future planning, as assumptions must be made. These can be affected by many internal and external factors, such as demand, which could have a significant financial impact.</p> <p>The Board maintains a Risk Register and its primary risk is a lack of sufficient funding that could result in the Board not meeting statutory duties.</p> <p>This report is part of the framework that provides assurance, or recognises any deviation from the budget that could put the Board in a financially challenging position and require remedial action.</p> <p>A net overspend will have an adverse impact on the budgets of both constituent authorities.</p>	
6.10 Policy and Delegated Authority:	Overall stewardship of the Board's resources rests with the Orkney & Shetland Valuation Joint Board.	
6.11 Previously considered by:	n/a	n/a

Contact Details:

Jonathan Belford, Executive Manager - Finance, jonathan.belford@shetland.gov.uk, 06 February 2017

Appendices:

Appendix 1 – Revenue outturn position Quarter 4 2016/17

Background Documents:

8 March 2016 – Orkney & Shetland Valuation Joint Board Best Value Regime report

8 March 2016 – Orkney & Shetland Valuation Joint Board Budget 2016/17 report

Valuation Joint Board

1. Revenue Outturn Position 2016/17

Outturn Variance 2015/16 (Adv)/Pos £	Income & Expenditure Summary	2016/17 Revised Annual Budget £	2016/17 Outturn at Qtr 4 £	Budget v Outturn Variance (Adv) / Pos £
	EXPENDITURE:			
24,426	Basic Pay	349,148	310,022	39,126
709	Overtime	1,380	67	1,313
(1,171)	National Insurance	38,401	32,298	6,103
14,387	Pension Costs	128,008	115,908	12,100
(6,635)	Allowances	25,908	25,308	600
(846)	Liability Insurance	2,965	2,843	122
30,870	Total Employee Costs	545,810	486,446	59,364
7,250	Administration	87,580	67,182	20,398
(10,360)	Agency Payments	8,230	46,765	(38,535)
4,158	Property and Fixed Plant	32,737	32,702	35
(663)	Supplies and Services	3,760	1,790	1,970
5,723	Transport and Mobile Plant	35,563	21,678	13,885
-	Recharges for Shetland Islands Council	12,000	12,000	-
6,108	Operating Costs	179,870	182,117	(2,247)
36,978	TOTAL EXPENDITURE	725,680	668,563	57,117
	INCOME:			
843	Sales/Agency Income	(27,900)	(27,624)	(276)
	Other Grant income	-	(8,215)	8,215
14,318	IER Funding	(54,959)	(54,959)	-
(104,278)	TOTAL INCOME	(82,859)	(90,798)	7,939
-	NET EXPENDITURE	642,821	577,765	65,056
	CHARGE TO CONSTITUENT			
(25,261)	Orkney Islands Council	(327,581)	(294,677)	(32,904)
(26,878)	Shetland Islands Council	(315,240)	(283,088)	(32,152)
(52,139)	TOTAL CHARGE TO CONSTITUENT	(642,821)	(577,765)	(65,056)

An explanation for the main variances for Quarter 4 are set out below.

1.1 Employee Costs – underspend £59k (10.9%)

The underspend relates to vacant Technician and Assistant Assessor posts, offset by the current arrangement of extending the duties of other staff to cover core vacancies.

1.2 Operating Costs – overspend of (£2k) (1.2%)

This overspend relates to the use of external consultants in lieu of an Assistant Assessor, offset by an underspend in travel costs due to the Assistant Assessor post being vacant.

1.3 Income – over-achievement of £8k (9.6%)

This over-recovery relates to funding received for Young Persons Registration and the European Referendum, which was not budgeted.



