

**Highland and Western Isles**

**Valuation Joint Board**

**Annual Accounts**

**2020/21**

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD  
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## MANAGEMENT COMMENTARY

The Highland and Western Isles Valuation Joint Board was established by the Valuation Joint Boards (Scotland) Order 1995 and succeeded the Joint Valuation Committee on 1st April 1996, following a local government reorganisation, for the discharge of certain statutory functions and responsibilities in terms of the Valuation Acts relating to the preparation, publishing and maintenance of both the Valuation Roll and Council Tax List (Valuation List).

The Valuation Joint Board appoint the Assessor who also provides the electoral registration function on behalf of both council areas. All three documents (Valuation Roll, Council Tax Valuation List and Electoral Register) are available for public inspection at the Assessor's offices (Moray House, 16-18 Bank Street, Inverness, IV1 1QY).

The Highland and Western Isles Valuation Joint Board is one of 10 joint boards in Scotland appointed by a combination of local authorities. Each of the joint boards and the 4 councils that are unitary valuation authorities appoint an independent assessor in terms of section 27 of the Local Government etc. (Scotland) Act 1994 to ensure that valuations are seen to be free from political influence or interference. This is essential to the performance of the Assessor's statutory duties which can involve situations where the interests of the local authority and the ratepayer may conflict.

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

### The Board Composition

The Board is a separate public body from the two constituent authorities (The Highland Council and Comhairle nan Eilean Siar) but draws its membership from them. The Board Members for 2020/21 as at 31 March 2021 are named below:

<b>Highland Council (Substantive)</b>	<b>Highland Council (Substitute)</b>	<b>Western Isles Council (Substantive)</b>	<b>Western Isles Council (Substitute)</b>
Mr J Gray (Convener from 27.06.17 till 31.03.21)	Mr B Boyd Mrs C Caddick	Mr A Macleod (Vice Convener from 27.06.17)	Mr D F Crichton Mr G Fulton
Ms K Currie	Miss J Campbell	Mr J Mackay	
Mr L Fraser	Mrs M Cockburn		
Mr A Graham	Mr D MacKay		
Mr A Mackinnon	Mr D Macpherson		
Mr D MacLeod	Mr H Morrison		
Mr K Gowans	Mrs H Carmichael		
Mrs M Paterson			

The purpose of the Management Commentary is to inform all users of the accounts, to

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help them assess how the Board has performed during financial year 2020/21 and understand the year-end financial position as at 31 March 2021. In addition, it provides a narrative on the financial outlook for the Board during financial year 2021/22 and beyond, information on service changes and future developments and the impact of COVID-19 and how associated risks are currently being managed.

### **Background**

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

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

### **The Statutory Framework**

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

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

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

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authority, in this case The Highland and Western Isles Valuation Joint Board. The proper officer is the Treasurer to the Board; and

- The Code was developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board and has effect for financial years commencing on or after 1 April 2013 and the current code that applies is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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**

2020/21 was another busy year for the Board and its employees. The entire year's work was carried out during the COVID-19 pandemic, with varying degrees of lockdown. Homeworking was the default position throughout the year.

Individual Electoral Registration (IER) continued to require additional resource in terms of both staffing and materials to comply with the statutory regime, although the introduction of canvass reform in 2020 provided some mitigation and the position is expected to improve further in future years.

Two by-elections were called during the financial year.

The valuation environment has been extremely challenging as 2,700 appeals were lodged on the grounds that the pandemic constituted a material change of circumstances in terms of the Valuation Acts and the Highland & Western Isles Valuation Appeal Committee cited most of these for hearing in the final quarter of the financial year. This absorbed a significant proportion of the available resource and limited the capacity to deal with outstanding 2017 Revaluation appeals. However, the 2022 Revaluation has been postponed until 2023 and this has served to reduce some of the pressures.

A more detailed consideration of performance for each function is outlined below.

### **Non-Domestic Rating and Council Tax**

Despite the lockdown restrictions, the Assessor has continued to maintain the Valuation Roll during the year, processing new entries, deletions and amendments as required. The Finance Departments of the two constituent authorities are advised of changes weekly, which aids the efficient collection of non-domestic rates income. The Scottish Assessors Association (SAA) website contains details of Valuation Roll entries on an all Scotland basis, and data is uploaded weekly to ensure the most up to date information is widely available.

The SAA website also provides detailed valuations of the most common types of commercial properties such as shops, offices and industrial subjects. This enables ratepayers to check the valuations of their property and to compare them with others. The

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type of subjects and total number of detailed valuations available for inspection on the SAA website is being enhanced significantly in advance of the next revaluation which is scheduled for 2023. Additional detailed valuations are being added during the course of the summer of 2021.

The Assessor has a statutory duty to carry out a Revaluation of all non-domestic property in the Valuation Area every five years. However, in the context of the general economic recession which took place after 2008, the current Revaluation, which was scheduled for 1 April 2015, was postponed and subsequently came into effect on 1 April 2017. The Assessor was required to revalue each property at a figure which represents the rent at which that property might reasonably be expected to let at the specified date (1 April 2015) and to publish the new Valuation Roll on 1 April 2017.

A key feature of the system of Non-Domestic Rates is that each proprietor, tenant and occupier may, if they feel aggrieved by the new valuation, lodge a formal appeal. Appeals can be lodged against a "Revaluation" assessment (within certain statutory time limits). Subsequent to each Revaluation, "Running Roll" appeals can be lodged in respect of any new or amended entries in the Valuation Roll, or on the basis that there has been an "error", or that there has been a "material change of circumstances" affecting the value of the property. Details of the relevant mechanisms and time limits for appeals are included with each Valuation Notice and published on-line and in the press.

As mentioned earlier, several thousand "material change of circumstance" appeals were lodged as a consequence of the COVID-19 pandemic. The Highland and Western Isles Valuation Appeal Panel adopted a policy of listing most of these for hearing during the first quarter of 2021, thus taking the lead in Scotland. Other valuation areas did not list these appeals for hearing during the 2020/21 financial year. An asymmetric burden was therefore placed on the Assessor's resources and the resource available to address outstanding revaluation appeals was adversely affected.

A total of 4,080 Revaluation Appeals were received together with over 500 enquiries. The Valuation Appeal Committee set a very challenging appeal resolution programme during the second half of 2018 which stretched resources to the limit. This was alleviated to some degree the following year. The Revaluation Appeals that remain, although relatively few in number, contain some more challenging cases.

Shooting rights were reintroduced into the Valuation Roll with effect from 1 April 2017. This resulted in a high level of appeal and while resolution of these appeals has progressed a small number remain outstanding.

It now seems likely that the disposal date for the "COVID-19 appeals" will be extended and consequently more resource should be available to consider the remaining 2017 Revaluation Appeals as required by statute.

A number of valuer posts remain unfilled and it has not been possible to attract qualified valuers due to various reasons including need to relocate and the salaries offered compared to other sectors. While this situation is currently manageable, resourcing pressures on the valuation sections will build as we prepare for the 2023 Revaluation and there may be an impact on staff retention.

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### Council Tax Banding

The Valuation List, which comprises 143,841 entries, was maintained during the year by adding new dwellings, deleting dwellings that have been demolished and re-banding dwellings as appropriate following alteration and sale. The list was maintained by way of weekly updates, with Banding Notices issued to Council Taxpayers and notification of amendments to the 2 Councils' Finance Departments also transmitted on a weekly basis. Sales information continued to be identified and recorded to assist in the valuation and banding process.

