

Highland and Western Isles

Valuation Joint Board

Annual Accounts

2022/23

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MANAGEMENT COMMENTARY

The purpose of the Management Commentary is to inform all users of the accounts, to help them assess how the Board has performed during financial year 2022/23 and understand the year-end financial position as at 31 March 2023. In addition, it provides a narrative on the financial outlook for the Board during financial year 2023/24 and beyond, information on service changes and future developments and how associated risks are currently being managed.

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 Board appoints 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 Frank Finlayson MRICS (William Gillies, MRICS 01/04/2022 – 04/01/2023). Frank Finlayson, MRICS was the Assistant Assessor & ERO until 04/01/23. Following the retirement of the previous Assessor & ERO in January 2023, a management restructure is currently being undertaken. Copies of the minutes of meetings and audited accounts of the Board are available on the Assessors website 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/Western Isles Council), but draws its membership from them. The Board Members as at 31 March 2023, who were appointed following the local government election for Highland Council on 5 May 2022, are named below:

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Highland Council (Substantive)	Highland Council (Substitute)	Western Isles Council (Substantive)	Western Isles Council (Substitute)
Mr B Boyd	Mr J Bruce	Mr D Crichton	Mr M MacDonald
Mr M Cameron	Mr A Christie	(Vice Convener)	(Vacancy)
Ms T Collier	Mrs M Cockburn	Mr G Murray	
Mr L Fraser (Convener)	Mr M Green		
Mr A Graham	Mr B Lobban		
Mr S Mackie	Mr K MacLean		
Ms J McEwan	Mr P Oldham		
Mrs M Paterson	Ms T Robertson		

Other Trustees who served until the date of the local government election (5 May 2022) are as follows:

Highland Council (Substantive)	Highland Council (Substitute)	Western Isles Council (Substantive)	Western Isles Council (Substitute)
Mr J Gray (Convener from 27.06.17 to 17.06.21)	Mr B Boyd	Mr A Macleod	Mr D F Crichton
Ms K Currie	Mrs C Caddick	(Vice Convener from 27.06.17 to 5.05.22)	Mr G Fulton
Mr A Mackinnon	Miss J Campbell	Mr J Mackay	
Mr D MacLeod	Mr D Macpherson		
Mr K Gowans	Mr H Morrison		
Mr D MacKay	Mrs H Carmichael		

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 their 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 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 were transferred to the First Tier and Upper Tier Tribunals for Scotland on 1 April 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 2022/23.

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.

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Performance Information

2022/23 was another busy year for the Board and its employees.

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 with the position expected to improve further in future years.

The Scottish Local Government elections were held on 5 May 2022 with two by-elections called during the financial year. The Cairngorms National Park Authority election was held on 23 March 2023.

The valuation environment remains challenging. The 2023 revaluation was completed within the compressed timescales that were introduced following the Barclay Review ([Non-domestic tax rates review: Barclay report - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/non-domestic-tax-rates-review-barclay-report/pages/1-10.aspx)). As well as the completion of the revaluation the valuation appeal panels, who hear on appeals, were disbanded and work was required to prepare for the transfer of outstanding appeals to the new local tax chamber at the Scottish Courts and Tribunal Service.

Recruitment and retention of staff has continued to be a concern across all grades. This has been exacerbated at the beginning of January 2023 following the retiral of the Assessor and ERO, and the internal promotion of the Assistant Assessor and ERO. This has resulted in a lack of staff that can deputise in the Assessor's absence in both a valuation and electoral capacity.

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 during the completion of the 2023 Revaluation required overtime at all levels across the service. The impact is also felt across clerical and admin sections where recent attempts at recruitment have not been particularly successful. This will have an impact on performance if the situation does not improve.

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

Non-Domestic Rating

As we have moved out of COVID-19 restrictions staff have operated on a hybrid basis with an increase in 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.

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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 was enhanced significantly with the addition of further detailed valuations in advance of the 2023 revaluation.

Following the introduction of the Non-Domestic Rates (Scotland) Act 2020 and subsequent regulations the Assessor now has a statutory duty to carry out a Revaluation of all non-domestic properties in the Valuation Area every three years whereas this was previously every five years.

The Assessor was required to revalue each property at a figure which represents the rent at which that property might reasonably be expected to be let at the specified date, the tone date, (1 April 2022) and to publish the new Valuation Roll on 1 April 2023. The new regulations have brought in a tighter timetable which only has one year between the tone date and the valuation date. Previously this was two years. An additional burden placed on the Assessor in November 2022 was the issue of draft valuation notices to all proprietors, tenants and occupiers.

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 online and in the press. However, from 1 April 2023 this will be changing and a new system of lodging proposals will be introduced.