Orkney & Shetland Valuation Joint Board



Agenda Item

2

Meeting(s):	Orkney & Shetland Valuation Joint Board	15 June 2017
Report Title:	Unaudited Annual Accounts 2016/17	
Reference Number:	VF-003-F	
Author / Job Title:	Treasurer to the Board	

1.0	Decisions / Action required:
1.1	That the Orkney & Shetland Valuation Joint Board: <ul style="list-style-type: none"> a) Considers the 2016/17 Unaudited Accounts (Appendix 1); b) Approves the 2016/17 Annual Governance Statement that forms part of the accounts (Appendix 2); and c) Considers the information at section 4 that highlights the key points from the 2016/17 accounts.
2.0	High Level Summary:
2.1	The Local Authority Accounts (Scotland) Regulations 2014 require the Board to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.
2.2	The draft accounts are then required to be formally considered by the Board no later than 31 August and the Annual Governance Statement should be formally approved at this time.
2.3	The accounts are then subject to external audit by 30 September. 2016/17 is the first year of a five-year appointment with Deloitte as external auditors, as appointed by Audit Scotland. The audited accounts will be presented to the Board on 21 September 2017.
3.0	Corporate Priorities and Joint Working:
3.1	The preparation and presentation of the Annual Accounts is a key element of the Board's overall governance and reporting arrangements.
4.0	Key Issues:
4.1	2016/17 was a busy year for the Board, with two elections, an annual electoral canvass and the 2017 rating revaluation undertaken;
4.2	Individual Electoral Registration work progresses and the Board has received assurance that funding from the Cabinet Office will continue to be received until 2020. A total of £55k was claimed in 2016/17;
4.3	The 5-year programme to update the asset register on behalf of Orkney Islands Council was completed in May 2016;
4.4	The Comprehensive Income & Expenditure Statement shows a net underspend of £66k;
4.5	The Balance Sheet shows a decrease in net worth of the Board of £570k, which is

	largely driven by the actuarial valuation of pension liabilities	
4.6	There is a new Expenditure & Funding Analysis in the 2016/17 accounts, which reconciles figures presented in the outturn report with those reported for accounting purposes. This can be found on page 14 of the accounts.	
5.0	Exempt and/or confidential information:	
5.1	None.	
6.0	Implications :	
6.1 Service Users, Patients and Communities:	None	
6.2 Human Resources and Organisational Development:	None	
6.3 Equality, Diversity and Human Rights:	None	
6.4 Legal:	The Local Authority Accounts (Scotland) Regulations 2014 require Board members to formally consider the unaudited accounts no later than 31 August each year. The 2014 regulations also require Board members to approve the annual governance statement in the same timeframe.	
6.5 Finance:	None	
6.6 Assets and Property:	None	
6.7 ICT and new technologies:	None	
6.8 Environmental:	None	
6.9 Risk Management:	The annual accounts are subject to independent audit by 30 September 2017 to mitigate the risk of material misstatement.	
6.10 Policy and Delegated Authority:	The Orkney & Shetland Valuation Joint Board has a responsibility to make arrangements for the proper administration of its financial affairs and also to approve the Annual Accounts for signature.	
6.11 Previously considered by:	N/A	

Contact Details:

Jonathan Belford

Executive Manager - Finance

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Telephone: 01595 74 4607

15 June 2017

Appendices:

Appendix 1: Orkney & Shetland Valuation Joint Board Unaudited Accounts 2016/17

Appendix 2: Orkney & Shetland Valuation Joint Board Annual Governance Statement 2016/17

Background Documents: [The Local Authority Accounts \(Scotland\) Regulations 2014](#)



**Orkney & Shetland
Valuation Joint Board**



Unaudited Annual Accounts 2016/17

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Management Commentary

The purpose of the Management Commentary is to help all users of the accounts to assess how the Orkney and Shetland Valuation Joint Board ("the Board") has performed during 2016/17 and understand the year-end financial position as at 31 March 2017. In addition, it provides a narrative on the financial outlook for the Board during financial year 2017/18 and beyond.

Introduction

The Board 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 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 remained vacant throughout the year following unsuccessful recruitment exercises, and alternative arrangements were put in place to address the capacity and knowledge gap that this left.

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 Board's website: www.orkney-shetland-vjb.co.uk.

