

**Highland and Western Isles**

**Valuation Joint Board**

**Annual Accounts**

**2021/22**

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD  
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## MANAGEMENT COMMENTARY

The Highland and Western Isles Valuation Joint Board (the “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 four 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 (01/04/2021 – 30/05/2021) 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 2021/22 as at 31 March 2022 are named below:

| <b>Highland Council<br/>(Substantive)</b>            | <b>Highland Council<br/>(Substitute)</b> | <b>Western Isles<br/>Council<br/>(Substantive)</b>             | <b>Western Isles<br/>Council<br/>(Substitute)</b> |
|--|--|--|---|
| Mr J Gray (Convener<br>from 27.06.17 to<br>17.06.21) | Mr B Boyd<br>Mrs C Caddick               | Mr A Macleod<br>(Vice Convener<br>from 27.06.17 to<br>5.05.22) | Mr D F Crichton<br>Mr G Fulton                    |
| Ms K Currie  | Miss J Campbell                          |  |   |
| Mr L Fraser (convener<br>from 18.06.21)              | Mrs M Cockburn                           | Mr J Mackay  |   |
| Mr A Graham  | Mr D Macpherson                          |  |   |
| Mr A Mackinnon                                       | Mr H Morrison                            |  |   |
| Mr D MacLeod   | Mrs H Carmichael                         |  |   |
| Mr K Gowans  |  |  |   |
| Mrs M Paterson                                       |  |  |   |
| Mr D MacKay  |  |  |   |

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The Local Government elections held in May 2022 resulted in changes to the elected membership of the Highland and Western Isles Councils Elections, resulting further in the establishment of a new Joint Board from 20 June 2022. The Board Members are currently as follows:

| <b>Highland Council<br/>(Substantive)</b>  | <b>Highland Council<br/>(Substitute)</b> | <b>Western Isles Council<br/>(Substantive)</b>      | <b>Western Isles<br/>Council (Substitute)</b> |
|--|--|---|---|
| Mr B Boyd                                  | Mr J Bruce                               | Mr D F Crichton (Vice<br>Convener from<br>20.06.22) | Mr M MacDonald                                |
| Mr M Cameron                               | Mr A Christie                            |   |   |
| Ms T Collier                               | Mrs M Cockburn                           | Mr G Murray   |   |
| Mr L Fraser<br>(Convener from<br>18.06.21) | Mr M Green<br>Mr B Loban                 |   |   |
| Mr A Graham                                | Ms K MacLean                             |   |   |
| Mr S Mackie                                | Mr P Oldham                              |   |   |
| Ms J McEwan                                | Mrs T Robertson                          |   |   |
| Mrs M Paterson                             |  |   |   |

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how the Board has performed during financial year 2021/22 and understand the year-end financial position as at 31 March 2022. In addition, it provides a narrative on the financial outlook for the Board during financial year 2022/23 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. This process currently involves independent valuation appeal committees, the Lands Tribunal for Scotland and onward appeal to the Lands Valuation Appeal Court consisting of named judges of The Court of Session.

The valuation appeal functions of the valuation appeal committees and the Lands Tribunal for Scotland are to be transferred to the First Tier and Upper Tier Tribunals for Scotland in 2023.

## **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 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 2021/22.

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**

2021/22 was another busy year for the Board and its employees. The COVID-19 pandemic was to the fore throughout the year with various restrictions continuing until 21 March 2022.

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Homeworking was in the course of review when the Omicron Variant came to the fore and homeworking then remained the default position until the end of the year.

Individual Electoral Registration (IER) continues to require some additional resource in terms of staffing to comply with the statutory regime. The introduction of canvass reform in 2020 provided some mitigation but pressures relating to COVID-19 continued to hamper implementation to some degree. The position is expected to improve further in future years.

The Scottish Parliament Election was held on 6 May 2021 and three by-elections were called during the financial year.

The valuation environment remains challenging. The pressure relating to 2,700 appeals that were lodged on the grounds that the pandemic constituted a material change of circumstances in terms of the Valuation Acts has been relieved to some degree. Legislation was introduced postponing the statutory disposal date for these appeals. Further legislation is expected to further reduce their impact. The statutory disposal date for 2017 Revaluation appeals was extended and all appeals were disposed of by the revised date of 31 December 2021. Preparation for the 2023 revaluation is now to the fore.

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

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

The progressive easing of COVID-19 restrictions alleviated some of the operational pressures during the course of the year, although the arrival of the Omicron variant resulted in a reversal of a proposed gradual return to more office based working. 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 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. The ability to provide additional detailed valuations was enhanced during the course of 2021 and more will be added in 2022.

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.

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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. This was subsequently alleviated by a legislative change which provided an additional year to deal with these appeals. The disposal date for the COVID-19 appeals was also extended. This allowed the remaining 2017 Revaluation appeals to be completed within the statutory timeframe and resulted in the COVID-19 appeals being paused.

Shooting rights were reintroduced into the Valuation Roll with effect from 1 April 2017. This resulted in a high level of appeal however all of these appeals have now been concluded.

Recruitment and retention of staff is now an increasing concern across all grades. A number of valuer posts remain unfilled and significantly higher salaries are available in comparable sectors. The general increase in home and remote working only serves to fuel these difficulties. Resourcing pressures on the valuation sections is building as we prepare for the 2023 Revaluation. The impact is now also spreading across clerical and admin sections where recent attempts at recruitment have not been particularly successful. All of this is likely to have an impact on performance if the situation does not improve.

### **Council Tax Banding**

The Valuation List, which comprises 144,692 entries and 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 two Councils’ Finance Departments also being 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.

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The gradual reduction in restrictions placed on operations as a consequence of the improving pandemic situation resulted in improved survey operations. The normalisation of Valuation Appeal Committee workload also released some resource and resulted in a significant improvement in time related performance as indicated below.

This has been achieved against a background of broadly similar levels of activity in valuation roll changes and a large increase in the volume of new house houses added to the Council Tax List and a further increase in the number of entries in the Valuation Roll.