Council Tax

The Valuation List, which comprises 146,050 (2021/22: 144,692) entries was maintained during the year by adding new dwellings, deleting dwellings that have been demolished and re-banding dwellings as appropriate following alteration and sale. The list was maintained by way of weekly updates, with Banding Notices issued to Council Taxpayers and notification of amendments to the 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 ([Scottish Assessors – Scottish Assessors Association website \(saa.gov.uk\)](https://www.saa.gov.uk)). 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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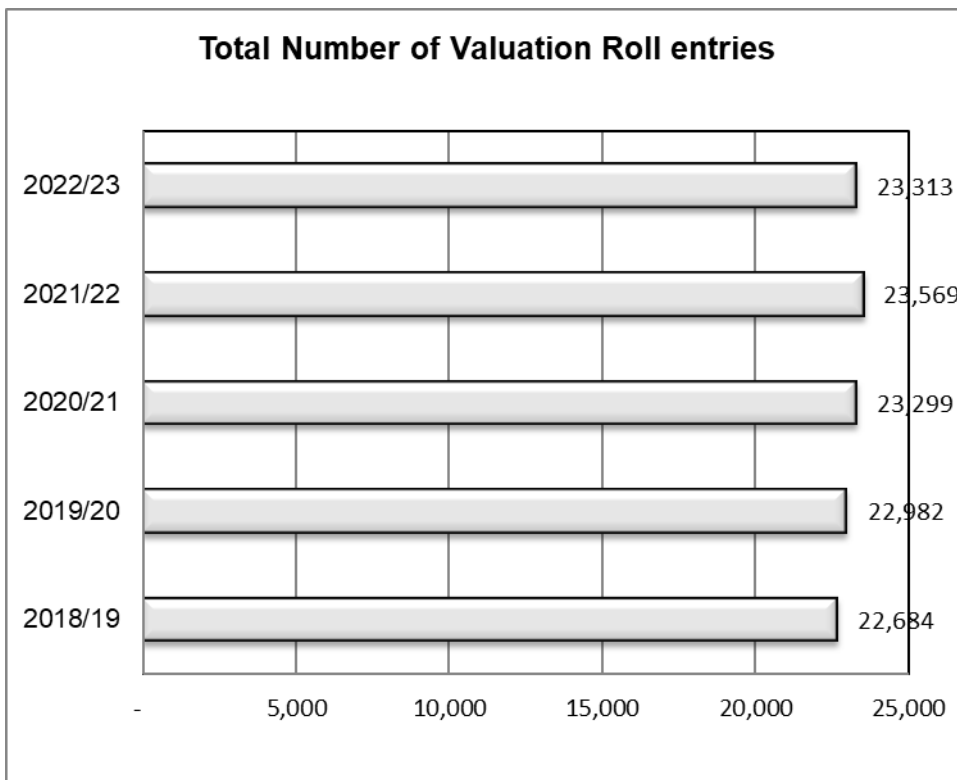
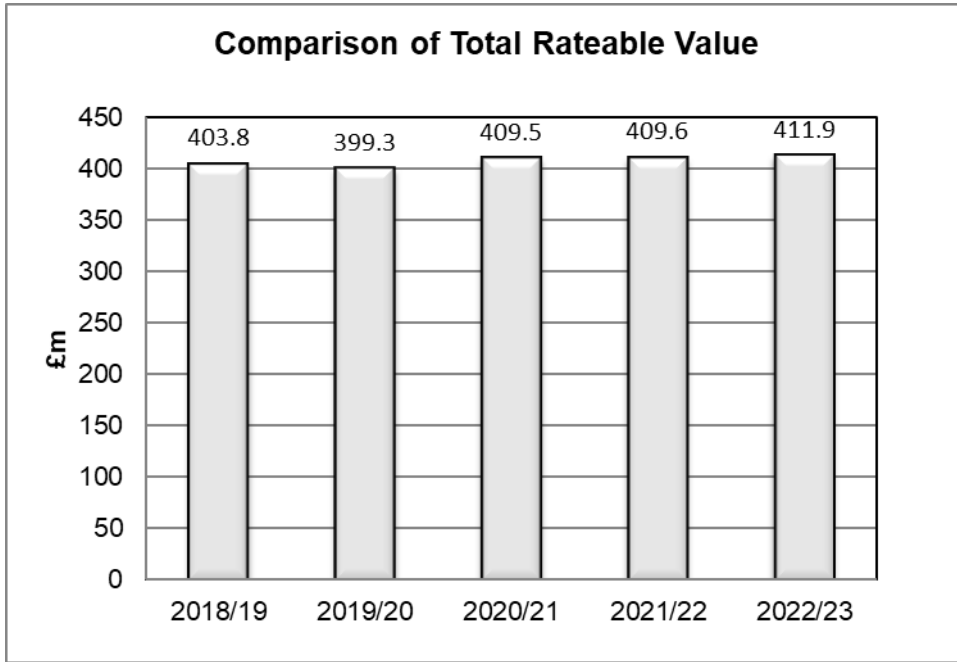
Although the removal of pandemic restrictions allowed improved survey operations, work on the revaluation resulted in a small decline in time related performance. This year also saw the final hearings before the Valuation Appeal Committee and work commencing on the transfer of appeals to the Scottish Courts and Tribunals Service.