Composition of the Board

The Board is a separate public body from the two constituent authorities, being Orkney Islands Council (OIC) and Shetland Islands Council (SIC)

and draws its membership from them, each nominating 5 councillors to serve on the Board. The Board members for 2016/17 were:

Members:

Orkney Islands Council	Shetland Islands Council
H Johnston (Vice Convener)	D Ratter (Convener)
S Clackson	F Robertson
A Drever	G Smith
J Moar	T Smith
D Tullock	M Stout

Substitute Members:

Orkney Islands Council	Shetland Islands Council
W L Manson	M Bell
G Shearer	A Cooper
	S Coutts
	A Duncan
	A I Manson

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 local 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.
(<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 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

2016/17 was another busy year for the Board and its employees involving one election, one referendum, an annual electoral canvass and the completion of the 2017 rating revaluation.

Individual Electoral Registration (IER) continues to be a demand on resources. Funding from the Cabinet Office continues to be received with assurance that this will continue until 2020.

Valuation work was completed in relation to the new Shetland Gas Plant site in March 2016. Since then the entry has been appealed by the owners rating agents but this has also been settled and agreed. Valuation staff completed the 2017 revaluation of non-domestic properties within the proposed timetable, with all Valuation Notices issued on 15th March 2017.

Work on the 5 year programme to update the asset register on behalf of OIC was completed in May 2016. Work will begin in 2017 on refreshing this 5 year rolling valuation programme.

Key performance indicators are published on the Board's website, for 2016/17 they show:

Council Tax List	2016/17	
	Target %	Actual %
% entered in List within 3 months of occupation	87.00	96.36
% entered in List within 6 months of occupation	96.00	99.35
% entered in List more than 6 months after occupation	< 4.00	0.65
Valuation Roll		
% entered in Roll within 3 months of effective date	75.00	78.82
% entered in Roll within 6 months of effective date	90.00	90.07
% entered in Roll more than 6 months after effective date	< 10.00	9.93
Total Reduction on appeal	1.00	0.97

Performance targets have been achieved during 2016/17 despite the extra work created by having an election and a referendum, the extra workloads under Individual Electoral Registration 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 Board's transactions for the year and its year-end position at 31 March 2017. 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 (CIES) 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.

In addition, a new Expenditure and Funding Analysis is included to accompany the CIES. This reconciles the budgetary outturn position with the surplus or deficit reported for accounting purposes.

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 Board and the public. The Board is funded by OIC and SIC. The Board meets several times a year, with its

budget meeting taking place in January or February. The Board's budget is its prime annual planning document and actual expenditure is monitored against it during the year.

The CIES presents the full economic cost of providing the Board's services in 2016/17. This differs from the budgeted outturn position shown in the table below as the CIES includes accounting adjustments required to comply with proper accounting practice. Therefore the difference between the CIES and the actual outturn position is purely as a result of necessary accounting adjustments in the former. The Cost of Services of £562k, which is disclosed on the CIES, has been reconciled to the outturn used for management decision making of £578k within the Expenditure and Funding Analysis on page 14.

Expenditure (net of income from fees and charges) that is funded from central government and Orkney and Shetland Islands Councils in 2016/17 is summarised in the following table:

	2016/17		
	Budget £	Actual £	Variance £
Expenditure:			
Employee Costs	545,810	486,446	59,364
Operating Costs	179,870	182,117	(2,247)
Income:			
Fees and Charges	(27,900)	(27,624)	(276)
Specific Grant Income	(54,959)	(63,174)	8,215
Net Expenditure	642,821	577,765	65,056

Overall, the Board underspent against its budget. There was an underspend of £59k on employee costs for the year, mainly due to the Assistant Assessor post remaining vacant for the whole year. To provide capacity and support valuation work, an additional £39k was spent on external consultants; this was offset by underspends on travel and other administration costs of £34k. Additional unbudgeted funding of £8k was received in 2016/17 from the Cabinet Office (EU Referendum) and Scottish Government (Young Persons Registration).

The Balance Sheet as at 31 March 2017

The Balance Sheet sets out the total net worth of the Board at a snapshot in time. When comparing the net worth of the Board at 31 March 2017 to that of the prior year, an overall decrease in net worth of the organisation of £570k can be seen. The decrease has been driven by an increase in

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 SIC Pension Fund was made by the Fund Actuary as at 31 March 2017. This indicated a net pension liability for the Board of £1,978k compared to a net pension liability of £1,403k as at 31 March 2016.