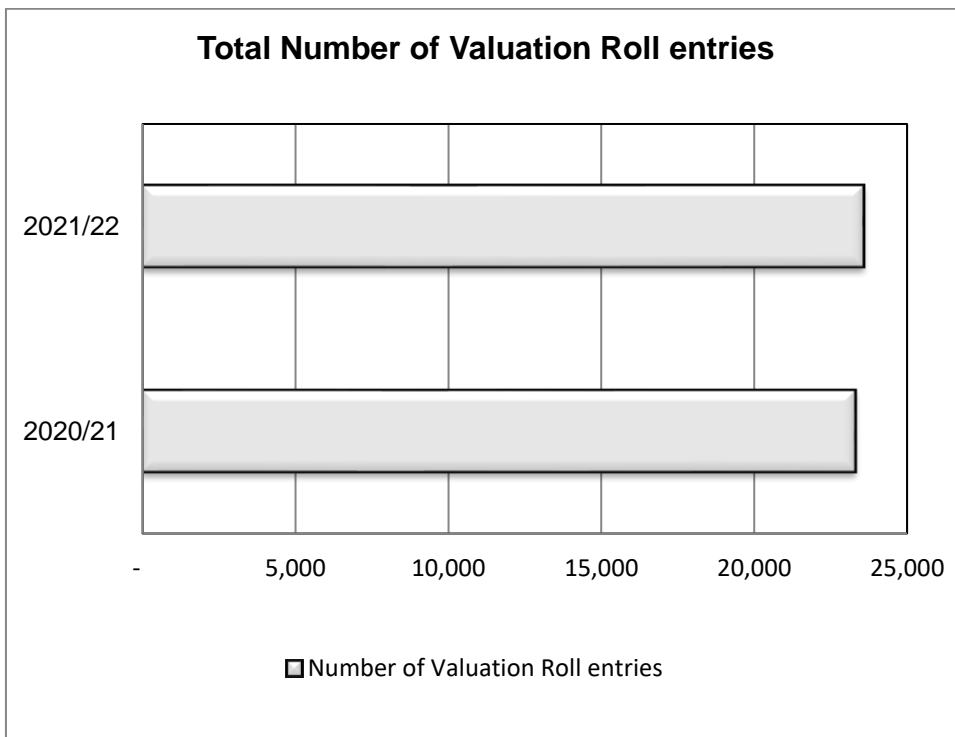
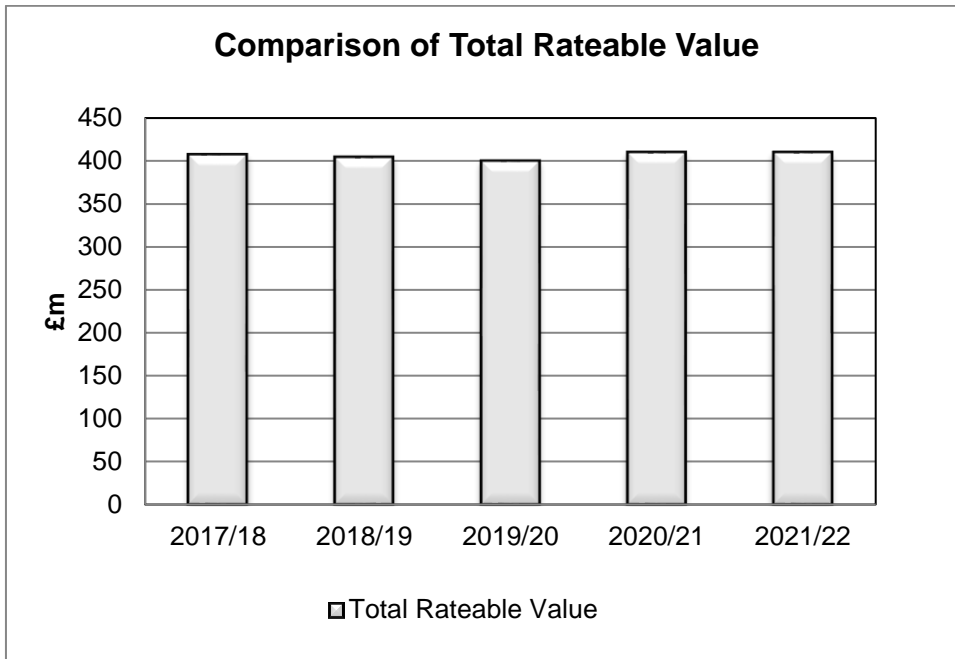
The performance indicators are provided below for the Valuation Roll and Council Tax List together with staffing information.

**Key Performance Indicators – 2021/22**

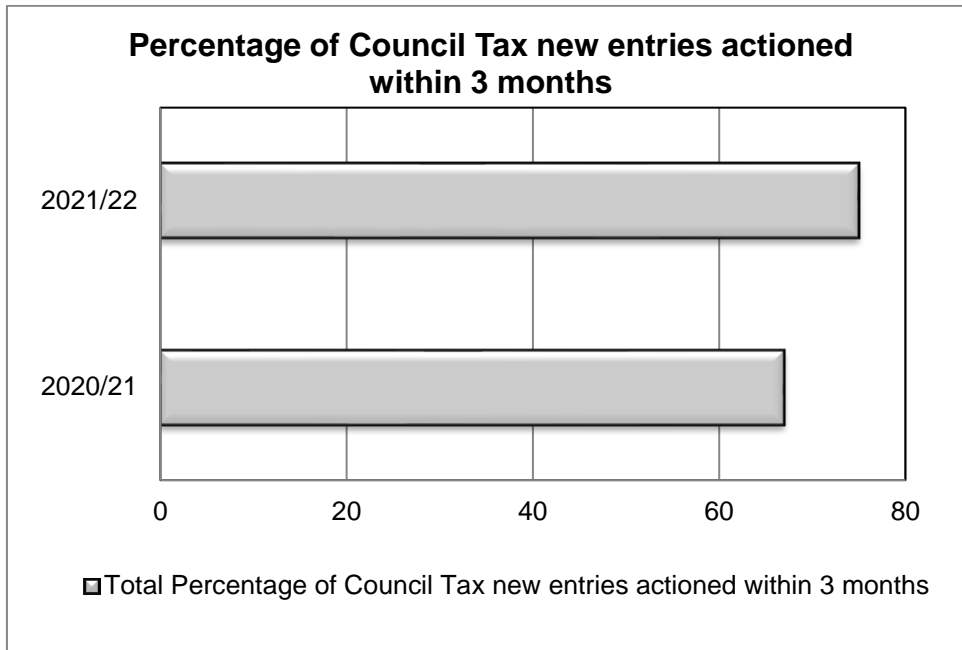
| <b>Valuation Roll</b>                       | <b>2020/21</b> | <b>2021/22</b> |
|---|----------------|----------------|
| Total number of entries                     | 23,299         | 23,569         |
| Total Rateable Value                        | £409.5m        | £409.6m        |
| No of amendments effected                   | 1,698          | 1,689          |
| Amendments within time periods              |                |                |
| 0-3 months                                  | 43%            | 53%            |
| 3-6 months                                  | 17%            | 16%            |
| Over 6 months                               | 40%            | 31%            |
| <b>Council Tax</b>                          |                |                |
| Total no. of entries                        | 143,841        | 144,692        |
| Adjustment to band D equivalent             | 140,987        | 141,940        |
| New entries added                           | 1,377          | 1,934          |
| New entries within time periods             |                |                |
| 0-3 months                                  | 67%            | 75%            |
| 3-6 months                                  | 20%            | 15%            |
| Over 6 months                               | 13%            | 9%             |
| <b>General</b>                              |                |                |
| Costs of All permanent staff                | £2.167m        | £2.214m        |
| Number of FTE staff as at 1 April each year | 52.0           | 50.1           |



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## Register of Electors

### Elections and Referenda 2021/22

Three Local Government by-elections were held throughout 2021/22. Two elections were held on 12 August 2021 for Ward 3 and Ward 13, Highland with a further by-election held on 2 December 2021 in Ward 21, Highland. The required administrative procedures for these elections were successfully dealt with and, in administrative terms, the elections passed without incident.