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

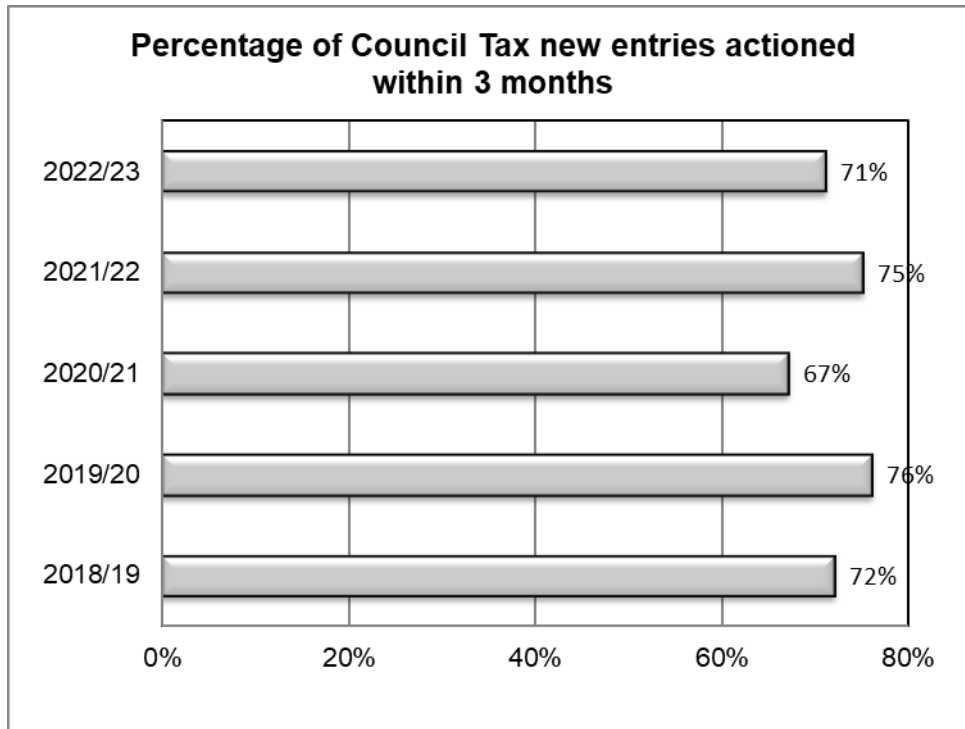
Key Performance Indicators

	2018/19	2019/20	2020/21	2021/22	2022/23
Valuation Roll					
Total number of entries	22,864	22,982	23,299	23,569	23,313
Total Rateable Value	£403.8m	£399.3m	£409.5m	£409.6m	£411.9m
No of amendments effected	1,659	1,746	1,698	1,689	1,622
Amendments within time periods					
0-3 months	47%	54%	43%	53%	50%
3-6 months	18%	14%	17%	16%	20%
Over 6 months	35%	31%	40%	31%	30%
Council Tax					
Total no. of entries	141,443	142,686	143,841	144,692	146,050
Adjustment to band D equivalent	138,182	139,634	140,987	141,940	143,445
New entries added	1,773	1,822	1,377	1,934	1,860
New entries within time periods					
0-3 months	72%	76%	67%	75%	71%
3-6 months	21%	13%	20%	15%	19%
Over 6 months	7%	11%	13%	9%	9%
General					
Costs of all permanent staff	£1.777m	£1.971m	£2.167m	£2.214m	£2.330m
Number of FTE staff as at 1 April each year	47.3	48.9	52.0	50.1	49.5

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Elections and Referenda 2022/23

Two Local Government by-elections were held throughout 2022/23. These two elections were held on 30 June 2022 for Ward 1 and Ward 6 in Western Isles. The Cairngorms National Park Authority election was held on 23 March 2023. The required administrative procedures for these elections were successfully dealt with and, in administrative terms, the elections passed without incident.

The Scottish Local Government elections were held on 5 May 2022 under some COVID-19 restrictions. In February 2022 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.

The revised register of electors was published on 1 December 2022.

The Elections Act 2022 received Royal Assent on 28 April 2022 and introduces a number of changes. The Act seeks to:

- require voters to show photo ID at polling stations before a ballot paper is issued. This change will require EROs to issue free voter authority certificates, temporary voter authority certificates or anonymous electors documents to those without a valid form of photo ID;
- require postal voters to reapply for a postal vote every three years, replacing current rules of refreshing their signature every five years;
- further limit the number of people someone may act as proxy for; and
- allow all British citizens living overseas to vote in UK Parliamentary elections, regardless of when they left the UK.

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These changes apply to UK Parliamentary Elections in Great Britain. Elections to the Scottish Parliament and all local elections in Scotland are devolved and will not be affected by these changes.

Voter ID was introduced on 16 January 2023 with all other changes expected in the 2023/24 financial year.

2022 Annual Canvass

The annual canvass of electors commenced in August 2022 and household registration forms were posted to all properties in Highland and Western Isles ahead of publication of the Register on 1 December 2022.