The Council Tax List is also available for public inspection on the Scottish Assessors' website. Data is uploaded to the site on a weekly basis so that information on banding is always up to date. Additionally, an online facility is available for the lodging of proposals to amend bands, although the circumstances in which proposals will be valid are restricted by legislation.

The restrictions placed on operations as a consequence of the pandemic did restrict the ability to carry out normal survey operations and more generally slowed the process, particularly in the early months.

The performance indicators are provided below for the valuation roll and council tax list together with staffing information.

### Key Performance Indicators – 2020/21

<b>Valuation Roll</b>	<b>2019/20</b>	<b>2020/21</b>
Total number of entries	22,982	23,299
Total Rateable Value	£399.3m	£409.5m
No of amendments effected	1,746	1,698
Amendments within time periods		
0-3 months	54%	43%
3-6 months	14%	17%
Over 6 months	31%	40%
<b>Council Tax</b>		
Total no. of entries	142,686	143,841
Adjustment to band D equivalent	139,634	140,987
New entries added	1,822	1,377
New entries within time periods		
0-3 months	76%	67%
3-6 months	13%	20%
Over 6 months	11%	13%
<b>General</b>		
Costs of All permanent staff	£1.971m	£2.167m
Number of FTE staff as at 1 April each year	48.9	52.0

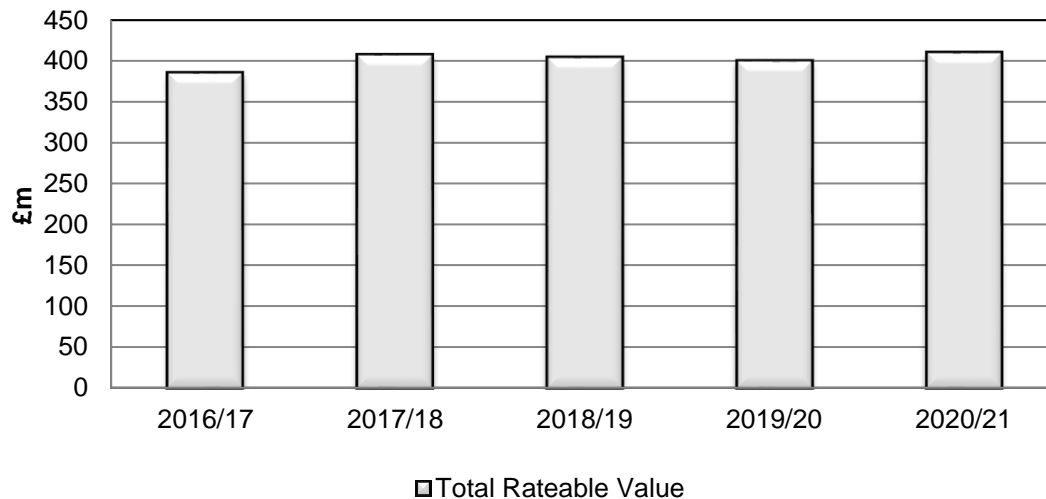
There has been a decline in time related performance for entries in the Valuation Roll, with 11% less changes being made within 3 months of the date of material change. There has also been a significant increase in the number of cases where it has taken in excess of 6

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months to alter the Valuation Roll. This can be attributed to the restrictions placed on our activity by the pandemic and the implementation of legislation to control the pandemic. While the number of subjects in the Valuation Roll has increased slightly, the number of changes has declined slightly, probably attributable to lower activity levels in the property sector resulting from the pandemic. The total rateable value has however increased slightly.

The KPI's for Council Tax also indicate a decline in time related performance, although not as marked as that of the Valuation Roll. While there has been a decline in the percentage of changes made within three months of the event, most of these were apparently dealt with in the following three-month period. The percentage of changes made more than six months after the event has increased, but only by 2%. There was however a significant reduction in the number of new entries made. Once again, this can most likely be attributed to a general reduction in the amount of building activity due to COVID-19 restrictions.

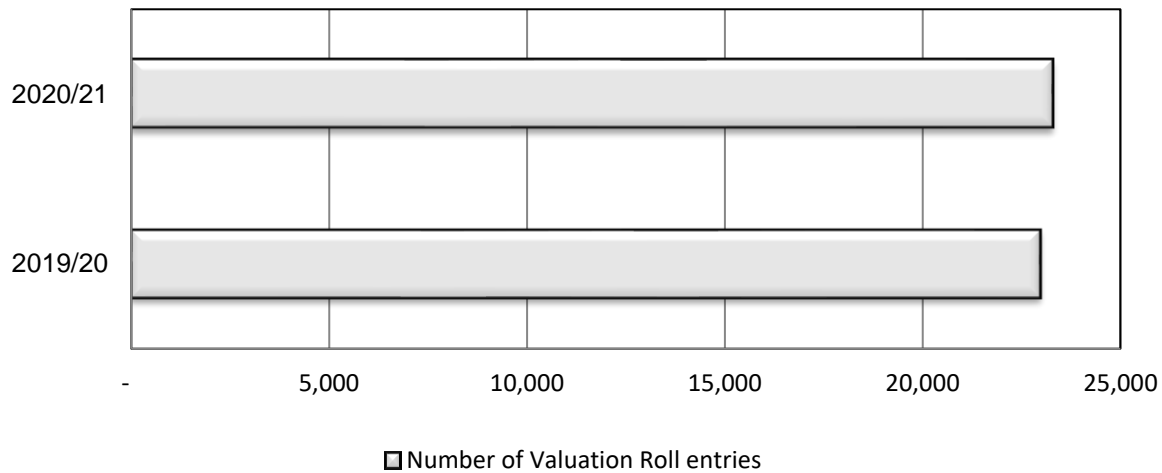
**Comparison of Total Rateable Value**



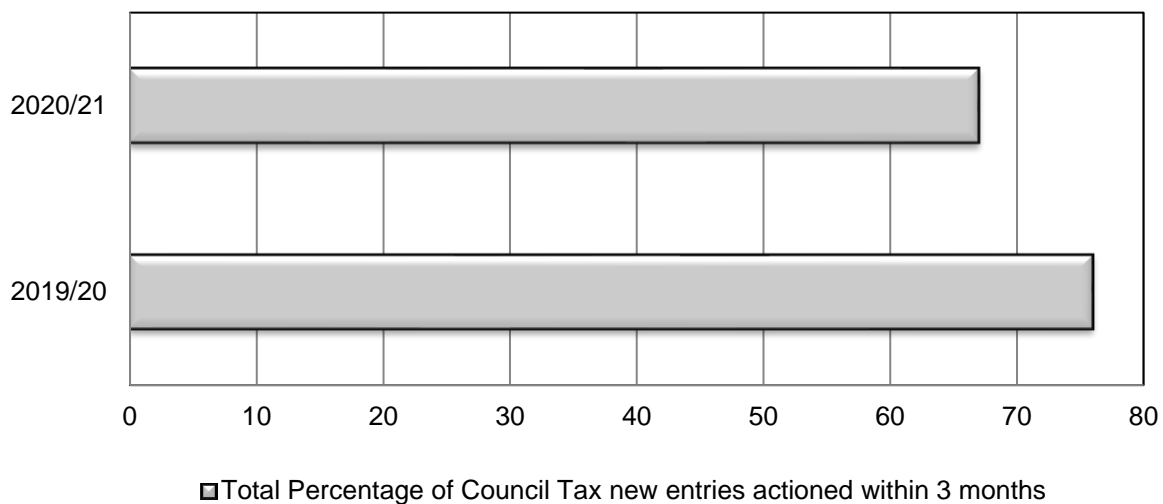


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**Total Number of Valuation Roll entries**



**Percentage of Council Tax new entries actioned within 3 months**



**Register of Electors**

**Elections and Referenda 2020/21**

Two Local Government by-elections were held throughout 2020/21. One of these was Ward 3 in the Western Isles on 8 October 2020 and the other was in Ward 12, Highland, on 11 March 2021. The required administrative procedures for these elections were successfully dealt with and, in administrative terms, the elections passed without incident.