The movement in the year is influenced by actuarial assumptions and changes to these assumptions have reduced the valuation as at 31 March 2017. 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.

The Board Outlook

Looking forward, the approved 2017/18 budget for the Board has been set at £652k, which is an increase of £9k (1.4%) on the 2016/17 budget.

The Board has accepted that a Best Value Review will not take place and agreed an alternative revised staffing structure proposed by the Assessor & ERO at the Board's full meeting on 17 February 2017.

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 the officers of the Board who have had a role in the preparation of these Annual Accounts and those who have worked diligently throughout the year in the delivery of the Board objectives.

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Andrew Drever
Convener
Orkney & Shetland Valuation Joint Board
15 June 2017

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Jonathan Belford
Executive Manager - Finance
Shetland Islands Council
15 June 2017

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Dennis M Stevenson
Assessor and Electoral Registration Officer
Orkney & Shetland Valuation Joint Board
15 June 2017

Annual Governance Statement

Scope of Responsibility

The Orkney and Shetland Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. 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 2016/17 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 2016/17 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 members and 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 to 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 intended to commission a Best Value Review of both the Valuation and Registration Services, however this proved extremely problematic within the resources available and a suitably qualified person was not found to carry out the task. As a consequence the three senior office bearers agreed that corporate planning and governance should be looked at within the organisation and this resulted in the Board approving a Corporate Plan and a Service Plan in February 2017. This provides the Assessor with a clear corporate statement on priorities and where this will impact on continuous improvement agenda and ensuring that Best Value is at the forefront of the work that the organisations undertakes.

The Board also agreed in February 2017 to seek the recruitment of the Assistant Assessor post that has been vacant for two years. Successful recruitment to this post will strengthen management resilience and capacity, which will support strong governance within the Board Advertising commenced in April 2017.

There are no significant governance issues to report.

Certification

The Governance Framework has been in place for the financial year ended 31 March 2017 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 2016/17 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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Andrew Drever
Convener
Orkney & Shetland Valuation Joint Board
15 June 2017

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Dennis M Stevenson
Assessor and Electoral Registration officer
Orkney & Shetland Valuation Joint Board
15 June 2017

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 within the Remuneration Report is audited by Deloitte. The other sections of the Remuneration Report are reviewed by Deloitte 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 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 Board are remunerated by the Council of which they are an elected member.

The regulations permit remuneration of Senior Councillors to one position held. No payment is made to the Vice-Convener as he was in receipt of remuneration for another Senior Councillor post at Orkney Islands Council.

Disclosure of remuneration for Senior Councillors

Name	Designation	2016/17		2015/16
		Salary, fees and allowances £	Total Remuneration £	Total Remuneration £
Drew Ratter	Convener	4,225	4,225	4,183
Harvey Johnston	Vice Convener	-	-	-

Remuneration of Senior Employees of Orkney & Shetland Valuation Joint Board

The employees of the 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.

Disclosure of remuneration for Senior Employees

Name	Designation	2016/17			2015/16
		Salary, fees and allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Dennis M Stevenson (from 4 May 2015)	Assessor & Electoral Registration Officer	66,916	76	66,992	64,307
Michael Forbes (until 3 May 2015)	Assessor & Electoral Registration Officer	-	-	-	13,026

General Disclosure of Pay Band

Remuneration Bands	Number of Employees	
	2016/17	2015/16
£50,000 - £54,999	-	-
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	1	1
£70,000 - £74,999	-	-

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). As no remuneration is payable to the Vice-Convener, there is no corresponding pension employer contribution.

Pension employer contributions – Senior Councillors

Name	Designation	In-Year Employer Pension Contributions	
		Year ending 31 March 2017 £	Year ending 31 March 2016 £
Drew Ratter	Convener	837	782
Harvey Johnston	Vice Convener	-	-

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 LGPS is a funded pension scheme, consisting of contributions received from members of the scheme as well as from employers.

From 1 April 2016, the LGPS 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 revalued earnings rather than final salary.