The Scottish Parliament Election was held on 6 May 2021 under COVID-19 restrictions. In February 2021 the ERO issued a household notification letter to all households in Highland and Western Isles. This letter advised which members of the household were registered, who had a postal vote and provided information on the registration and postal vote deadline dates.

To accommodate the likely increase in postal vote requests, the postal vote deadline was pulled forward to 6 April 2021 from 20 April 2021. The number of postal votes increased from 1 December 2020 where the figure stood at 39,160 to 57,307 at the final election notice of alteration prior to the election, which was published on 28 April 2021.

Due to a by-election being held on 2 December 2021 it was decided to bring forward the publication date of the Electoral Register to 1 November 2021 from 1 December 2021. A Statutory Review of Electoral Arrangements by Boundaries Scotland initiated boundary changes in the Na h-Eileanan an Iar Council area which required a republication of the register on 1 February 2022 before the Local Government Elections in May. The Highland Council Register was also republished on 1 February 2022.

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## 2021/22 Canvass

The annual canvass of electors commenced in August 2021 and household registration forms were posted to all properties in Highland and Western Isles ahead of publication of the Register on 1 November 2021.

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 June 2021, matching elector information against DWP records to identify properties where electors may have changed. The results from the first national matching exercise were:

- 81.46% at elector level
- 73.9% 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, 20,591 of properties shifted from route 2 to route 1.

All 109,530 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 32,236 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 21,868 properties received a canvass form.

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A total of 55 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 administration of two by-elections. Due to the COVID-19 pandemic, properties which failed to respond to the route 2 canvass form were not given a household visit during the canvass period. However, some properties were visited towards the end of the financial year. Some telephone canvassing of properties was also carried out.

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 2022/23 as a cost saving to the Board.

A comparison between 1 November 2021 and 2 February 2022 published register is as follows:

| <b>Local Authority Area</b> | <b>Electorate at 1 November 2021</b> | <b>Electorate at 2 February 2022</b> | <b>Net Change</b> |
|-----------------------------|--------------------------------------|--------------------------------------|-------------------|
| Highland                    | 190,358                              | 189,889                              | - 469             |
| Western Isles               | 21,845                               | 21,753                               | - 92              |
| <b>Total</b>                | <b>212,203</b>                       | <b>211,642</b>                       | <b>- 561</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 212,629, as of 1 June 2022.

### **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 2 February 2022</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>             | 189,889  | 108,923   | 57.3%                | 80,966                        |
| <b>Western Isles</b>        | 21,753   | 10,169  | 46.7%                | 11,584                        |
| <b>Total</b>                | <b>211,642</b>   | <b>119,092</b>  | <b>56.3%</b>         | <b>92,550</b>                 |

### **Performance Standards**

On 16 June 2021, the Electoral Commission published their new performance standards for Electoral Registration Officers. These performance standards cover 3 outcomes:

- Electoral registers are as accurate and complete as possible, ensuring that everyone who is eligible and wants to vote is able to do so;
- Absent voting is accessible, ensuring that everyone who is eligible and wants an absent vote is included on the relevant absent vote list;

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- Stakeholders and electors have confidence in the secure management of the electoral registers.

The new performance standards introduced key performance indicators which allows Electoral Registration Officers to set targets and baseline their performance.

### **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 2022 and its cash flows for the year. The Annual Accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of the Primary Financial Statements has been included immediately prior to 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, with additional funding for specific purposes from the Scottish Government. For example, the Board receives Barclay funding, following the Barclay Review in 2017.

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. Note 1, the Expenditure and Funding Analysis (page 41) shows how the management accounting information below reconciles to the Annual accounts.

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**Budget Performance Statement**  
**For the year ended 31 March 2022**

| 2020/21 |                              | 2021/22 |         |          |
|---------|------------------------------|---------|---------|----------|
| Actual  |                              | Budget  | Actual  | Variance |
| £000    |                              | £000    | £000    | £000     |
| 2,167   | Staff costs                  | 2,387   | 2,214   | (173)    |
| 242     | Property costs               | 262     | 291     | 29       |
| 237     | Administration expenses      | 259     | 400     | 141      |
| -       | Transport and plant costs    | 4       | 1       | (3)      |
| 683     | Supplies and services        | 545     | 472     | (73)     |
| 6       | Members Expenses             | 8       | 4       | (4)      |
| 3,335   | <b>Gross expenditure</b>     | 3,465   | 3,382   | (83)     |
| (6)     | Sales of register etc.       | -       | (2)     | (2)      |
| (233)   | Specific Grants              | (20)    | (72)    | (52)     |
| (5)     | Interest on revenue balances | -       | (3)     | (3)      |
| (244)   | <b>Gross income</b>          | (20)    | (77)    | (57)     |
| 3,091   | <b>Net expenditure</b>       | 3,445   | 3,305   | (140)    |
| 8       | Transfer to Reserves         | -       | 5       | 5        |
| (3,099) | <b>Requisition Income</b>    | (3,445) | (3,310) | 135      |
| -       |                              | -       | -       | -        |

The net budgeted expenditure of the Board in 2021/22 was £3.445m (2020/21 £3.340m). Actual net expenditure was £3.305m (2020/21 £3.091m) with £0.005m being transferred to reserves (2020/21 £0.008m). There was an underspend of £0.135m in 2021/22 (2020/21 £0.249m underspend).

There was capacity to transfer £0.005m 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 £0.135m 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 staff across the organisation. Travel and subsistence costs were also underspent as a result of reduced doorstep canvassing and survey work carried out by office-based staff due to COVID-19.
- The overspend on property costs is for estimated dilapidations due to the closure of the Dingwall Office in June 2022. Heating and lighting costs continue to be underspent due to homeworking by staff.
- An increase in postage costs, along with estimated fees for predominantly COVID-19 Material Change of Circumstance appeals which have been referred to the Lands Tribunal, has resulted in an overspend of administration expenses.

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- The underspend against supplies and services is due to reduced computer costs and Valuation Appeal Committee expenses.
- The variance in grant income is due to additional funding (£0.072m) being provided by the Scottish Government for a Household Notification letter which was issued in February 2021 in advance of the Scottish Parliamentary election.

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.

The Barclay Review, commissioned by the Scottish Government to review business rates, published their report in 2017. Some of the recommendations of the report, such as three yearly revaluations and changes to the appeal process, have significant cost implications and additional funding put in place in 2019/20 has continued during 2021/22 and is expected to increase in subsequent years.

This funding is received via the local authorities which fund the Board.

### 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 agreed policy is 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. £0.005m of the £0.140m annual surplus was transferred to reserves and the balance returned to the constituent authorities.