**2020/21 Canvass**

The annual canvass of electors commenced in July 2020 and household registration forms were posted to all properties in Highland and Western Isles ahead of publication of the Register on 1 December 2020.

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The Representation of the People (Annual Canvass) Amendment (Scotland) Order 2020 amended the provision in respect of the steps which an electoral registration officer must take for the purposes of complying with his duty to maintain the register of local government electors.

The change in legislation came into effect for the annual canvass in autumn 2020 and now allows the ERO to carry out a more tailored annual canvass which takes into account local circumstances and to carry out household matches against local data sets. The legislation also allows for electronic communications to be sent and telephone canvassing to be carried out.

As part of the canvass reform changes a national data matching exercise of the electoral register was undertaken in July 2020, matching elector information against DWP records to identify properties where electors may have changed. The results from the first national matching exercise were:

- 81.6% at elector level
- 74.4% match at property level

The new canvass model includes three different routes that a property can be put down:

- Route 1 – matched properties – this information would suggest no change in household composition throughout the year
- Route 2 – unmatched properties – this information suggests that there has been some change to the electors at the property throughout the year
- Route 3 – the defined properties route – these properties include establishments such as registered residential care homes, HMOs, student accommodation and hostels, properties that are difficult to put into either route 1 or 2

After carrying out a further match against local data records, 40% of properties shifted from route 2 to route 1.

All 107,582 properties in route 1 received canvass communication “A” advising electors that they did not need to respond if the information in the communication was correct. There were 33,226 properties which went down route 2 and electors were asked to respond to canvass communication “B” to confirm who lived in the household. Any property that failed to respond was sent a further canvass form and a total of 21,528 properties received a canvass form.

Approximately 50 properties were included in route 3, which were registered residential care homes with other defined properties being sent down route 2 due to time implications with the electoral management software system migration in April. Due to the COVID-19 pandemic properties which failed to respond to the route 2 canvass form were not given a household visit however, some telephone canvassing of properties was carried out.

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As in previous years, the use of e-mail and telephone responses were an option for electors to respond to canvass communications. The use of e-communications will be explored further in financial year 2021/22 as a cost saving to the Board.

A comparison between 1 February 2020 and 1 December 2020 published register is as follows

<b>Local Authority Area</b>	<b>Electorate at 1 February 2020</b>	<b>Electorate at 1 December 2020</b>	<b>Net Change</b>
Highland	189,487	187,835	-1,652
Western Isles	21,944	21,685	-259
<b>Total</b>	<b>211,431</b>	<b>209,520</b>	<b>-1,911</b>

Given the variance in the publication dates for each of the years it is difficult to draw conclusions or reasons for the slight reduction in the electorate. It can be noted however, that the total electorate has since climbed to 212,604, as of 1 June 2021.

### **The Open Electoral Register**

Electors may opt out of having their name listed in the Open Register on which there is no restriction on access, sale and supply. Statistics in relation to the Full Register and the Open Register are as follows:

<b>Local Authority Area</b>	<b>Total Electorate on Full Register 1 December 2020</b>	<b>Total No of Electors "Opting-Out" of Open Register</b>	<b>Opt-Outs as %</b>	<b>Total on Open Register</b>
<b>Highland</b>	187,835	100,110	53.3%	87,725
<b>Western Isles</b>	21,685	9,077	41.8%	12,608
<b>Total</b>	209,520	109,187	52.1%	100,333

### **Performance Standards**

The Electoral Commission has determined a set of performance standards against which Electoral Registration Officers are assessed in the performance of their duties. It is pleasing to note that the electoral registration service in Highland & Western Isles has met all standards assessed in 2020/21. The Electoral Commission is currently preparing a new scheme of performance assessment and will publish further details in due course.

### **Primary Financial Statements**

The Annual Accounts summarise The Highland and Western Isles Valuation Joint Board's transactions for the year, its year-end position as at 31 March 2021 and its cash flows. The Annual Accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

### Financial Performance

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

The Board's financial results for the year, compared against budget, are as shown in the table below. Note1, the Expenditure and Funding Analysis (page 41) shows how the management accounting information below reconciles the Annual accounts.

### Budget Performance Statement For the year ended 31 March 2021

2019/20		2020/21		
Actual		Budget	Actual	Variance
£000		£000	£000	£000
1,995	Staff costs	2,319	2,167	(152)
257	Property costs	253	242	(11)
334	Administration expenses	230	237	7
6	Transport and plant costs	5	-	(5)
518	Supplies and services	550	683	133
8	Members Expenses	18	6	(12)
<b>3,118</b>	<b>Gross expenditure</b>	<b>3,375</b>	<b>3,335</b>	<b>(40)</b>
(3)	Sales of register etc.	(4)	(6)	(2)
(111)	Specific Grants	(30)	(233)	(203)
(4)	Interest on revenue balances	(1)	(5)	(4)
<b>(118)</b>	<b>Gross income</b>	<b>(35)</b>	<b>(244)</b>	<b>(209)</b>
<b>3,000</b>	<b>Net expenditure</b>	<b>3,340</b>	<b>3,091</b>	<b>(249)</b>
16	Transfer to Reserves	-	8	8
<b>(3,016)</b>	<b>Requisition Income</b>	<b>(3,340)</b>	<b>(3,099)</b>	<b>241</b>
<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>

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The net budgeted expenditure of the Board in 2020/21 was £3.340m (2019/20 £3.175m). Actual net expenditure is £3.091m (2019/20 £3.000m) with £0.008m being transferred to reserves. There was an underspend of £0.249m in 2020/21 (2019/20 £0.175m underspend).

There was capacity to transfer to reserves within the limit that can be transferred to the General Fund (restricted to 3% of total budget in the year of transfer and the cumulative balance should not exceed 5% of the total budget in that year). Therefore £0.112m was returned to the constituent authorities in the same proportion as requisition funding.

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

- The variance in the staffing budget was largely due to the management of staff vacancies and difficulties experienced in recruiting suitably qualified staff.
- The underspend on property costs is due to reduced expenditure on heating and lighting costs as staff continue to work from home.
- There is a slight overspend on administration expenses due to increased postage costs with the issue of correspondence in advance of the Scottish Parliament election in May 2021 which included household notification letters and letters to all 16 and 17-year olds encouraging them to register to vote.
- The underspend in travel costs is due to COVID-19 restrictions which has meant valuation and technical staff have been unable to carry out survey visits and electoral canvassers have been unable to carry out doorstep visits.
- The overspend against supplies and services was mainly due to Valuation Appeals Committee hearing costs.
- The variance in grant income is due to additional funding (£0.151m) being provided by the Scottish Government for an expected increase in postal vote applications in the run up to the Scottish Parliament Election in May 2021.

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

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

The introduction of IER was the most significant change to the way people register to vote in over 100 years. As a consequence of these changes there continue to be additional costs and demands on resources which have been largely funded by additional grant from the UK Government. Changes have now been made by UK Government in an effort to simplify and streamline the process and reduce costs. Consequently, the funding is being phased out.