The scheme's normal retirement age for employees is now linked to their state pension age, with the minimum age now 65. From 1 April 2009 a five-tier contribution system was introduced, with contributions from scheme members 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	2016/17
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 1/49th of actual pay (prior to 1 April 2015 the actual rate guaranteed 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.

Pension benefits – Senior Employees

Name	Designation	In-Year Employer Pension Contributions	
		Year ending 31 March 2017 £	Year ending 31 March 2016 £
Dennis M Stevenson (from 4 May 2015)	Assessor & Electoral Registration Officer	22,617	19,985
Michael Forbes (until 3 May 2015)	Assessor & Electoral Registration Officer	-	2,229

Name	Designation		Accrued Pension Benefits		
			As at 31 March 2017 £	As at 31 March 2016 £	Increase / (Decrease) £
Dennis M Stevenson (from 4 May 2015)	Assessor & Electoral Registration Officer	Pension	27,648	24,934	2,714
		Lump Sum	55,154	52,011	3,143

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 Andrew Drever
 Convener
 Orkney & Shetland Valuation Joint Board
 15 June 2017

.....
 Dennis M Stevenson
 Assessor and Electoral Registration officer
 Orkney & Shetland Valuation Joint Board
 15 June 2017

Statement of Responsibilities for the Annual Accounts

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 15 June 2017.

Signed on behalf of the Valuation Joint Board.

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Dennis M Stevenson
Assessor and Electoral Registration officer
Orkney & Shetland Valuation Joint Board
15 June 2017

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 2017.

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Jonathan Belford
Executive Manager - Finance
Shetland Islands Council
15 June 2017

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 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.

	Pension Reserve £	Employee Benefits Accrual £	Total Unusable Reserves (restated) £
Balance at 1 April 2016	1,403,000	10,127	1,413,127
Movement in reserves during the year			
(Surplus) or deficit on the provision of services	38,000	(4,960)	33,040
Other comprehensive income and expenditure	537,000		537,000
(Increase)/Decrease in year	575,000	(4,960)	570,040
Balance at 31 March 2017	1,978,000	5,167	1,983,167
Balance at 1 April 2015	1,710,000	12,603	1,722,603
Comparative movements in 2015/16			
(Surplus) or deficit on the provision of services	57,000	(2,476)	54,524
Other comprehensive income and expenditure	(364,000)	-	(364,000)
(Increase)/Decrease in year	(307,000)	(2,476)	(309,476)
Balance at 31 March 2016	1,403,000	10,127	1,413,127

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

The CIES 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.

2015/16 £	Note	Orkney Islands Council £	Shetland Islands Council £	2016/17 £
488,034	Employee Costs	235,243	235,243	470,486
29,317	Property Costs	21,702	11,000	32,702
4,272	Supplies and Services	930	860	1,790
30,597	Transport Costs	10,839	10,839	21,678
97,955	Administration Costs	60,851	59,587	120,438
4,993	Payments to Other Bodies	2,491	3,018	5,509
(28,743)	Sales, Fees and Charges	(13,773)	(13,851)	(27,624)
(57,943)	Specific Grant Income	(31,587)	(31,587)	(63,174)
568,482	Cost of Services	286,696	275,109	561,805
(567,958)	Requisitions from Member Authorities	(294,677)	(283,088)	(577,765)
54,000	Pension Interest Cost and Expected Return on Pension Assets			49,000
54,524	Deficit on the Provision of Services			33,040
(364,000)	Actuarial (gains)/losses on pension assets/liabilities			537,000
(309,476)	Total Comprehensive Income and Expenditure			570,040

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Board for the year has been used in providing services in comparison with those resources consumed or earned in accordance with accounting practices.