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

|                                |                      |   |
|--------------------------------|----------------------|---|
| Balance at<br>31/03/21<br>£000 |                      | <b>Balance at<br/>31/03/22<br/>£000</b> |
| <u>167</u>                     | General Fund Balance | <u>172</u>                              |

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

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The final requisition, including Barclay funding of £0.312m (2020/21 £0.186m) from the Scottish Government, has been allocated to the constituent authorities as follows:

| 2020/21 |         | Constituent Authority     | 2021/22 |         |
|---------|---------|---------------------------|---------|---------|
| £000    | % share |                           | £000    | % Share |
| 2,769   | 89.3    | The Highland Council      | 2,957   | 89.3    |
| 330     | 10.7    | Comhairle nan Eilean Siar | 353     | 10.7    |
| 3,099   | 100.0   | Total                     | 3,310   | 100.0   |

#### Statement of Requisitions 2021/22

| Constituent Authority     | Population | Budget requisition | Actual requisition | Balance due to constituent authority |
|---------------------------|------------|--------------------|--------------------|--------------------------------------|
|                           | No.        | £000               | £000               | £000                                 |
| Highland Council          | 232,132    | 3,078              | 2,957              | (121)                                |
| Comhairle nan Eilean Siar | 27,684     | 367                | 353                | (14)                                 |
| Total                     | 259,816    | 3,445              | 3,310              | (135)                                |

#### 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 39 shows that the Board has a net pension liability of £4.161m as at 31 March 2022 (31 March 2021 £5.371m) 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 2022.

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 the associated appeals have now been resolved, the ongoing maintenance and revaluation burden will continue to require resourcing.

The 2017 Revaluation appeals have been resolved and it is hoped that the 2,700 COVID-19 related appeals will not prove to be a significant burden given the anticipated legislative changes relating to these appeals.

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 revaluations and changes to the appeal process will have significant cost implications and additional funding put in place in 2019/20 has continued through to 2021/22 and is expected to increase in subsequent years.

The changes referred to above require additional valuation resource and this risks being compromised by staff recruitment and retention issues. 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 and avoid compromising the ability to satisfy statutory commitments.

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.

Recruitment and retention issues are now also materialising in relation to administrative and clerical staff and consideration must be given to addressing this issue if service levels are to be maintained at satisfactory levels.

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In setting its budget for 2021/22 through to 2023/24 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 2023. 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 the legal and proper basis for 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 are available for the future at a time when councils are facing continued significant reductions in funding.

On 28 April 2022 the Elections Act 2022 received Royal Assent. The Act initiates a number of changes to electoral registration including the introduction of photographic voter identification for in-person voting, extending the franchise for overseas electors, and changes to current arrangements for postal and proxy voting.

### **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 to the public. Towards the end of 2021 plans were being considered for a more general return to the office, albeit with a more hybrid approach to office/home working. The emerging Omicron Variant resulted in maintaining home working as the default position. That position remained through the Local Government Elections in May to ensure a robust environment for their preparation and execution by the ERO.

In addition to appropriate home access to office systems and communication via videoconferencing with staff and outside agencies, the phone system has now been upgraded. This upgrade should enhance the ability to operate either in the home or office with telecommunications transferring seamlessly between home, office and mobile environments.

As COVID-19 restrictions have now been lifted and replaced by suggested advisory precautions and behaviours. A move will be made to increasing office presence and public access.

The general trend towards a desire for a hybrid approach has the effect of reducing the requirement for office space. One of the four offices will close at the end of June 2022 and the Inverness office will be reconfigured to accommodate hybrid working.

#### *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".

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The consequential delay in amending the valuation roll resulted in an increase in backdated 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 was recognised that large, backdated bills are never welcome, although again rating relief should have mitigated the position. Appeal resolution was also adversely affected by the restrictions and appeal hearings were difficult.

The improving situation, together with changes in statutory disposal dates and rescheduling of the 2022 Revaluation to 2023 has resulted in appeals being resolved timeously and improved performance.

Maintenance of the electoral register has continued through remote working. It was not possible to complete all of the door-to-door phase of the electoral canvass due to pandemic restrictions, although additional mail and telephone enquiries were made. Some doorstep canvassing activity was undertaken from March 2022 onwards.

#### *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 did not prove 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 removed the opportunity to return to more normal working practices now exists. It is not envisaged that there will be a wholesale return to an office environment. A hybrid approach is being adopted. It is hoped that this will improve staff wellbeing and maintain productivity and provide improved efficiency.

In summary, other than the issues highlighted, service provision has been improving in the period to date. While the initial focus was on business continuity, as the period of lockdown and restrictions progressed, attention moved to the management of change and service development.

The new working environment has yet to be finalised in detail but will likely include more flexible home/office working together with hot desking in certain offices and an increased use of office space for facilitating staff collaboration and meetings. Public access to offices will also be reviewed with a view to introducing the most efficient and effective approach.

#### *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 £4.161m (2020/21 £5.371m) have a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £4.040m (2020/21: £5.267m). 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

2 December 2022

Laurie Fraser  
Convener

2 December 2022

Edward Foster CPFA  
Treasurer

2 December 2022

## **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 Head of Corporate 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

2 December 2022

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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 2022.

Edward Foster CPFA  
Treasurer

2 December 2022

## **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 2022 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 2021/22 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 2022 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.

This also included review of a random sample of financial transactions during the year to verify that the expected controls had been complied with. The majority of the Assessor's income is funded through Governments grants and during this year miscellaneous income was minimal and so was not examined any further. A sample of six expenditure transactions were checked to ensure these were procured and paid correctly in accordance with the Assessor's Financial Regulations and Contract Standing Orders, and this was accurately recorded in the financial ledger. These were found to be satisfactory.

As staff costs are the most significant area of expenditure, an overview of payroll controls was also undertaken to ensure that there are appropriate arrangements to ensure the completeness and accuracy of payroll. This identified that there are appropriate checks over payroll starters and leavers, and for review of the monthly payroll ledger costs.

- Review of the Assessor's purchase to pay process and the associated budgetary control processes.

This report had the opinion of Reasonable Assurance mainly due to the failure to raise orders where expected and other occasions where purchase orders were completed after goods/ services were provided. The action plan contained a total of four recommendations consisting of one high, two medium and one low grade audit recommendation. These were accepted by management, who identified a number of actions to address the audit concerns.

Audit recommendations are action tracked to ensure that the management agreed actions have been satisfactorily implemented. All of the actions from the above audit have been implemented as agreed and there are presently no outstanding actions.

- Last year, the review of the Individual Electoral Registration (IER) process was carried forward into the 2021/22 audit plan. The continuation of the COVID-19 restrictions meant that the audit could not be undertaken. However, the Terms of Reference have now been issued and this audit will be undertaken during 2022/23.

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 2022.

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.