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## Reserves

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

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

Balance at 31/03/20 £000	<b>Balance at 31/03/21 £000</b>
159 General Fund Balance	167

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

The final requisition has been allocated to the constituent authorities as follows with Barclay funding to be repaid to the Scottish Government:

2019/20		Constituent Authority	2020/21	
£000	% share		£000	% Share
2,694	89.3	The Highland Council	2,603	89.3
322	10.7	Comhairle nan Eilean Siar	310	10.7
-	-	Scottish Government	186	-
<b>3,016</b>	<b>100.0</b>	Total	<b>3,099</b>	<b>100.0</b>

### Statement of Requisitions 2020/21

Constituent Authority	Population	Budget requisition	Actual requisition	Balance due to constituent authority
	No.	£000	£000	£000
Highland Council	232,132	2,703	2,603	(100)
Comhairle nan Eilean Siar	27,684	322	310	(12)
Scottish Government	-	315	186	(129)
Total	259,816	3,340	3,099	(241)

### Provisions, Contingencies and Write-offs

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

In general, any contingent liabilities known to the Board are covered by insurance arrangements. There were no write offs during the year.

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### **Retirement Benefits**

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

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

The Balance Sheet on Page 38 shows that the Board has a net pension liability of £5.371m as at 31 March 2021 (31 March 2020 £4.884m) due to the accrual of pension liabilities in accordance with IAS 19.

The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Board. The liability relates to benefits earned by existing or previous employees up to 31 March 2021.

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

### **Service Changes and Future Developments**

The previously anticipated 2015 revaluation was deferred by the Scottish Government until 2017 and allowed some relief from the overlap of appeal disposal and revaluation preparation. We have now reverted to a five-year cycle and therefore these pressures have returned. The reinstatement of shooting rights into the Valuation Roll has increased the workload and while most of the associated appeals have now been resolved, the remaining appeals together with an ongoing maintenance burden will continue to require resourcing.

The appeal resolution workload relating to appeals from the 2017 Revaluation has declined in number as the bulk of these appeals have now been resolved, although a number of more complex cases remain. 2,700 COVID-19 related appeals have been received and require to be disposed of by the end of the calendar year, although an extension to this deadline is being proposed.

The Scottish Government announced an intention to review business rates and the Barclay Review published their report in 2017. Most of the recommendations of the report have been adopted by the Government with varying implementation dates. The Scottish Assessors through the Scottish Assessors Association have expressed a willingness to work with Government to implement change and an action plan has been published. Some of the changes are requiring additional resource and others can be implemented at limited cost. It is recognised that other recommendations, such as three yearly

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revaluations and changes to the appeal process will have significant cost implications and additional funding was put in place commencing 2019/20 and has continued during 2020/21 and is expected to increase in subsequent years.

Difficulty has been experienced in recruiting suitably qualified staff. This is in part due to a shortage of Chartered Surveyors in Scotland. A policy of graduate training is underway, but some posts remain unfilled. Recruitment and retention policies may need to be examined in an effort to address the issue.

In April 2020, the Electoral Registration Officer (ERO) began the process of migration to a new electoral management system. The migration was completed in the spring of 2021 during lockdown conditions with staff working from home. Through time, the new system should allow a number of efficiency savings.

The Scottish Elections (Franchise and Representation) Act 2020 extended the franchise for foreign nationals and certain prisoners. Funding of £49,000 was provided for one of changes to the electoral management systems.

Canvass Reform commenced in 2020 and allowed EROs to have greater discretion in tailoring the canvass to suit local needs and included matching records against national and local data sources to ascertain which properties are likely to have an unchanged household composition. All elements of the reform could not be implemented in the first year, but it is envisaged that the reformed canvass will achieve the following benefits:

- reduce the administrative burden on EROs and the financial burden on taxpayers;
- safeguard the completeness and accuracy of the registers;
- and, maintain the security and integrity of the registers.

The service continues to plan with a view to minimising the costs of the additional volume of mail and canvassing associated with IER including the costs of complying with the increased checking requirements. The UK Government funding has been reducing and is expected to be phased out in the year 2021/22. The intention is to reduce canvass and processing costs to bridge the gap.

In setting its budget for 2020/21 through to 2022/23 the Valuation Joint Board recognised an increase in the requisitions for the constituent authorities as a consequence of the move back to a five-yearly cycle of revaluation and the preparation for commencing a three-yearly cycle from 2022. This however continues to be a challenging financial position given the pressure on the financial settlements to local authorities from the Scottish Government and pressures to produce efficiency savings will continue in the coming years, even although overall expenditure is set to increase. This will place significant pressure on the statutory services that are provided by the Assessor and Electoral Registration Officer. The Valuation Joint Board needs to sustain sufficient resources to ensure the delivery of services that are required by law and that are crucial for both fair and successful elections and tax revenues for councils. It should also be recognised that there is an additional workload as the number of subjects in the Valuation Roll and Council Tax list continues to increase. The Assessor will continue to be required to ensure proper dialogue with the constituent authorities so that there is a full financial plan and adequate resources for the future at a time when councils are facing continued significant reductions in funding.



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## COVID-19

### *Staffing and Working Environment*

The immediate impact of the pandemic on staff was the stay at home policy. Since the policy was announced the Board's offices have remained closed and the default position is that staff are working from home.

The relatively new desktop computing environment together with the ability to securely access the office servers and the Assessor and ERO's valuation, electoral management and document imaging systems, has resulted in a relatively good position to address the challenge. Assistance from the Highland Council and their information systems supplier has provided secure audio and video conferencing capability which has allowed for efficient communication and collaboration between individuals and groups of staff. Communication with other stakeholders continues to take place via email and arranged online meetings or telephone conversations. Arrangements were made for the redirection and scanning of physical mail and for remote posting of bulk and adhoc mailings.

A new electoral management system has been introduced. Although migration and testing presented some difficulties given the homeworking environment the system was successfully commissioned. It is a credit to the staff that they succeeded in supporting a Scottish Parliamentary Election in all of these circumstances.

The link of the availability of financial grants for businesses to an entry in the valuation roll resulted in significant additional work for valuation staff in the first few months but that position has now resolved.

Fortunately, there has been no net negative impact on sickness levels as a consequence of the pandemic.

### *Provision of Services*

The immediate impact on the provision of the valuation roll was the inability to carry out physical survey of new or altered property since "lockdown". The consequential delay in amending the valuation roll resulted in an increase in back dated rates demands, although this will have been mitigated to a degree by rates relief. The start of the government restrictions corresponded with the beginning of the rating year and as law allows alterations to the valuation roll to be backdated to the beginning of the financial year, the possibility of lost revenue was reduced. However, it must be recognised that large backdated bills are never welcome, although again rating relief should mitigate the position.

Appeal resolution has been adversely affected by the restrictions. Although negotiations can continue where the ratepayer or their agent is available, if a property inspection is required that is not possible. Although large amounts of information are held in accessible electronic format there is still a significant reliance on information in paper files, which are not readily accessible. Furthermore, valuation appeal committee hearings were initially suspended, although they have since met using video conferencing, it has not been feasible to hear significant appeals virtually. There is therefore a risk that some appeals will not be disposed of within the current statutory disposal date. This situation is being monitored by all stakeholders and it is anticipated that there shall be government action as necessary.

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While deadlines can be extended, there is always the potential for a knock-on effect on future programs. It is therefore welcome that the date of the next revaluation has been pushed back one year to 2023.