2015/16					2016/17			
Net Expenditure chargeable to VJB £	Adjustments for pensions net changes £	Other adjustments £	Net Expenditure in the CIES £		Net Expenditure chargeable to VJB £	Adjustments for pensions net changes £	Other adjustments £	Net Expenditure in the CIES £
487,510	3,000	(2,476)	488,034	Employee Costs	486,446	(11,000)	(4,960)	470,486
29,317	-	-	29,317	Property Costs	32,702	-	-	32,702
4,272	-	-	4,272	Supplies and Services	1,790	-	-	1,790
30,597	-	-	30,597	Transport Costs	21,677	-	-	21,678
97,955	-	-	97,955	Administration Costs	120,439	-	-	120,438
4,993	-	-	4,993	Payments to Other Bodies	5,509	-	-	5,509
(28,743)	-	-	(28,743)	Sales, Fees and Charges	(27,624)	-	-	(27,624)
(57,943)	-	-	(57,943)	Specific Grant Income	(63,174)	-	-	(63,174)
567,958	3,000	(2,476)	568,482	Net Cost of Services	577,765	(11,000)	(4,960)	561,805
(567,958)			(567,958)	Other Income and Expenditure:				
	54,000	-	54,000	Requisitions from Member Authorities	(577,765)			(577,765)
				Net Interest Expense	-	49,000	-	49,000
-	57,000	(2,476)	54,524	(Surplus) or Deficit	-	38,000	(4,960)	33,040

Balance Sheet as at 31 March 2017

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

As at 31 March 2016 £		Note	As at 31 March 2017 £
	Current Assets		
75,620	Short-term Debtors	5	42,990
-	Cash and Cash Equivalents		209
75,620			43,199
	Less Current Liabilities		
(85,747)	Short-term Creditors	6	(48,366)
(10,127)	Net Assets excluding Pension Liability		(5,167)
(1,403,000)	Pension Liability	7	(1,978,000)
(1,413,127)	Net Liabilities including Pension Liability		(1,983,167)
	Represented by		
10,127	Employee Benefits Accrual	7	5,167
1,403,000	Pension Reserve	7	1,978,000
1,413,127			1,983,167

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Jonathan Belford
Executive Manager - Finance
Shetland Islands Council
15 June 2017

Notes to the Financial Statements

Note 1: 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 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 2: 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 £529k; however, the assumptions interact in complex ways. During 2016/17, the net pension liability increased by £575k. The position can change significantly year-on-year due to relative changes in the equity and bond markets.

Note 3: 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 meet future expenditure. Such adjustments involve the Pension Reserve and Employee Benefits Accrual by which amounts charged for holiday pay to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements.

As at 31 March 2016 £		As at 31 March 2017 £
(197,000)	Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 17)	688,000
(110,000)	Employer's pension contributions and direct payments to pensioners payable in the year	(113,000)
(2,476)	Adjustments involving the Employee Benefits Accrual: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4,960)
(309,476)	Total Adjustments	570,040

Note 4: Specific Grant Income

2015/16 £		2016/17 £
(44,942)	Cabinet Office - Individual Electoral Registration	(54,959)
-	Cabinet Office - EU Referendum	(6,094)
(7,733)	Cabinet Office - Door to Door Elector Funding	-
(5,268)	Cabinet Office - Maximising Voter Registration	-
-	Scottish Government - Young Persons Registration	(2,121)
(57,943)	Total	(63,174)

Note 5: Short-term Debtors

As at 31 March 2016 £		As at 31 March 2017 £
-	Central Government Bodies	37,118
36,380	Other Local Authorities	2,571
39,240	Other Entities and Individuals	3,301
75,620	Total	42,990

The 2016/17 short-term debtors' balance represents amounts due by Cabinet Office for Individual Electoral Registration, the amount paid to Orkney Islands Council in advance for lease of the Board's office premises in Kirkwall and statutory holiday benefits prepaid as at 31 March 2017.

Note 6: Short-term Creditors

As at 31 March 2016 £		As at 31 March 2017 £
(39,240)	Central Government Bodies	-
(31,593)	Other Local Authorities	(32,902)
(10,127)	Other Entities and Individuals	(10,209)
(4,787)	Public Corporations and Trading Funds	(5,255)
(85,747)	Total	(48,366)

The 2016/17 short-term creditors' balance represents amounts owed to Orkney Islands Council in respect of its requisition costs, amounts owed to Audit Scotland for the remaining two instalments of the 2016/17 audit fee, and the statutory holiday benefits accrued as at 31 March 2017.