The Representation of the People (Annual Canvass) Amendment (Scotland) Order 2020 amended the provision in respect of the steps which an ERO must take for the purposes of complying with their 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 considers local circumstances and to carry out household matches against local data sets. The legislation also allows for electronic communications to be sent and telephone canvassing to be carried out.

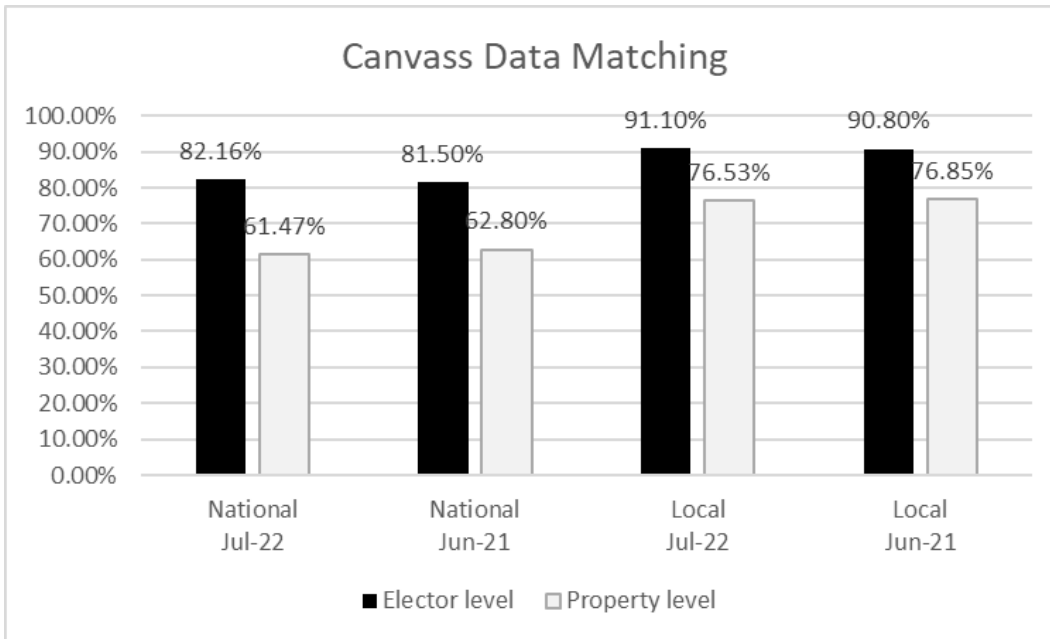
As part of the canvass reform changes a national data matching exercise of the electoral register was undertaken in July 2022, matching elector information against DWP records to identify properties where electors may have changed. Once this match was completed, a further matching exercise was undertaken using local Council Tax information, known as local data matching. The results from both the national and local data matching exercises are below.

	National data matching	Local data matching
Elector level	82.16%	91.10%
Property level	61.47%	76.53%

In June 2021 the results were:

	National data matching	Local data matching
Elector level	81.5%	90.8%
Property level	62.80%	76.85%

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Whilst there was a slight reduction in property matches between 2021 and 2022, the number of electors matched has increased.

The 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 the further match against local data records, 22,990 of properties shifted from route 2 to route 1.

All 109,774 properties in route 1 received canvass communication “A” advising electors that they did not need to respond if the information in the communication was correct. There were 33,499 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 23,124 properties received a canvass form.

A total of 166 properties were included in route 3, which were registered residential care homes or Houses in Multiple Occupation. Telephone canvassing of 1,758 properties was undertaken prior to commencement of doorstep canvassing of 15,462 properties from November 2022.

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 2023/24 as a cost saving to the Board.

A comparison between the 2 February 2022 and 1 December 2022 published registers is as follows:

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Local Authority Area	Electorate at 2 February 2022	Electorate at 1 December 2022	Net Change
Highland	189,889	188,556	- 1,333
Western Isles	21,753	21,706	- 47
Total	211,642	210,262	- 1,380

Given the variance in the publication dates of February 2022 and December 2022, it is difficult to draw conclusions or reasons for the slight reduction in the electorate. However, deaths and electors moving out with the area, will account for some of the variance.

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:

Local Authority Area	Total Electorate on Full Register 1 December 2022	Total No of Electors "Opting-Out" of Open Register	Opt-Outs as %	Total on Open Register
Highland	188,556	111,713	59.25%	76,843
Western Isles	21,706	10,630	48.97%	11,076
Total	210,262	122,343	58.19%	87,919

Performance Standards

In December 2022, the Electoral Commission published their new performance standards for Electoral Registration Officers (see [Performance standards for Electoral Registration Officers | Electoral Commission](#)). These performance standards cover 3 outcomes:

1. Electoral registers are as accurate and complete as possible, ensuring that everyone who is eligible and wants to vote is able to do so;
2. Absent voting is accessible, ensuring that everyone who is eligible and wants an absent vote is included on the relevant absent vote list;
3. Stakeholders and electors have confidence in the secure management of the electoral registers.

The new performance standards include key performance indicators ("KPIs") which allow EROs to set targets and baseline their performance.