Over 2,700 COVID-19 appeals have been received and their resolution will also add to the workload.

Maintenance of the electoral register has continued through remote working, although there will have been some delays to certain communications. It was not possible to complete the door to door phase of the electoral canvass due to pandemic restrictions, although additional mail and telephone enquiries were made. The possibility of a large increase in postal voting applications for the Scottish Parliamentary elections was anticipated and additional funding was provided by the Scottish Government. This allowed for additional measures, including temporary staff to be employed to deal with the increased workload.

One area which has proved difficult has been staff training. It is difficult to provide the highest quality of training where face to face meeting is not possible. This is particularly true of new members of staff.

### *Plans for Recovery*

The continual period of operating in a restricted environment has persisted for longer than that which was originally anticipated. While it was always a consideration that periods of homeworking may have continued for a while, there was a belief that periods of work within the office may have been possible once the first “wave” had passed. This has not proved to be the case. Offices have remained closed to the public and staff have only worked from the office where this was essential for either office support, homeworking or staff welfare. The number of staff working in any office has been severely restricted and rigorous social distancing and hygiene practices have been observed. As the restrictions are eased the opportunity to return to more normal working practices may exist. It is not currently envisaged that there will be a rapid or wholesale return to an office environment. Even when a return is permitted, it may be that it is prudent to maintain an element of home working as a protection against further waves.

Transformational change and efficiency savings are difficult to achieve during lockdown. While these may be compromised, the experience gained has provided an insight into opportunities that may not otherwise have been realised. Both senior management discussion and staff survey has identified the possibility of extending homeworking once the pandemic is under control.

In summary, other than the issues highlighted, service provision has been maintained at a reasonable standard in the period to date. While the initial focus was on business continuity, as the period of lockdown continues then attention must move to the management of change and service development.

### *Financial Position*

The Board is responsible for statutory functions and consequently there is a presumption of adequate funding. Equally it must be recognised that the funding authorities are liable to be adversely affected by the pandemic and its economic impact. All of this however should be viewed in the context of the essential part that the Board and its staff play in the very function of raising revenue from rates and council tax.

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**Going Concern**

The IAS 19 Pension and Injury Benefit Liabilities of £5.371m (2019/20 £4.884m) have a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £5.267m (2019/20: £4.759m). However, future actuarial valuations of the pension scheme will consider the employer's rate to meet the commitments of the Scheme. In addition, the constituent authorities of the Board are required to fund the liabilities as they fall due. For these reasons, a going concern basis has been adopted in the preparation of the financial statements.

**Acknowledgement**

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

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

Laurie Fraser  
Convener

Liz Denovan CPFA  
Treasurer

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## STATEMENT OF RESPONSIBILITIES

### The Valuation Joint Board's Responsibilities

The Valuation Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature by the Valuation Joint Board.

Signed on behalf of the Highland and Western Isles Valuation Joint Board.

Laurie Fraser  
Convener

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### **The Treasurer's Responsibilities**

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Highland and Western Isles Valuation Joint Board at the reporting date and the transactions of the Board for the year ended 31 March 2021.

Liz Denovan CPFA  
Treasurer

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### **ANNUAL GOVERNANCE STATEMENT**

#### **Scope of responsibility**

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

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

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

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

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

#### **The purpose of the governance framework**

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

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

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The governance framework has been in place at The Highland and Western Isles Valuation Joint Board for the year ended 31 March 2021 and up to the date of approval of the Board's Annual Accounts.

### **The governance framework**

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

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

The actions set out in the 2020/21 Code of Corporate Governance are delivered or remain on target and no specific actions are required to be carried forward into the new Code.

### **Review of effectiveness of governance arrangements**

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

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

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

The work undertaken by the Internal Audit Section during the year to 31 March 2021 consists of that undertaken directly for the Board and indirectly where the Highland Council's financial systems are used. For this year, the work included:

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- A review of the systems of internal control to inform the Board's Annual Governance Statement and the Internal Audit Annual Report.
- Review of the authorisation of process for changes to the Valuation Roll & Council Tax List.
- Review of the Assessor's purchase to pay process. A draft report will be issued shortly for this audit, but no major internal control issues have been identified.

Due to the ongoing COVID-19 restrictions, the review of the Individual Electoral Registration (IER) process remains on hold and has been carried forward into the 2021/22 audit plan.

All audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. There are presently no outstanding recommendations.

On the basis of the work undertaken during the year, it was considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for the year to 31 March 2021.

Emergency governance arrangements were put in place in March 2020 as a result of COVID-19 outbreak which meant the Board meeting in March 2020 was cancelled. The budget for 2020/21 which was to be approved at this meeting was instead circulated to all Board members for approval. Board meetings have been held during 20/21 online using Microsoft Teams.

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

- The Valuation Joint Board's Financial Regulations recognise the Treasurer as being "responsible for the proper financial administration of the Board's affairs, and acts as financial adviser to the Board". In addition, the Regulations require:
  - That the Assessor and Electoral Registration Officer ensures that all spending conforms to proper accounting standards and will seek appropriate clarification on such matters from the Treasurer;



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- The accounting procedures, records of the Board and Annual Accounts are to be prepared in accordance with directions provided by the Treasurer;
  - Reports to the Board containing financial implications are to be discussed with the Treasurer.
- The Treasurer's staff work closely with the Valuation Joint Board staff regarding financial matters.
  - It is considered that the review of the effectiveness of the governance framework by the Valuation Joint Board provides reassurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Laurie Fraser  
Convener

William Gillies MRICS  
Assessor and Electoral Registration Officer

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## REMUNERATION REPORT

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

### 1. Appointments

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

### 2. Remuneration Policy

#### 2.1 Senior Employees

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

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

#### 2.2 Senior Councillors

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

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

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

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### 3. Remuneration

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

Total Remuneration including salary, fees and allowances

2019/20	Name and Post Title	2020/21
£		£
96,813	William Gillies, Assessor and Electoral Registration Officer	<b>99,718</b>
66,409	Robert Shepherd, Assistant Assessor and Electoral Registration Officer	<b>68,402</b>
66,409	Frank Finlayson, Assistant Assessor and Electoral Registration Officer	<b>68,402</b>

The senior employees in the table above include any employee:

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

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

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### 3.2 Remuneration by Pay Band

Analysis of Employees Earning Over £50,000

2019/20 Number	Salary Band	2020/21 Number
-	£50,000-£54,999	1
-	£55,000-£59,999	1
-	£60,000-£64,999	-
2	£65,000-£69,999	2
-	£90,000-£94,999	-
1	£94,999-£99,999	1

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

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

2019/20 £	Councillor Name and Responsibility	2020/21 £
4,370	J Gray – Convener from 27/06/2017 to 31/03/2021	4,123
1,249	A Macleod – Vice Convener from 27/06/2017 – to 31/03/2021	1,117

The above reflects the individual salary elements of the convener and vice convener which the Highlands and Western Isles Valuation Joint Board are recharged from constituent Councils. In addition to the amounts above, the Board contribute on-costs (National Insurance) of £159.69 for A.Macleod and £342.60 for J Gray.

### 3.4 Remuneration Paid to Councillors

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

2019/20 £	Type of Remuneration	2020/21 £
5,307	Salaries	5,240
1,562	Expenses	-
<b>6,869</b>	<b>Total</b>	<b>5,240</b>

The annual return of Councillors' salaries and expenses for 2020/21 is available for any member of the public to view at all public offices and is also available on the Council's website at

[https://www.highland.gov.uk/downloads/file/23623/valuation\\_board\\_expenses\\_2020\\_to\\_2021](https://www.highland.gov.uk/downloads/file/23623/valuation_board_expenses_2020_to_2021)

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#### 4. Pension Benefits

The pension entitlements of senior employees for the year to 31 March 2021 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year.