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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;
  - 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  
2 December 2022

William Gillies MRICS  
Assessor and Electoral Registration Officer  
2 December 2022

## **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

| 2020/21 | Name and Post Title  | 2021/22  |
|---------|--|--|
| £       |  | £  |
| 99,718  | William Gillies, Assessor and Electoral Registration Officer                                     | <b>100,718</b>   |
| 68,402  | Robert Shepherd, Assistant Assessor and Electoral Registration Officer (01/04/2021 – 30/05/2021) | <b>11,216</b><br><i>(full time equivalent £69,259)</i> |
| 68,402  | Frank Finlayson, Assistant Assessor and Electoral Registration Officer                           | <b>69,259</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

| 2020/21 |                   | 2021/22 |
|---------|-------------------|---------|
| Number  | Salary Band       | Number  |
| 1       | £50,000-£54,999   | 1       |
| 1       | £55,000-£59,999   | -       |
| -       | £60,000-£64,999   | 1       |
| 2       | £65,000-£69,999   | 1       |
| 1       | £95,000-£99,999   | -       |
| -       | £100,000-£104,999 | 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.

| 2020/21<br>£ | Councillor Name and Responsibility                      | 2021/22<br>£ |
|--------------|---|--------------|
| -            | L Fraser - Convener from 18/06/2021 to 31/03/2022       | 2,218        |
| 4,123        | J Gray – Convener from 27/06/2017 to 17/06/2021         | -            |
| 1,117        | A Macleod – Vice Convener from 27/06/2017 to 31/03/2022 | 1,164        |

### 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.

| 2020/21<br>£ | Type of Remuneration | 2021/22<br>£ |
|--------------|----------------------|--------------|
| 5,240        | Salaries             | 3,382        |

The annual return of Councillors' salaries and expenses for 2021/22 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/25296/valuation\\_board\\_expenses\\_2021\\_to\\_2022](https://www.highland.gov.uk/downloads/file/25296/valuation_board_expenses_2021_to_2022)

## 4. Pension Benefits

The pension entitlements of senior employees for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year.

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|   | In-year pension contributions |                      | Accrued Pension Benefits |                |                            |
|---|-------------------------------|----------------------|--------------------------|----------------|----------------------------|
|   | For year to 31/03/21          | For year to 31/03/22 |                          | As at 31/03/22 | Difference from March 2021 |
| Name and Post Title   | £                             | £                    |                          | £000           | £000                       |
| William Gillies<br>Assessor and Electoral Registration Officer  | 19,445                        | 19,136               | Pension                  | 54             | 3                          |
|   |                               |                      | Lump Sum                 | 88             | 1                          |
| Robert Shepherd<br>Assistant Assessor and Electoral Registration Officer (01/04/2021 to 30/05/2021) * | 13,338                        | 2,131                | Pension                  | 19             | (9)                        |
|   |                               |                      | Lump Sum                 | 124            | 83                         |
| Frank Finlayson<br>Assistant Assessor and Electoral Registration Officer                              | 13,338                        | 13,159               | Pension                  | 35             | 2                          |
|   |                               |                      | Lump Sum                 | 55             | -                          |

\* elected to commute pension to increase lump sum retirement grant.

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 employees' contribution rates in 2021/22 are shown in the following tables with prior year comparisons:

The 2021/22 contribution tiers and rates are as follows:

| Pensionable pay                             | Contribution rate |
|---|-------------------|
| On earnings up to and including £22,300     | 5.50%             |
| On earnings above £22,300 and up to £27,300 | 7.25%             |
| On earnings above £27,300 and up to £37,400 | 8.50%             |
| On earnings above £37,400 and up to £49,900 | 9.50%             |
| On earnings above £49,900                   | 12.00%            |

2020/21 contribution tiers and rates:

| Pensionable pay                             | Contribution rate |
|---|-------------------|
| 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%            |

The 2021/22 employer's contribution rate is 19% of pensionable pay (2020/21: 19.5%).

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**5. Trade Union Facility Time**

In 2021/22 there was no Trade Union Official within the Valuation Service.

Laurie Fraser  
Convener  
2 December 2022

William Gillies MRICS  
Assessor and Electoral Registration Officer  
2 December 2022

## **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 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the body as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 6 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.

#### **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.



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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.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

**Risks of material misstatement**

We report in our Annual Audit Report 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 there is an intention to discontinue the body's operations.

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 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;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

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- 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.

#### **Other information**

The Treasurer is responsible for other information in the annual accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 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 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.

#### **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:

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- 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.

Joanne Brown, for and on behalf of Grant Thornton UK LLP  
110 Queen Street  
Glasgow  
G1 3BX

Date: 2 December 2022

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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.

| <b>2021/22</b>                                       |              |                                       |                                  |                                     |
|--|--------------|---------------------------------------|----------------------------------|-------------------------------------|
|  | <b>Notes</b> | <b>Gross<br/>Expenditure<br/>£000</b> | <b>Gross<br/>Income<br/>£000</b> | <b>Net<br/>Expenditure<br/>£000</b> |
| <b>Cost of Services</b>                              | 1            | 3,887                                 | (74)                             | 3,813                               |
| Financing and Investment income and expenditure      | 7            |                                       |                                  | 109                                 |
| Taxation and non-specific grant income               | 8            |                                       |                                  | (3,310)                             |
| <b>Deficit on provision of services</b>              |              |                                       |                                  | <b>612</b>                          |
| Re-measurements of the net defined benefit liability | 12           |                                       |                                  | (1,839)                             |
| <b>Total comprehensive income and expenditure</b>    |              |                                       |                                  | <b>(1,227)</b>                      |

| <b>2020/21</b>                                       |              |                                       |                                  |                                     |
|--|--------------|---------------------------------------|----------------------------------|-------------------------------------|
|  | <b>Notes</b> | <b>Gross<br/>Expenditure<br/>£000</b> | <b>Gross<br/>Income<br/>£000</b> | <b>Net<br/>Expenditure<br/>£000</b> |
| <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>                          |

The notes on pages 41 to 64 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.

| <b>2021/22</b>   | Notes | General<br>Fund | <b>Total<br/>Usable<br/>Reserves</b> | Pension<br>Reserve | Employee<br>Statutory<br>Mitigation<br>Account | <b>Total<br/>Reserves<br/>2021/22</b> |
|--|-------|-----------------|--------------------------------------|--------------------|--|---------------------------------------|
|  |       | £000            | £000                                 | £000               | £000   | £000                                  |
| <b>Balance at 31 March 2021</b>  |       | 167             | <b>167</b>                           | (5,371)            | (63)   | <b>(5,267)</b>                        |
| <b>Movement in reserves during 2021/22</b>                               |       |                 |                                      |                    |  |                                       |
| <b>Total Comprehensive Income and Expenditure</b>                        | 9,10  | (612)           | <b>(612)</b>                         | 1,839              | -  | <b>1,227</b>                          |
| Adjustments between accounting basis and funding basis under regulations | 9     | 617             | <b>617</b>                           | (629)              | 12   | -                                     |
| <b>Increase/(decrease) in 2021/22</b>                                    |       | 5               | <b>5</b>                             | 1,210              | 12   | <b>1,227</b>                          |
| <b>Balance at 31 March 2022</b>  |       | 172             | <b>172</b>                           | (4,161)            | (51)   | <b>(4,040)</b>                        |

The notes on pages 41 to 64 form part of these financial statements.