The Scottish Assessors Association have created a list of agreed national KPIs for internal reporting purposes, with some statistical information available from the electoral management software system. ERO staff have been carrying out some work on performance standards such as maintaining the property database to allow for more accurate local data matching and expanding the range of route 3 properties to include Houses in Multiple Occupation.

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In terms of rolling registration, the use of tablets for doorstep canvassing of invitations to register was rolled out during the financial year.

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 2023 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 Board and the public. The Board is funded by the Highland Council and Comhairle nan Eilean Siar (CNES), 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 generally taking place in the first quarter of the year. The 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 2023

2021/22		2022/23		
Actual		Budget	Actual	Variance
£000		£000	£000	£000
2,214	Staff costs	2,479	2,330	(149)
291	Property costs	256	224	(32)
400	Administration expenses	358	284	(74)
1	Transport and plant costs	3	4	1
472	Supplies and services	547	494	(53)
4	Members' expenses	8	4	(4)
<u>3,382</u>	Gross expenditure	<u>3,651</u>	<u>3,340</u>	<u>(311)</u>
(2)	Sales of register etc.	(5)	(4)	1
(72)	Specific grants	-	(2)	(2)
<u>(3)</u>	Interest on revenue balances	<u>-</u>	<u>(15)</u>	<u>(15)</u>
(77)	Gross income	(5)	(21)	(16)
<u>3,305</u>	Net expenditure	<u>3,646</u>	<u>3,319</u>	<u>(327)</u>
5	Transfer (from)/to Reserves	(14)	10	24
<u>(3,310)</u>	Requisition income	<u>(3,632)</u>	<u>(3,329)</u>	<u>303</u>
<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>

The net budgeted expenditure of the Board in 2022/23 was £3.646m (2021/22 £3.445m). Actual net expenditure was £3.319m (2021/22 £3.305m) with £0.010m being transferred to reserves (2021/22 £0.005m). There was an underspend of £0.327m in 2022/23 (2021/22 £0.135m underspend).

There was capacity to transfer £0.010m 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 £0.303m 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 underspend in the staffing budget was largely due to unfilled vacancies and difficulties experienced in recruiting staff across the organisation, resulting in overtime working. Travel and subsistence costs were underspent as a result of reduced doorstep canvassing and survey work carried out by office-based staff due to some COVID-19 restrictions.
- The underspend on property costs is largely due to lower than expected gas and electricity charges. Rent and contract cleaning were also underspent due to the timing of the closure of the Dingwall Office. Repairs and maintenance were underspent due to an over-accrual for dilapidations in 2021/22 financial year, which reversed in the 2022/23 financial year.
- The underspend in administration expenses is due to a number of factors being:

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- Due to staff continuing to work from home, MPS mono and colour printing costs have been largely reduced. However, other printing costs have faced a slight increase due to a backlog of historical registers being printed for external organisations entitled to receive these by law. Due to COVID-19, the ERO was unable to get these paper registers printed and distributed at relevant publication points.
- There were minimal overspends on stationery, postages, landline telephone rental, office furniture, employers liability insurance and mobile phone line rental costs with a small underspend on advertising costs.
- There were significant underspends on canvass costs, legal expenses and digitisation of paper files. Funding for the digitisation project is for a period of three years and any underspend will be carried forward to the 2023/24 financial year. Legal expenses are underspent due to the uncertainty over Land Tribunal Scotland (LTS) referral fees for COVID-19 Material Change of Circumstance appeals. The reduction in canvass costs can be attributed to Canvass Reform changes which allows the ERO discretion over the delivery of the annual canvass of electors.
- The underspend against supplies and services is due to reduced computer costs and Valuation Appeal Committee expenses. As previously mentioned, the Assessor has no control over Valuation Appeal Committee costs.

The Barclay Review, commissioned by the Scottish Government to review business rates, published their report in 2017. The recommendations of the report, that were accepted, have largely now been implemented, but the changes will have ongoing costs which it is anticipated will be met by the Scottish Government.

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. £0.010m of the £0.327m 2022/23 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 31/03/22 £000		Balance at 31/03/23 £000
<u>172</u>	General Fund Balance	<u>182</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 £0.403m (2021/22 £0.348m) from the Scottish Government, has been allocated to the constituent authorities as follows:

2021/22		Constituent Authority	2022/23	
£000	% share		£000	% share
2,957	89.3	The Highland Council	2,974	89.3
353	10.7	Comhairle nan Eilean Siar	355	10.7
3,310	100.0	Total	3,329	100.0

Statement of Requisitions 2022/23

Constituent Authority	Population	Budget requisition	Actual requisition	Balance due to constituent authority
	No.	£000	£000	£000
Highland Council	232,132	3,245	2,974	(271)
Comhairle nan Eilean Siar	27,684	387	355	(32)
Total	259,816	3,632	3,329	(303)

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 asset of £0.486m as at 31 March 2023 (31 March 2022 liability of £4.161m) due to the accrual of pension assets/liabilities in accordance with IAS 19.