Name and Post Title	In-year pension contributions		Accrued Pension Benefits	
	For year to 31/03/20	For year to 31/03/21	As at 31/03/21	Difference from March 2020
	£	£	£000	£000
William Gillies Assessor and Electoral Registration Officer	18,879	19,445	Pension	3
			Lump Sum	2
Robert Shepherd Assistant Assessor and Electoral Registration Officer	12,950	13,338	Pension	2
			Lump Sum	1
Frank Finlayson Assistant Assessor	12,950	13,338	Pension	2
			Lump Sum	2

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown in the table relate to the benefits that the person has accrued as a consequence of their total local government service. The employer's contribution rate in 2020/21 is shown in the following tables with prior year comparisons:

The 2020/21 contribution tiers and rates are as follows:

Pensionable pay	Contribution rate 2020/21
On earnings up to and including £22,200	5.50%
On earnings above £22,200 and up to £27,100	7.25%
On earnings above £27,100 and up to £37,200	8.50%
On earnings above £37,200 and up to £49,600	9.50%
On earnings above £49,600	12.00%

2019/20 contribution tiers and rates:

Pensionable pay	Contribution rate 2019/20
On earnings up to and including £21,800	5.50%
On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,700 and up to £36,600	8.50%
On earnings above £36,600 and up to £48,800	9.50%
On earnings above £48,800	12.00%

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**5. Trade Union Facility Time**

In 2020/21 there was no Trade Union Official within the Valuation Service.

Laurie Fraser  
Convener

William Gillies MRICS  
Assessor and Electoral Registration Officer

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## INDEPENDENT AUDITOR'S REPORT

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

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

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

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### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### **Risks of material misstatement**

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

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

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;



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- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

### **Reporting on other requirements**

#### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

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

#### **Statutory other information**

The Treasurer is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

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

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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**Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement**

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

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

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

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of our report**

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

John Boyd, for and on behalf of Grant Thornton UK LLP

110 Queen Street

Glasgow

G1 3BX

Date:

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**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

2020/21				
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Cost of Services</b>	1	3,618	(239)	3,379
Financing and Investment income and expenditure	7			109
Taxation and non-specific grant income	8			(3,099)
<b>Deficit on provision of services</b>				<b>389</b>
Re-measurements of the net defined benefit liability	12			119
<b>Total comprehensive income and expenditure</b>				<b>508</b>

2019/20				
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Cost of Services</b>		3,368	(114)	3,254
Financing and Investment income and expenditure	7			144
Taxation and non-specific grant income	8			(3,016)
<b>Deficit on provision of services</b>				<b>382</b>
Re-measurements of the net defined benefit liability	12			(1,474)
<b>Total comprehensive income and expenditure</b>				<b>(1,092)</b>

The notes on pages 40 to 63 form part of these financial statements.

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### MOVEMENT IN RESERVES STATEMENT

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

2020/21	Notes	General Fund	<b>Total Usable Reserves</b>	Pension Reserve	Employee Statutory Mitigation Account	<b>Total Reserves 2020/21</b>
		£000	<b>£000</b>	£000	£000	<b>£000</b>
<b>Balance at 31 March 2020</b>		159	<b>159</b>	(4,884)	(34)	<b>(4,759)</b>
<b>Movement in reserves during 2020/21</b>						
<b>Total Comprehensive Income and Expenditure</b>	9,10	(389)	<b>(389)</b>	(119)	-	<b>(508)</b>
Adjustments between accounting basis and funding basis under regulations	9	397	<b>397</b>	(368)	(29)	-
<b>Increase/(decrease) in 2020/21</b>		8	<b>8</b>	(487)	(29)	<b>(508)</b>
<b>Balance at 31 March 2021</b>		167	<b>167</b>	(5,371)	(63)	<b>(5,267)</b>

The notes on pages 40 to 63 form part of these financial statements.

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2019/20	Notes	General Fund	<b>Total Usable Reserves</b>	Pension Reserve	Employee Statutory Mitigation Account	<b>Total Reserves 2019/20</b>
		£000	<b>£000</b>	£000	£000	<b>£000</b>
<b>Balance at 31 March 2019</b>		143	<b>143</b>	(5,968)	(26)	<b>(5,851)</b>
<b>Movement in reserves during 2019/20</b>						
<b>Total Comprehensive Income and Expenditure</b>	9,10	(382)	<b>(382)</b>	1,474	-	<b>1,092</b>
Adjustments between accounting basis and funding basis under regulations	9	398	<b>398</b>	(390)	(8)	-
<b>Increase/(decrease) in 2019/20</b>		16	<b>16</b>	1,084	(8)	<b>1,092</b>
<b>Balance at 31 March 2020</b>		159	<b>159</b>	(4,884)	(34)	<b>(4,759)</b>

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## BALANCE SHEET

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

31/03/20 £000	Notes	£000	31/03/21 £000
<b>Current assets</b>			
45	Short term debtors	15	35
502	Cash and cash equivalents		745
<u>547</u>			<u>780</u>
<b>Current liabilities</b>			
(422)	Short term creditors	16	(676)
<u>(422)</u>			<u>(676)</u>
<b>Long term liabilities</b>			
(4,884)	Other long-term liabilities	12	(5,371)
<u>(4,884)</u>			<u>(5,371)</u>
<u>(4,759)</u>	<b>Net liabilities</b>		<u>(5,267)</u>
<b>Reserves</b>			
159	General Fund		167
(4,884)	Pension Reserve	10	(5,371)
(34)	Employee Statutory Mitigation Account	10	(63)
<u>(4,759)</u>	<b>Total reserves</b>		<u>(5,267)</u>

The audited Annual Accounts were authorised for issue on 15 December 2021.

Liz Denovan CPFA  
Treasurer

The notes on pages 40 to 63 form part of these financial statements.

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## CASH FLOW STATEMENT

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

31/03/20	Notes	31/03/21
£000		£000
(382)	Net deficit on the provision of services	(389)
636	Adjust net deficit on the provision of services for non-cash movements (Re-measurement of the net defined benefit liability from Income and Expenditure Statement and the movement in debtors and creditors from balance sheet)	632
(4)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(5)
250	Net cash inflow/(outflow) from operating activities	<b>238</b>
4	Financing activities	5
254	Net increase/(decrease) in cash and cash equivalents	<b>243</b>
248	Cash and cash equivalents at the beginning of the year	<b>502</b>
<b>502</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>745</b>

The notes on pages 40 to 63 form part of these financial statements.