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

## 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'.

| 31/03/21<br>£000             | Notes                                 | £000 | 31/03/22<br>£000 |
|------------------------------|---------------------------------------|------|------------------|
| <b>Current assets</b>        |                                       |      |                  |
| 35                           | Short term debtors                    | 15   | 36               |
| 745                          | Cash and cash equivalents             |      | 469              |
| <u>780</u>                   |                                       |      | <u>505</u>       |
| <b>Current liabilities</b>   |                                       |      |                  |
| (676)                        | Short term creditors                  | 16   | (384)            |
| <u>(676)</u>                 |                                       |      | <u>(384)</u>     |
| <b>Long term liabilities</b> |                                       |      |                  |
| (5,371)                      | Other long-term liabilities           | 12   | (4,161)          |
| <u>(5,371)</u>               |                                       |      | <u>(4,161)</u>   |
| <u>(5,267)</u>               | <b>Net liabilities</b>                |      | <u>(4,040)</u>   |
| <b>Reserves</b>              |                                       |      |                  |
| 167                          | General Fund                          |      | 172              |
| (5,371)                      | Pension Reserve                       | 10   | (4,161)          |
| (63)                         | Employee Statutory Mitigation Account | 10   | (51)             |
| <u>(5,267)</u>               | <b>Total reserves</b>                 |      | <u>(4,040)</u>   |

Edward Foster CPFA  
Treasurer  
2 December 2022

The notes on pages 41 to 64 form part of these financial statements.

## 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.

| <b>31/03/21</b> |  | <b>31/03/22</b> |
|-----------------|--|-----------------|
| <b>£000</b>     |  | <b>£000</b>     |
| (389)           | Net deficit on the provision of services   | (612)           |
|                 | Adjust net deficit on the provision of services for non-cash movements<br>(Re-measurement of the net defined benefit liability from Income and Expenditure Statement and the movement in debtors and creditors from balance sheet) |                 |
| 632             |  | 336             |
| (5)             | Adjust for items included in the net deficit on the provision of services that are investing and financing activities  | (3)             |
| <b>238</b>      | <b>Net cash inflow/(outflow) from operating activities</b>   | <b>(279)</b>    |
| 5               | Financing activities   | 3               |
| <b>243</b>      | <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>(276)</b>    |
| <b>502</b>      | Cash and cash equivalents at the beginning of the year   | <b>745</b>      |
| <b>745</b>      | <b>Cash and cash equivalents at the end of the year</b>  | <b>469</b>      |

The notes on pages 41 to 64 form part of these financial statements.



## POLICIES AND NOTES TO THE ACCOUNTS

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

### 1. 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>2021/22</b>                 | <b>Net<br/>Expenditure<br/>chargeable to<br/>the General<br/>Fund<br/>£000</b> | <b>Adjustments<br/>between<br/>Funding &amp;<br/>Accounting<br/>Basis<br/>£000</b> | <b>Net<br/>Expenditure<br/>in the CIES<br/>£000</b> |
|--------------------------------|--|--|---|
| Staff costs                    | 2,214  | 505  | 2,719   |
| Property costs                 | 291  | -  | 291   |
| Administration expenses        | 400  | -  | 400   |
| Transport and plant costs      | 1  | -  | 1   |
| Supplies and services          | 472  | -  | 472   |
| Members Expenses               | 4  | -  | 4   |
| Income                         | (74)   | -  | (74)  |
| <b>Net Cost of Services</b>    | <b>3,308</b>   | <b>505</b>   | <b>3,813</b>  |
| Other Income and Expenditure:  | (3,313)  | 112  | (3,201)   |
| <b>(Surplus)/Deficit</b>       | <b>(5)</b>   | <b>617</b>   | <b>612</b>  |
| <b>General Fund Movements:</b> |  |  |   |
| Opening Balance                | 167  |  |   |
| Surplus on General Fund        | 5  |  |   |
| <b>Closing Balance</b>         | <b>172</b>   |  |   |

| 2020/21                        | Net Expenditure chargeable to the General Fund<br>£000 | Adjustments between Funding & Accounting Basis<br>£000 | Net Expenditure in the CIES<br>£000 |
|--------------------------------|--|--|-------------------------------------|
| 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>   |  |                                     |

## 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 2021/22

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts  | Net Change for the Pensions Adjustments<br>£000 | Adjustment for Employee Annual Leave Accrued<br>£000 | Total Adjustments<br>£000 |
|--|---|--|---------------------------|
| Staff costs  | 517   | (12)   | 505                       |
| Net Cost of Services   | 517   | (12)   | 505                       |
| Other Income and expenditure   | 112   | -  | 112                       |
| <b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services</b> | <b>629</b>                                      | <b>(12)</b>  | <b>617</b>                |

## Adjustments between Funding & Accounting Basis 2020/21

| 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  | 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>        |

### 3. Accounting Policies

#### General principles

The Annual Accounts summarise the transactions of the Board for the 2021/22 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 2021/22, 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)

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 £0.469m (2020/21 £0.745m) 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 based on the constituents of the iBOxx AA rated over 15-year corporate bond index.
- The assets of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet at their fair value as below:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The change in the net 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.

## **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.

## **Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Board becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

### Financial Assets

Loans and receivables are recognised on the Balance Sheet when the Board becomes a party to the contractual provisions of a financial instrument.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL) - not applicable to the Board; and
- fair value through other comprehensive income (FVOCI) - not applicable to the Board.

### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Board becomes party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For most of the financial assets held by the Board, this means that the amount presented in the Balance Sheet is the outstanding principal receivable.

## **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.

## **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.

## **Value Added Tax (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.



## 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 2022/23 Code effective from 1 April 2022. There is therefore no impact on the 2021/22 financial statements.

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

The Board has not adopted IFRS 16 in the 2022/23 year. 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.

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.

## 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 2022 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% (£46k) change in employer liability, change to pension of 0.1% likely to be approximately 2% (£346k) and change of 0.1% to the discounting of fund liabilities to be approximately 2% (£395k).

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

| 2020/21    |                       | 2021/22    |
|------------|-----------------------|------------|
| £000       |                       | £000       |
| 114        | Pensions Net Interest | 112        |
| (5)        | Interest receivable   | (3)        |
| <u>109</u> |                       | <u>109</u> |

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

| 2020/21        |  | 2021/22        |
|----------------|--|----------------|
| £000           |  | £000           |
| <u>(3,099)</u> | Requisitions from constituent authorities (includes Barclay funding) | <u>(3,310)</u> |

## 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 | Total 2021/22 |
|---|-------|--------------|-----------------|---------------------------------------|---------------|
|   |       | £000         | £000            | £000                                  | £000          |
| <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    | 932          | (932)           | -                                     | -             |
| Employers' pension contributions and direct payments to pensioners payable in the year  | 12    | (303)        | 303             | -                                     | -             |
| <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    | (12)         | -               | 12                                    | -             |
| <b>Total adjustments</b>  |       | <b>617</b>   | <b>(629)</b>    | <b>12</b>                             | <b>-</b>      |

|   | Notes | General Fund | Pension Reserve | Employee Statutory Mitigation Account | Total 2020/21 |
|---|-------|--------------|-----------------|---------------------------------------|---------------|
|   |       | £000         | £000            | £000                                  | £000          |
| <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>      |

## 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

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| (4,884)         | Opening balance at 1 April   | (5,371)         |
| 3,835           | Return on plan assets (excluding the amount included in the net interest expense)  | 296             |
| (4,061)         | Actuarial gain/(loss) arising on changes in financial assumptions  | 1,441           |
| 169             | Actuarial gain arising on changes in demographic assumptions   | 123             |
| (62)            | Experience adjustments   | (21)            |
| (119)           |  | 1,839           |
| (662)           | 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 | (932)           |
| 294             | Employer's pension contributions and direct payments to pensioners payable in the year   | 303             |
| (5,371)         | Closing balance at 31 March  | (4,161)         |