The pension asset represents the best estimate of the current value of pension benefits that have been funded by the Board. The asset relates to benefits earned by existing or previous employees up to 31 March 2023.

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 asset/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 Scottish Government announced an intention to review business rates and the Barclay Review published their report in 2017. This led to the passing of the Non-Domestic Rates (Scotland) Act 2020 which implemented a number of the recommendations. Some of the changes required additional resource and others were implemented at limited cost. It was recognised that some of the changes, such as three yearly revaluations, changes to the appeal process, and an annual audit of nearly six thousand self-catering units, would have significant cost implications. Additional funding was put in place in 2019/20 which continued through to 2022/23. It had been anticipated that this would increase for 2023/24, but was capped by the Scottish Government based on spending in 2021/22.

As previously reported, the changes above, required, and still require, additional valuation resource. There are difficulties in recruiting suitably qualified staff, difficulties which are experienced in many parts of the country. A policy of training graduates is proving to be successful but vacant posts remain. Policies to retain and recruit staff may require further examination to address what are now longstanding issues that compromise 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. It was envisaged that the reformed canvass would 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.

Since Canvass Reform was introduced, some restrictions were placed on the ERO due to the Covid-19 pandemic, such as the inability to carry out doorstep canvassing. Since restrictions have been lifted, canvassing staff have been able to commence doorstep canvassing of properties during both the canvass period and throughout the year, to obtain missing information from both households and individuals.

Every year the ERO has reflected on how the annual canvass has been delivered, and changes to canvass planning and delivery have been implemented. As part of the project planner, a “lessons learnt” document has been incorporated for feedback from the Scottish Assessor’s Association, internal feedback and feedback from householders. Where appropriate, any comments from householders on the Register Securely platform used for canvass responses, have been passed on to the electoral management software supplier.

The service continues planning to minimise costs of the additional volume of mail and canvassing associated with IER.

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. In recent months, work has been carried out to update job and person specifications to include employee benefits and further information for any vacancies that are advertised.

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One post was advertised on social media however, the advert was only viewed by one applicant, through word of mouth recommendation. The Assessor has been trying to progress for a few years now, moving to the <https://www.myjobscotland.gov.uk/> platform with the Highland Council, to allow full advertising of Valuation Joint Board vacancies, with electronic application forms available for potential candidates. Whilst the Highland Council add vacancies to <https://www.myjobscotland.gov.uk/> on the Board's behalf, applicants are directed to the Assessor's website to download a manual application form for completion. Given the present situation, it is felt that applicants may wish to apply for vacancies in a more modern manner than the current practice of using manual application forms. This move is still being progressed with the Highland Council.

In setting its budget for 2023/24 through to 2025/26, there was no change in the requisition from the constituent authorities. Barclay funding for 2023/24 has been reduced by £0.045m. It is anticipated that Barclay funding will remain the same in 2024/25 as for 2023/24 with no funding in 2025/26. The financial position for the Board will continue to be challenging as pressure is maintained on local authorities to produce efficiency savings. The effect of this is to place significant pressure on the delivery of statutory services by the Board at a time when the inflationary effects are being felt on expenditure. To deliver these services, which are required by law, the Board needs to sustain sufficient resources that can maintain the delivery of elections and provide a sound basis for tax revenues, within the timetables as set out in the relevant legislation.

It should also be recognised that there are additional workloads as the number of subjects in the Valuation Roll and Council Tax list increase, and are subject to further scrutiny, an example being the introduction of the annual audit of self-catering properties. 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 going forward when councils are facing continued significant reductions in funding.

COVID-19

Staffing and Working Environment

COVID-19 restrictions have now effectively been lifted. However, post-pandemic it has been acknowledged that there is a general trend towards a desire for a hybrid approach to working which has had the effect of reducing the requirement for office space. At the end of June 2022, the Dingwall office closed and the Inverness office is being reconfigured to accommodate hybrid working. Essential work on the revaluation limited progress in completing this transformation.

Provision of Services

Services are being provided within a hybrid setting and this will be the template for the future. However, it is recognised that some areas of service provision, such as training and document handling, are better carried out in an office setting.

Maintenance of the electoral register has continued through remote working. In November 2022 doorstep canvassing commenced after all COVID-19 restrictions were lifted. Since March 2020, some limited doorstep canvassing has been carried out.

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Plans for Recovery

The Assessor is now looking beyond plans for recovery to create and sustain a new working environment. This has not been 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.

Going Concern

The IAS 19 Pension and Injury Benefit Assets of £0.486m (2021/22 liabilities of £4.161m) have a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall balance of £0.616m (2021/22: negative overall balance £4.040m). 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.

Frank Finlayson MRICS
Assessor and Electoral Registration Officer

Laurie Fraser
Convener

Brian Porter CPFA
Treasurer

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

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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 2022/23 (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 2023.