Note 7: Unusable Reserves

As at 31 March 2016 £		As at 31 March 2017 £
1,403,000	Pension Reserve	1,978,000
10,127	Employee Benefits Accrual	5,167
1,413,127	Total	1,983,167

Pension Reserve

Restated as at 31 March 2016 £		As at 31 March 2017 £
1,710,000	Balance at 1 April	1,403,000
(364,000)	Actuarial (gains)/losses on pensions assets and liabilities	537,000
167,000	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	151,000
(110,000)	Employer's pensions contributions and direct payments to pensioners payable in the year	(113,000)
1,403,000	Balance at 31 March	1,978,000

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.

2015/16 £		2016/17 £
(12,603)	Balance at 1 April	(10,127)
12,603	Settlement or cancellation of accrual made at the end of the preceding year	10,127
	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	(5,167)
(10,127)	Balance at 31 March	(5,167)

Note 8: Events after the Balance Sheet date

The Annual Accounts are authorised for issue by the Treasurer on 15 June 2017. Events taking place after this date are not reflected in the financial statements or notes.

Note 9: External Audit costs

2015/16 £		2016/17 £
7,150	Fees payable with regard to external audit services carried out by the appointed auditor for the year	7,578
7,150	Total	7,578

Note 10: Related Parties

The 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.

To enable the Board to carry out its objectives, the member authorities of the Board have contributed requisitions in the following proportions:

- Orkney Islands Council: 51% (£294,677)
- Shetland Islands Council: 49% (£283,088)

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 2017 was £11,000 and £12,000 (2015/16 £11,050 and £10,853).

The Board paid Orkney Islands Council £17,898 for the year ended 31 March 2017 in respect of property services (2015/16 £18,267) and in turn Orkney Islands Council paid the Board for valuation services. The amount for 2016/17 was £25,000 (2015/16 £25,000).

Note 11: Operating Leases

The Board leases a property in Orkney from Orkney Islands Council. This lease has been renewed for one year and is due to expire in June 2018.

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

2015/16 £		2016/17 £
12,000	Minimum lease payments	12,000
12,000	Total	12,000

The expenditure charge to the CIES during the year in relation to these leases was:

2015/16 £		2016/17 £
12,000	Not later than one year	12,951
2,571	Later than one year and less than five years	2,821
14,571	Total	15,772

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 12: 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 accrual rate guarantees a pension based on 1/49th of actual pay (prior to 1 April 2015 the actual rate guaranteed 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 now linked to their state pension age, with the minimum age now 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 CIES via the Movement in Reserves Statement during the year:

Note 12a: Transactions relating to post-employment benefits

2015/16 £	Local Government Pension Scheme	2016/17 £
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
113,000	Current service cost	102,000
-	- Past service cost (including curtailments)	-
	Financing and Investment Income and Expenditure:	
54,000	Net interest expense	49,000
167,000	Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	151,000
	Other Post-Employment Benefit Charged to the CIES	
50,000	Return on plan assets (excluding the amount included in the net interest expense)	(446,000)
-	- Actuarial (gains) and losses arising on changes in demographic assumptions	-
(375,000)	Actuarial (gains) and losses arising on changes in financial assumptions	983,000
(39,000)	Actuarial (gains) and losses arising from other experience	
(197,000)	Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	688,000
	Movement in Reserves Statement	
(197,000)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	688,000
	Actual amount charged against the General Fund balance for pensions in the year:	
(110,000)	Employers' contributions and direct payments to pensioners payable in the year	(113,000)

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

2015/16 £		2016/17 £
(4,083,000)	Present value of the defined benefit obligation	(5,224,000)
2,680,000	Fair value of assets in the Local Government Pension Scheme	3,246,000
(1,403,000)	Net liability arising from Defined Benefit Obligation	(1,978,000)
(1,381,000)	Local Government Pension Scheme	(1,955,000)
(22,000)	Unfunded liabilities for Pension Fund	(23,000)
(1,403,000)	Total	(1,978,000)

Note 12b: Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of fair value of the scheme assets:

2015/16 £		2016/17 £
2,772,000	Opening balance at 1 April	2,680,000
87,000	Interest income	94,000
	Re-measurement gains and (losses)	
(50,000)	Return on assets excluding amounts included in net interest	446,000
110,000	Employer contributions	113,000
20,000	Contributions by scheme participants	23,000
(259,000)	Benefits paid	(110,000)
2,680,000	Closing balance at 31 March	3,246,000