### (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.

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
| (34)            | Opening balance at 1 April  | (63)            |
| 34              | Settlement or cancellation of accrual made at the end of the preceding year | 63              |
| (63)            | Amounts accrued at the end of the current year                              | (51)            |
| (63)            | Closing balance at 31 March   | (51)            |

## 11. External audit costs

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

| 2020/21<br>£ |                      | 2021/22<br>£ |
|--------------|----------------------|--------------|
| 7,610        | External audit costs | 7,800        |

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.

|   | Local Government Pension Scheme |                | Discretionary Benefits Arrangements |             |
|---|---------------------------------|----------------|-------------------------------------|-------------|
|   | 2020/21                         | 2021/22        | 2020/21                             | 2021/22     |
|   | £000                            | £000           | £000                                | £000        |
| <b>Comprehensive Income and Expenditure Statement</b>   |                                 |                |                                     |             |
| <b>Cost of services</b>   |                                 |                |                                     |             |
| Current service cost  | 549                             | 820            | -                                   | -           |
| Past service cost (including curtailments)  | (1)                             | -              | -                                   | -           |
|   | 548                             | 820            | -                                   | -           |
| Financing and investment income and expenditure   |                                 |                |                                     |             |
| Net interest expense  | 110                             | 109            | 4                                   | 3           |
| <b>Total post-employment benefits charged to the deficit on the provision of services</b>           | <b>658</b>                      | <b>929</b>     | <b>4</b>                            | <b>3</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)                   | (3,835)                         | (296)          | -                                   | -           |
| Actuarial (gain)/loss arising on changes in financial assumptions                                   | 4,054                           | (1,440)        | 7                                   | (1)         |
| Actuarial (gain) arising on changes in Demographic assumptions                                      | (169)                           | (122)          | -                                   | (1)         |
| Experience adjustments  | 50                              | 40             | 12                                  | (19)        |
| <b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b> | <b>100</b>                      | <b>(1,818)</b> | <b>19</b>                           | <b>(21)</b> |

|   | Local Government Pension Scheme |              | Discretionary Benefits Arrangements |          |
|---|---------------------------------|--------------|-------------------------------------|----------|
|   | 2020/21                         | 2021/22      | 2020/21                             | 2021/22  |
|   | £000                            | £000         | £000                                | £000     |
| <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 | (658)                           | (929)        | (4)                                 | (3)      |
| Actual amount charged against the General Fund balance for pensions in the year   |                                 |              |                                     |          |
| Employers' contributions payable to the scheme  | 281                             | 292          | 13                                  | 11       |
| <b>Total movement in reserves in respect of post-employment benefits</b>  | <b>(377)</b>                    | <b>(637)</b> | <b>9</b>                            | <b>8</b> |

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

|  | Local Government Pension Scheme |                | Discretionary Benefits Arrangements |              |
|--|---------------------------------|----------------|-------------------------------------|--------------|
|  | 2020/21                         | 2021/22        | 2020/21                             | 2021/22      |
|  | £000                            | £000           | £000                                | £000         |
| Present value of the defined benefit obligation              | (23,611)                        | (22,841)       | (188)                               | (159)        |
| Fair value of pension fund assets                            | 18,428                          | 18,839         | -                                   | -            |
| <b>Net liability arising from defined benefit obligation</b> | <b>(5,183)</b>                  | <b>(4,002)</b> | <b>(188)</b>                        | <b>(159)</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

|   | Local Government<br>Pension Scheme |                 | Discretionary<br>Benefits<br>Arrangements |                 |
|---|------------------------------------|-----------------|---|-----------------|
|   | 2020/21<br>£000                    | 2021/22<br>£000 | 2020/21<br>£000                           | 2021/22<br>£000 |
| Opening fair value of scheme assets           | 15,300                             | 18,428          | -   | -               |
| Interest income                               | 346                                | 366             | -   | -               |
| Return on plan assets                         | 3,832                              | 296             | -   | -               |
| Contributions by employer                     | 281                                | 292             | 13  | 11              |
| Contributions by Scheme participants          | 94                                 | 99              | -   | -               |
| Estimated benefits paid (net of transfers in) | (1,425)                            | (642)           | -   | -               |
| Unfunded benefits paid                        | -                                  | -               | (13)                                      | (11)            |
| <b>Closing fair value of scheme assets</b>    | <b>18,428</b>                      | <b>18,839</b>   | -   | -               |

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

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

|  | Funded Liabilities: Local Government Pension Scheme |               | Unfunded Liabilities: Discretionary Benefits |            |
|--|---|---------------|--|------------|
|  | 31/03/2021  | 31/03/2022    | 31/03/2021                                   | 31/03/2022 |
|  | £000  | £000          | £000   | £000       |
| Opening defined benefit obligation                             | 20,005  | 23,611        | 179  | 188        |
| Current service cost   | 549   | 820           | -  | -          |
| Past service cost  | (1)   | -             | -  | -          |
| Interest cost  | 456   | 475           | 4  | 3          |
| Contributions by scheme participants                           | 94  | 99            | -  | -          |
| Re-measurement (gains) and losses:                             |   |               |  |            |
| Actuarial (gains)/losses from changes in financial assumptions | 4,054   | (1,440)       | 7  | (1)        |
| Actuarial (gains) from changes in demographic assumptions      | (169)   | (122)         | -  | (1)        |
| Experience adjustments   | 48  | 40            | 11   | (19)       |
| Estimated benefits paid (net of transfers in)                  | (1,425)   | (642)         | -  | -          |
| Unfunded pension payments                                      | -   | -             | (13)   | (11)       |
| Closing value  | <b>23,611</b>                                       | <b>22,841</b> | <b>188</b>                                   | <b>159</b> |

### 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:

| <b>2020/21</b> |  | <b>2021/22</b> |
|----------------|--|----------------|
| 7%             | <b>Cash and cash equivalents</b>         | 5%             |
|                | <b>Equity Securities:</b>                |                |
|                | By industry type                         |                |
| 18%            | Consumer                                 | 16%            |
| 11%            | Manufacturing                            | 8%             |
| 1%             | Energy and utilities                     | 1%             |
| 11%            | Financial institutions                   | 10%            |
| 5%             | Health and care                          | 5%             |
| 5%             | Information technology                   | 6%             |
| 1%             | Other                                    | 1%             |
|                | <b>Debt Securities:</b>                  |                |
|                | By sector                                |                |
| 0%             | Corporate bonds (investment grade)       | 7%             |
| 0%             | Corporate bonds (non-investment grade)   | 0%             |
| 0%             | UK Government                            | 3%             |
| 2%             | Other                                    | 4%             |
| 5%             | <b>Private Equity</b>                    | 6%             |
|                | <b>Property:</b>                         |                |
| 8%             | UK                                       | 11%            |
|                | <b>Investment funds and unit trusts:</b> |                |
| 13%            | Equity                                   | 10%            |
| 13%            | Bonds                                    | 2%             |
| 0%             | Hedge funds                              | 1%             |
| 0%             | Commodities                              | 5%             |
| <b>100%</b>    | <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 |                                |               |
|-----------------------------------|--------------------------------|---------------|
| 31/03/21                          |                                | 31/03/22      |
| £000                              |                                | £000          |
|                                   | Financial Instruments          |               |
| 17,012                            | Quoted in an active market     | <b>16,808</b> |
| 1,416                             | Not quoted in an active market | <b>2,031</b>  |
| 18,428                            | Subtotal equity instruments    | <b>18,839</b> |
| 18,428                            |                                | <b>18,839</b> |