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**ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS**

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



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## 1. Expenditure and Funding Analysis

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

<b>2020/21</b>	<b>Net Expenditure chargeable to the General Fund £000</b>	<b>Adjustments between Funding &amp; Accounting Basis £000</b>	<b>Net Expenditure in the CIES £000</b>
Staff costs	2,167	283	2,450
Property costs	242	-	242
Administration expenses	237	-	237
Supplies and services	683	-	683
Members Expenses	6	-	6
Income	(239)	-	(239)
<b>Net Cost of Services</b>	<b>3,096</b>	<b>283</b>	<b>3,379</b>
Other Income and Expenditure:	(3,104)	114	(2,990)
<b>(Surplus)/Deficit</b>	<b>(8)</b>	<b>397</b>	<b>389</b>
<b>General Fund Movements:</b>			
Opening Balance	(159)		
(Surplus) on General Fund	(8)		
<b>Closing Balance</b>	<b>(167)</b>		
<b>2019/20</b>			
Staff costs	1,995	250	2,245
Property costs	257	-	257
Administration expenses	334	-	334
Transport and plant costs	6	-	6
Supplies and services	518	-	518
Members Expenses	8	-	8
Income	(114)	-	(114)
<b>Net Cost of Services</b>	<b>3,004</b>	<b>250</b>	<b>3,254</b>
Other Income and Expenditure:	(3,020)	148	(2,872)
<b>Deficit</b>	<b>(16)</b>	<b>398</b>	<b>382</b>
<b>General Fund Movements:</b>			
Opening Balance	(143)		
(Surplus)/Deficit on General Fund	(16)		
<b>Closing Balance</b>	<b>(159)</b>		

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## 2. Note to Expenditure and Funding Analysis

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

### Adjustments between Funding & Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	<b>Net Change for the Pensions Adjustments</b>	<b>Adjustment for Employee Annual Leave Accrued</b>	<b>Total Adjustments</b>
	£000	£000	£000
Staff costs	254	29	283
Net Cost of Services	254	29	283
Other Income and expenditure	114	-	114
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services</b>	<b>368</b>	<b>29</b>	<b>397</b>

### Adjustments between Funding & Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000
Staff costs	242	8	250
Net Cost of Services	242	8	250
Other Income and expenditure	148	-	148
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services</b>	<b>390</b>	<b>8</b>	<b>398</b>

## HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD ANNUAL ACCOUNTS 2020/21

### 3. Accounting Policies

#### General principles

The Annual Accounts summarise the transactions of the Board for the 2020/21 financial year and its position at the year end. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### Accruals of income and expenditure

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

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

#### Cash and cash equivalents

The Highland Council loans fund provides all the operational banking requirements of the Board and manages treasury risks in line with the Highland Council's Treasury Management Strategy Statement

[https://www.highland.gov.uk/downloads/file/18090/treasury\\_management\\_strategy\\_statement](https://www.highland.gov.uk/downloads/file/18090/treasury_management_strategy_statement)

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Through this arrangement with The Highland Council, the Board has immediate access to funds and therefore has considered cash and cash equivalents. The balance of £0.745m (2019/20 £0.502m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

### **Employee benefits**

#### Benefits payable during employment

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

### **Post-Employment Benefits**

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

### **Local Government Pension Scheme**

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

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

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

**Service cost comprising:**

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

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

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

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

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

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

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### **Discretionary Benefits**

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

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

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

#### Adjusting events

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

#### Non-adjusting events

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

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

### **Government grants and contributions**

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

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

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

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

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## **Leases**

### **Operating Leases**

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

### **Property, plant and equipment**

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

### **Overheads and support services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

### **Contingent liabilities**

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

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

### **Reserves**

The General Fund Reserve is at the maximum level permitted.

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

### **VAT**

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

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### Going concern

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

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

The following accounting standards will be adopted within the 2021/22 Code effective from 1 April 2021. There is therefore no impact on the 2020/21 financial statements.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by The Code:

- IFRS 16 Leases will require local authorities that are lessees to recognise these leases on their balance sheets as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. As a result of the current COVID-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022.

Changes arising from the adoption of these standards are not expected to have any impact on the Board's financial position.

### 5. Critical judgements in applying accounting policies

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

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



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

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

The only item in the Board's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension liability. 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 Board with expert advice about the assumptions to be applied. The impact of changes in the assumptions used on the pension liability has been assessed by the actuaries and is illustrated in Note 12 with change to salaries of 0.1% likely to be approximately 0% (£49k) change in employer liability, change to pension of 0.1% like to be approximately 1% (£349k) and change of 0.1% to the discounting of fund liabilities to be approximately 2% (£403k).

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

2019/20 £000		2020/21 £000
148	Pensions Net Interest	114
(4)	Interest receivable	(5)
<u>144</u>		<u>109</u>

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

2019/20 £000		2020/21 £000
(3,016)	Requisitions from constituent authorities and Scottish Government	(3,099)
<u>(3,016)</u>		<u>(3,099)</u>

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

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

	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	<b>Total 2020/21</b>
		£000	£000	£000	<b>£000</b>
<b>Adjustments involving the Pensions Reserve</b>					
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12	662	(662)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(294)	294	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	29	-	(29)	-
<b>Total adjustments</b>		<b>397</b>	<b>(368)</b>	<b>(29)</b>	<b>-</b>

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	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	<b>Total 2019/20</b>
		£000	£000	£000	<b>£000</b>
<b>Adjustments involving the Pensions Reserve</b>					
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12	668	(668)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(278)	278	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	8	-	(8)	-
<b>Total adjustments</b>		<b>398</b>	<b>(390)</b>	<b>(8)</b>	<b>-</b>

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## 10. Balance Sheet – unusable reserves

### (a) Pensions Reserve

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

Pensions Reserve		
2019/20 £000		2020/21 £000
(5,968)	Opening balance at 1 April	<b>(4,884)</b>
(1,030)	Return on plan assets (excluding the amount included in the net interest expense)	<b>3,835</b>
1,601	Actuarial gain/(loss) arising on changes in financial assumptions	<b>(4,061)</b>
781	Actuarial gain arising on changes in demographic assumptions	<b>169</b>
122	Experience adjustments	<b>(62)</b>
<u>1,474</u>		<u><b>(119)</b></u>
(668)	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	<b>(662)</b>
278	Employer's pension contributions and direct payments to pensioners payable in the year	<b>294</b>
<u>(4,884)</u>	Closing balance at 31 March	<u><b>(5,371)</b></u>

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(b) Employee Statutory Mitigation Account

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

2019/20 £000		2020/21 £000
(26)	Opening balance at 1 April	(34)
26	Settlement or cancellation of accrual made at the end of the preceding year	34
(34)	Amounts accrued at the end of the current year	(63)
(34)	Closing balance at 31 March	(63)

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### 11. External audit costs

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

2019/20	2020/21
£	£
7,450 External audit costs	7,610

No non-audit services were provided in the year by the Board's auditor Grant Thornton UK LLP.

### 12. Defined benefit pension schemes

#### Participation in pension schemes

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

The Board participates in one post-employment scheme:

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

#### Transactions relating to post-employment benefits

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

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	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of services</b>				
Current service cost	611	549	-	-
Past service cost (including curtailments)	(91)	(1)	-	-
	520	548	-	-
Financing and investment income and expenditure				
Net interest expense	143	110	5	4
<b>Total post-employment benefits charged to the deficit on the provision of services</b>	<b>663</b>	<b>658</b>	<b>5</b>	<b>4</b>
Other post-employment benefits charged to the comprehensive income and expenditure statement				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)				
	1,030	(3,835)	-	-
Actuarial (gain)/loss arising on changes in financial assumptions	(1,599)	4,054	(2)	7
Actuarial (gain) arising on changes in Demographic assumptions	(775)	(169)	(6)	-
Experience adjustments	(102)	50	(20)	12
<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,446)</b>	<b>100</b>	<b>(28)</b>	<b>19</b>
<b>Movement in reserves statement</b>				
Reversal of net charges made to the deficit on the provision of services for post-employment benefits in accordance with the code				
	(663)	(658)	(5)	(4)
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	266	281	12	13
<b>Total movement in reserves in respect of post-employment benefits</b>	<b>(397)</b>	<b>(377)</b>	<b>7</b>	<b>9</b>

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

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>31/03/20 £000</b>	<b>31/03/21 £000</b>	<b>31/03/20 £000</b>	<b>31/03/21 £000</b>
Present value of the defined benefit obligation	(20,005)	(23,611)	(179)	(188)
Fair value of pension fund assets	15,300	18,428	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(4,705)</b>	<b>(5,183)</b>	<b>(179)</b>	<b>(188)</b>

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

	Liability split		Duration
	£000	Percentage (%)	Years
Active members	11,508	48.8%	21.3
Deferred members	2,414	10.2%	23.8
Pensioner members	9,689	41.0%	10.8
<b>Total</b>	<b>23,611</b>	<b>100.0%</b>	17.0

The durations are weighted averages as at the last formal valuation date 31 March 2020.