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

2015/16 £		2016/17 £
4,482,000	Opening balance at 1 April	4,083,000
113,000	Current service cost	102,000
141,000	Interest cost	143,000
20,000	Contributions by scheme participants	23,000
	Remeasurement (gains) and losses:	
-	- Actuarial (gains) and losses from changes in demographic assumptions	-
(375,000)	Actuarial (gains) and losses from changes in financial assumptions	983,000
(39,000)	Actuarial (gains) and losses from other experience	-
(259,000)	Benefits paid	(110,000)
-	- Past service costs including curtailments	-
4,083,000	Closing balance at 31 March	5,224,000

Note 12c: Analysis of Pension Fund's Assets

The Board's share of the Pension Fund's assets at 31 March 2017 comprised:

2015/16 £	Quoted prices not in active markets	2016/17 £
-	Cash and Cash Equivalents	13,000
	Property:	
260,000	UK Property	338,000
18,000	Overseas Property	11,000
278,000	Sub-total Property	349,000
	Investment Funds and Unit Trusts:	
1,623,000	Equities	2,048,000
259,000	Bonds	281,000
520,000	Other	555,000
2,402,000	Sub-total Investment Funds and Unit Trusts	2,884,000
2,680,000	Total Assets	3,246,000

Note 12d: Basis for estimating assets & liabilities

The 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 estimates are based on the latest full valuation of the Pension Fund at 31 March 2014.

The principal assumptions used by the actuary have been:

2015/16		2016/17
	Long-term expected rate of return on assets in the Scheme:	
3.1%	Investment Funds and Unit Trusts	3.5%
	Mortality Assumptions:	
	<i>Longevity at 65 for current pensioners (in years):</i>	
22.8	Men	22.8
23.8	Women	23.8
	<i>Longevity at 65 for future pensioners (in years):</i>	
24.9	Men	24.9
26.7	Women	26.7
3.1%	Rate of inflation	3.4%
4.2%	Rate of increase in salaries	4.4%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%
70.0%	Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	70.0%
85.0%	Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	85.0%

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 2017	Approximate increase to employer %	Approximate monetary amount £
0.5% decrease in Real Discount Rate	10%	529,000
0.5% increase in the Salary Increase Rate	3%	158,000
0.5% increase in the Pension Increase Rate	7%	357,000

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 2018 is £0.112m.

The weighted average duration of the defined benefit obligation for scheme members is 17.1 years for 2016/17.

Note 13: 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 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 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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 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 the Board are members of the Shetland Island Council Local Government Pension Scheme which is administered locally.

From 1 April 2016, 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 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 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 2016/17.

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 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.

F Leases

Operating Leases – Authority as Lessee: rentals paid under operating leases are charged to the CIES 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 CIES 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

Annual Governance Statement

Scope of Responsibility

The Orkney and Shetland Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. 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 2016/17 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 2016/17 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 members and 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 to 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 intended to commission a Best Value Review of both the Valuation and Registration Services, however this proved extremely problematic within the resources available and a suitably qualified person was not found to carry out the task. As a consequence the three senior office bearers agreed that corporate planning and governance should be looked at within the organisation and this resulted in the Board approving a Corporate Plan and a Service Plan in February 2017. This provides the Assessor with a clear corporate statement on priorities and where this will impact on continuous improvement agenda and ensuring that Best Value is at the forefront of the work that the organisations undertakes.

The Board also agreed in February 2017 to seek the recruitment of the Assistant Assessor post that has been vacant for two years. Successful recruitment to this post will strengthen management resilience and capacity, which will support strong governance within the Board. Advertising commenced in April 2017.

There are no significant governance issues to report.

Certification

The Governance Framework has been in place for the financial year ended 31 March 2017 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 2016/17 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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Andrew Drever
Convener
Orkney & Shetland Valuation Joint Board
15 June 2017

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Dennis M Stevenson
Assessor and Electoral Registration officer
Orkney & Shetland Valuation Joint Board
15 June 2017