## Basis for estimating assets and liabilities

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

The significant assumptions used by the actuary have been:

| <b>2020/21</b> |   | <b>2021/22</b> |
|----------------|---|----------------|
|                | Mortality Assumptions:  |                |
|                | Longevity at 65 for current pensioners (years)                                |                |
| 20.9           | Men   | <b>20.8</b>    |
| 23.5           | Women   | <b>23.3</b>    |
|                | Longevity at 65 for future pensioners (years)                                 |                |
| 22.3           | Men   | <b>22.0</b>    |
| 25.5           | Women   | <b>25.3</b>    |
| 2.85%          | Rate of inflation   | <b>3.20%</b>   |
| 3.65%          | Rate of increase in salaries  | <b>4.00%</b>   |
| 2.85%          | Rate of increase in pensions  | <b>3.20%</b>   |
| 2.00%          | Rate for discounting fund liabilities   | <b>2.70%</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.

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

|  | Approximate %<br>increase to<br>Employer Liability | Approximate<br>monetary<br>amount (£000) |
|--|--|--|
| 0.1% decrease in Real Discount Rate              | 2%   | 395                                      |
| 1 year increase in member life expectancy        | 4%   | 920                                      |
| 0.1% increase in the Salary Increase Rate        | 0%   | 46                                       |
| 0.1% increase in the Pension Increase Rate (CPI) | 2%   | 346                                      |

### 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 2020 for the 2021/22 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 2023 will be approximately £0.292m.

### 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 £2.989m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board (2020/21 £2.884m).

In addition, Highland Council provides administrative, financial and computing services to the Board. In 2021/22 the Board paid £0.065m to the Highland Council for these services (2020/21 £0.063m).

At the year-end there was a creditor balance with the Highland Council of £0.119m, including £0.089m requisition creditor, (2020/21 £0.327m) and no debtor balance (2020/21 £Nil).

## Comhairle Nan Eilean Siar

Comhairle Nan Eilean Siar (CNES) provided £0.357m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board (2020/21 £0.344m).

At the year-end there was a creditor balance with Comhairle Nan Eilean Siar of £0.011m, all requisition creditor (2020/21 £0.013m) and no debtor balance (2020/21 £Nil).

## Scottish Government/UK Government

The Scottish Government has effective control over the general operations of The Highland Council and CNES.

The Scottish Government provided funding to the Board as follows:

| <b>2020/21</b><br>£000<br>(restated) | <b>Government</b>   | <b>Nature of Funding</b>              | <b>2021/22</b><br>£000 |
|--------------------------------------|---------------------|---------------------------------------|------------------------|
| 315                                  | Scottish Government | Barclay funding                       | 313                    |
| -                                    | Scottish Government | Household Notification Letter funding | 72                     |
| 152                                  | Scottish Government | Increase in postal vote applications  | -                      |
| <b>467</b>                           |                     | <b>Total</b>                          | <b>385</b>             |

The Barclay funding is paid to the local authorities by the Scottish Government and is passed to the Board by adding the amount into the requisitions. The funding approved for 2021/22 was £0.348m of which £0.313m was utilised in the year.

At the year-end there was a creditor balance with the Scottish Government of £0.035m for Barclay funding (2020/21 £0.129m) and no debtor balance (2020/21 £Nil).

The 2020/21 figures in the table above have been restated to include the amount due to the Scottish Government for Barclay funding for 2020/21.

## 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:

| <b>2020/21</b><br><b>£000</b><br>(restated) |   | <b>2021/22</b><br><b>£000</b> |
|---|---|-------------------------------|
| 122   | Not later than one year                           | 105                           |
| 316   | Later than one year and not later than five years | 241                           |
| 68  | Later than five years                             | 42                            |
| <b>506</b>                                  |   | <b>388</b>                    |

The future minimum lease payments due under non-cancellable leases in future years as included in the 2020-21 Annual Accounts (total £0.633m) have been amended to reflect the terms of the various leases.

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

| <b>2020/21</b><br><b>£000</b> |                        | <b>2021/22</b><br><b>£000</b> |
|-------------------------------|------------------------|-------------------------------|
| 121                           | Minimum lease payments | 121                           |

#### 15. Short Term Debtors

| <b>2020/21</b><br><b>£000</b> |              | <b>2021/22</b><br><b>£000</b> |
|-------------------------------|--------------|-------------------------------|
| 35                            | Prepayments  | 36                            |
| <b>35</b>                     | <b>Total</b> | <b>36</b>                     |

#### 16. Short Term Creditors

| <b>2020/21</b><br><b>£000</b> |                                | <b>2021/22</b><br><b>£000</b> |
|-------------------------------|--------------------------------|-------------------------------|
| (340)                         | Other local authorities        | (129)                         |
| (129)                         | Scottish Government            | (35)                          |
| (207)                         | Other entities and individuals | (220)                         |
| <b>(676)</b>                  | <b>Total</b>                   | <b>(384)</b>                  |

#### 17. Financial Instrument Balances

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

## Financial Assets

| <b>Current<br/>Investments<br/>31 March 2021<br/>£000</b> |                | <b>Current<br/>Investments<br/>31 March 2022<br/>£000</b> |
|---|----------------|---|
| 745   | Amortised cost | 469   |
| <b>745</b>  | <b>Total</b>   | <b>469</b>  |

## Financial Liabilities

| <b>Current<br/>Creditors<br/>31 March 2021<br/>£000</b> |                | <b>Current<br/>Creditors<br/>31 March<br/>2022<br/>£000</b> |
|---|----------------|---|
| 676   | Amortised cost | 384   |
| <b>676</b>  | <b>Total</b>   | <b>384</b>  |

## Financial Instrument Gains and Losses

| <b>2020/21<br/>Surplus or<br/>Deficit on the<br/>Provision of<br/>Services<br/>(restated)<br/>£000</b> |   | <b>2021/22<br/>Surplus or<br/>Deficit on the<br/>Provision of<br/>Services<br/>£000</b> |
|--|---|---|
|  | Interest revenue:                           |   |
| (5)  | Financial assets measured at amortised cost | (3)   |
| <b>(5)</b>   | <b>Total interest revenue</b>               | <b>(3)</b>  |
| -  | <b>Interest expense</b>                     | -   |

The interest expense of £0.109m which was included in the accounts for 2020/21 has been removed as it related to the pension fund, which is not a financial instrument.

## 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.

## 19. Events after the Balance Sheet Date

The unaudited annual accounts were issued by the Treasurer on 30 June 2022. Where events taking place before this date provided information about conditions existing at 31 March 2022 the financial statements have been adjusted in all material respects.