Brian Porter CPFA
Treasurer

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

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 2023 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 2022/23 Code of Corporate Governance ([Highland and Western Isles Valuation Joint Board - corporate governance policies | Code of Corporate Governance 2022/2023](#)) 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 2023 consists of that undertaken directly for the Board and indirectly, where the Highland Council's financial systems are used. For 2022/23, 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. 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. In addition, a full audit was undertaken in 2022 and any discrepancies were raised with Payroll staff at that time.

- The 2022/23 audit plan included the review of the Individual Electoral Registration (IER) process, which has been outstanding for some time due to the continuation of the COVID-19 restrictions. Whilst the Terms of Reference were issued, the audit was not undertaken due to staff absence. The fieldwork for this audit is now in progress and the results will be reported to the Board in due course.

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 2023.

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

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

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- 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

Frank W Finlayson MRICS
Assessor and Electoral Registration Officer

REMUNERATION REPORT

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

1. Appointments

Appointments of senior employees in the Valuation Board (Assessor and ERO, Assistant Assessor and ERO 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 ERO, Assistant Assessors and EROs) 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 ERO was agreed by the Board in August 2013, which has been subject to annual pay awards.

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

2021/22	Name and Post Title	2022/23
£		£
69,259	Frank W Finlayson, Assistant Assessor and ERO to 04/01/2023; Assessor and ERO from 05/01/2023	80,923
100,718	William Gillies, Assessor and ERO - retired 04/01/2023	79,968 <i>(full time equivalent £105,554)</i>
11,216 <i>(full time equivalent £69,259)</i>	Robert Shepherd, Assistant Assessor and ERO 01/04/2021 – 30/05/2021	N/A

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 their 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

2021/22		2022/23
Number	Salary Band	Number
1	£50,000-£54,999	2
-	£55,000-£59,999	3
1	£60,000-£64,999	-
1	£65,000-£69,999	-
-	£80,000-£84,999	2
1	£100,000-£104,999	-

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.

2021/22 £	Councillor Name and Responsibility	2022/23 £
2,218	L Fraser - Convener from 18/06/2021 to 5/05/2022 and from 20/06/2022 to 31/03/2023	2,363
1,164	A Macleod – Vice Convener from 27/06/2017 to 5/05/2022	Nil
Nil	D Crichton – Vice Convener from 20/06/2022 to 31/03/2023	711

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.

2021/22 £	Type of Remuneration	2022/23 £
3,382	Salaries	3,148

The annual return of Councillors' salaries and expenses for 2022/23 is available for any member of the public to view at all public offices and is also available on the Council's website at [Expenses | Valuation Board Expenses 2022 to 2023 \(highland.gov.uk\)](https://www.highland.gov.uk/expenses)

4. Pension Benefits

The pension entitlements of senior employees for the year to 31 March 2023 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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Name and Post Title	In-year pension contributions		Accrued Pension Benefits		
	For year to 31/03/22	For year to 31/03/23		As at 31/03/23	Difference from March 2022
	£	£		£000	£000
Frank W Finlayson, Assistant Assessor and ERO to 04/01/2023; Assessor and ERO from 05/01/2023	13,159	15,194	Pension	42	7
			Lump Sum	64	9
William Gillies, Assessor and ERO - retired 04/01/2023 *	19,136	15,256	Pension	54	-
			Lump Sum	93	4
Robert Shepherd, Assistant Assessor and ERO (01/04/2021 – 30/05/2021)	2,131	N/A	Pension	N/A	
			Lump Sum	N/A	

* William Gillies, who retired on 4 January 2023, had not claimed any pension benefits at 31 March 2023. As a result, the accrued pension benefits are based on their value at his date of leaving, with no commutation (includes early retirement reduction)

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 2022/23 are shown in the following tables with prior year comparisons:

The 2022/23 contribution tiers and rates are as follows:

Pensionable pay	Contribution rate
On earnings up to and including £23,000	5.50%
On earnings above £23,000 and up to £28,100	7.25%
On earnings above £28,100 and up to £38,600	8.50%
On earnings above £38,600 and up to £51,400	9.50%
On earnings above £51,400	12.00%

2021/22 contribution tiers and rates:

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%

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The 2022/23 employer's contribution rate is 19% of pensionable pay (2021/22: 19%).

5. Trade Union Facility Time

In 2022/23 there was no Trade Union Official within the Valuation Service (21/22: None).

Laurie Fraser
Convener

Frank Finlayson MRICS
Assessor and Electoral Registration Officer

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

I certify that I have audited the financial statements in the annual accounts of Highland and Western Isles Valuation Joint Board for the year ended 31 March 2023 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 Policies and notes to the accounts, 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 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of Highland and Western Isles Valuation Joint Board as at 31 March 2023 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 2022/23 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

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice 2021 approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of Highland and Western Isles Valuation Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to Highland and Western Isles Valuation Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I 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 I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Highland and Western Isles Valuation Joint Board'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 Highland and Western Isles Valuation Joint Board's current or future financial sustainability. However, I report on the Highland and Western Isles Valuation Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my 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 Highland and Western Isles Valuation Joint Board'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 Highland and Western Isles Valuation Joint Board'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

My 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 my 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. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of Highland and Western Isles Valuation Joint Board;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Highland and Western Isles Valuation Joint Board;

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD
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- inquiring of the Treasurer concerning the Highland and Western Isles Valuation Joint Board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Highland and Western Isles Valuation Joint Board'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. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

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

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 the Management Commentary and Annual Governance Statement

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

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

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my 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
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Esther Scoburgh CPFA
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

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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.