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

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>31/03/20 £000</b>	<b>31/03/21 £000</b>	<b>31/03/20 £000</b>	<b>31/03/21 £000</b>
Opening fair value of scheme assets	16,491	15,300	-	-
Interest income	392	346	-	-
Return on plan assets	(1,030)	3,832	-	-
Contributions by employer	266	281	12	13
Contributions by Scheme participants	88	94	-	-
Estimated benefits paid (net of transfers in)	(907)	(1,425)	-	-
Unfunded benefits paid	-	-	(12)	(13)
<b>Closing fair value of scheme assets</b>	<b>15,300</b>	<b>18,428</b>	<b>-</b>	<b>-</b>



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

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits</b>	
	<b>31/03/2020</b>	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	22,245	20,005	214	179
Current service cost	611	549	-	-
Past service cost	(91)	(1)	-	-
Interest cost	535	456	5	4
Contributions by scheme participants	88	94	-	-
Re-measurement (gains) and losses:	-	-	-	-
Actuarial (gains)/losses from changes in financial assumptions	(1,599)	4,054	(2)	7
Actuarial (gains) from changes in demographic assumptions	(775)	(169)	(6)	-
Experience adjustments	(102)	48	(20)	11
Estimated benefits paid (net of transfers in)	(907)	(1,425)	-	-
Unfunded pension payments	-	-	(12)	(13)
Closing value	<b>20,005</b>	<b>23,611</b>	<b>179</b>	<b>188</b>

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### Analysis of Pension Fund's Assets

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

2019/20		2020/21
6%	<b>Cash and cash equivalents</b>	7%
	<b>Equity Securities:</b>	
	By industry type	
16%	Consumer	18%
8%	Manufacturing	11%
2%	Energy and utilities	1%
9%	Financial institutions	11%
5%	Health and care	5%
5%	Information technology	5%
1%	Other	1%
	<b>Debt Securities:</b>	
	By sector	
3%	Property debt	2%
6%	<b>Private Equity</b>	5%
	<b>Property:</b>	
9%	UK	8%
	<b>Investment funds and unit trusts:</b>	
14%	Equity	13%
16%	Bonds	13%
100%	<b>Total</b>	<b>100%</b>

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

Fair value of pension fund assets		
31/03/20		31/03/21
£000		£000
	Equity Instruments	
13,902	Quoted in an active market	<b>17,012</b>
1,398	Not quoted in an active market	<b>1,416</b>
15,300	Subtotal equity instruments	<b>18,428</b>

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**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary have been:

2019/20		2020/21
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
21.0	Men	<b>20.9</b>
23.2	Women	<b>23.5</b>
	Longevity at 65 for future pensioners (years)	
22.0	Men	<b>22.3</b>
24.8	Women	<b>25.5</b>
2.00%	Rate of inflation	<b>2.85%</b>
2.90%	Rate of increase in salaries	<b>3.65%</b>
2.00%	Rate of increase in pensions	<b>2.85%</b>
2.30%	Rate for discounting fund liabilities	<b>2.00%</b>
50.00%	Take up option to convert annual pension into retirement lump sum (pre-2009)	<b>50.00%</b>
75.00%	Take up option to convert annual pension into retirement lump sum (post 2009)	<b>75.00%</b>

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

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

	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in Real Discount Rate	<b>2%</b>	<b>403</b>
1 year increase in member life expectancy	<b>4%</b>	<b>952</b>
0.1% increase in the Salary Increase Rate	<b>0%</b>	<b>49</b>
0.1% increase in the Pension Increase Rate (CPI)	<b>1%</b>	<b>349</b>

**Impact on the Board's Cash Flow**

The aims of the fund are to:

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

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (as at 31 March 2017 for the 2020/21 Annual Accounts), or at any other time as instructed to do so by the Council. The actuaries have estimated that contributions for the year to 31 March 2022 will be approximately £0.274m.

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### 13. Related parties

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

#### Highland Council

The Highland Council provided £2.884m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board (2019/20 £2.694m). In addition, Highland Council provides administrative, financial and computing services to the Board. In 2020/21 the Board paid £0.063m to the Highland Council for these services (2019/20 £0.062m). At the year-end there was a creditor balance with the Highland Council of £0.327m (2019/20 £0.282m) and no debtor balances (2019/20 £0.001m).

#### Comhairle Nan Eilean Siar

Comhairle Nan Eilean Siar (CNES) provided £0.344m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board (2019/20 £0.322m). At the year-end there was a creditor balance with Comhairle Nan Eilean Siar of £0.013m (2019/20 £0.035m) and no debtor balance.

#### Scottish Government/UK Government

The Scottish Governments provided additional funding to the Valuation Joint Board in relation to an expected increase in postal vote applications in the run up to the Scottish Parliament Election in May 2021. Any unspent funding is to be held in reserves in the next financial year 2021/22.

2019/20 £000	Government	Nature of Funding	2020/21 £000
111	UK Government	IER funding	-
-	Scottish Government	Increase in postal vote applications	152
<u>111</u>		<b>Total</b>	<u>152</u>

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#### 14. Operating Leases

The Board leases a number of office premises.

Board as Lessee

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

2019/20 £000		2020/21 £000
114	Not later than one year	122
437	Later than one year and not later than five years	378
132	Later than five years	133
683		<b>633</b>

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

2019/20 £000		2020/21 £000
121	Minimum lease payments	121
121		<b>121</b>

#### 15. Short Term Debtors

2019/20 £000		2020/21 £000
1	Other local authorities	-
44	Prepayments	35
45	<b>Total</b>	<b>35</b>

#### 16. Short Term Creditors

2019/20 £000		2020/21 £000
(317)	Other local authorities	(340)
-	Scottish Government	(129)
(105)	Other entities and individuals	(207)
(422)	<b>Total</b>	<b>(676)</b>

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### 17. Financial Instrument Balances

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

#### Financial Assets

Current Investments 31 March 2020 £000		Current Investments 31 March 2021 £000
502	Amortised cost	745
<b>502</b>	<b>Total Financial Assets</b>	<b>745</b>

#### Financial Liabilities

Current Creditors 31 March 2020 £000		Current Creditors 31 March 2021 £000
422	Amortised cost	676
<b>422</b>	<b>Total Financial Liabilities</b>	<b>676</b>

#### Financial Instrument Gains and Losses

2019/20 Surplus or Deficit on the Provision of Services £000		2020/21 Surplus or Deficit on the Provision of Services £000
	Interest revenue:	
(4)	Financial assets measured at amortised cost	(5)
<b>(4)</b>	<b>Total interest revenue</b>	<b>(5)</b>
<b>144</b>	<b>Interest expense</b>	<b>109</b>

### 18. Contingent Liability

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