2022/23				
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Cost of Services	1	3,784	(6)	3,778
Financing and Investment income and expenditure	7			103
Taxation and non-specific grant income	8			(3,329)
Deficit on provision of services				552
Re-measurements of the net defined benefit liability/asset	12			(5,208)
Total comprehensive income and expenditure				(4,656)

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

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.

2022/23	Notes	General Fund	Total Usable Reserves	Pension Reserve	Employee Statutory Mitigation Account	Total Reserves
		£000	£000	£000	£000	£000
Balance at 31 March 2022		172	172	(4,161)	(51)	(4,040)
Movement in reserves during 2022/23						
Total Comprehensive Income and Expenditure	9,10	(552)	(552)	5,208	-	4,656
Adjustments between accounting basis and funding basis under regulations	9	562	562	(561)	(1)	-
Increase/(decrease) in 2022/23		10	10	4,647	(1)	4,956
Balance at 31 March 2023		182	182	486	(52)	616

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

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

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BALANCE SHEET

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

31/03/22 £000		Notes	£000	31/03/23 £000
-	Pension Asset	12	486	
-	Long term assets			486
36	Short term debtors	15	30	
469	Cash and cash equivalents		627	
505	Current assets			657
(384)	Short term creditors	16	(527)	
(384)	Current liabilities			(527)
(4,161)	Other long-term liabilities	12	-	
(4,161)	Long term liabilities			-
(4,040)	Net assets/(liabilities)			616
172	General Fund			182
(4,161)	Pension Reserve	10		486
(51)	Employee Statutory Mitigation Account	10		(52)
(4,040)	Total reserves			616

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

The unaudited annual accounts were issued on 27 June 2023 and the audited annual accounts were authorised for issue on 22 September 2023.

Brian Porter CPFA
Treasurer

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CASH FLOW STATEMENT

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

31/03/22		31/03/23
£000		£000
(612)	Net deficit on the provision of services	(552)
	Adjust net deficit on the provision of services for non-cash movements (Re-measurement of the net defined benefit liability from Income and Expenditure Statement and the movement in debtors and creditors from balance sheet)	
336		710
(3)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(15)
(279)	Net cash inflow/(outflow) from operating activities	143
3	Financing activities	15
(276)	Net increase/(decrease) in cash and cash equivalents	158
745	Cash and cash equivalents at the beginning of the year	469
469	Cash and cash equivalents at the end of the year	627

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

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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.

2022/23	Net Expenditure chargeable to the General Fund £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure in the CIES £000
Staff costs	2,330	444	2,774
Property costs	224		224
Administration expenses	284		284
Transport and plant costs	4		4
Supplies and services	494		494
Members Expenses	4		4
Income	(6)		(6)
Net Cost of Services	3,334	444	3,778
Other Income and Expenditure:	(3,344)	118	(3,226)
(Surplus)/Deficit	(10)	562	552
General Fund Movements:			
Opening Balance	172		
Surplus on General Fund	10		
Closing Balance	182		

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2021/22	Net Expenditure chargeable to the General Fund £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure in the CIES £000
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)
Net Cost of Services	3,308	505	3,813
Other Income and Expenditure:	(3,313)	112	(3,201)
(Surplus)/Deficit	(5)	617	612

General Fund Movements:

Opening Balance	167
Surplus on General Fund	5
Closing Balance	172

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 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments £000	Adjustment for Employee Annual Leave Accrued £000	Total Adjustments £000
Staff costs	443	1	444
Net Cost of Services	443	1	444
Other Income and expenditure	118	-	118
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	561	1	562

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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	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000
Staff costs	517	(12)	505
Net Cost of Services	517	(12)	505
Other Income and expenditure	112	-	112
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	629	(12)	617

3. Accounting Policies

General principles

The Annual Accounts summarise the transactions of the Board for the 2022/23 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 2022/23, 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.

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- 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

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 £0.627m (2021/22 £0.469m) 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.

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- 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 asset/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 asset/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

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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.

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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 2023/24 Code effective from 1 April 2023. There is therefore no impact on the 2022/23 financial statements.

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- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Board has not adopted IFRS 16 in the 2023/24 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension asset. Estimation of the net asset 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.

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The impact of changes in the assumptions used on the pension asset has been assessed by the actuaries and is illustrated in Note 12 with change to salaries of 0.1% likely to be approximately 0% (£29k) change in employer liability, change to pension of 0.1% likely to be approximately 1% (£249k) and change of 0.1% to the discounting of fund liabilities to be approximately 2% (£274k).

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

2021/22		2022/23
£000		£000
112	Pensions Net Interest	118
(3)	Interest receivable	(15)
109		103

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

2021/22		2022/23
£000		£000
(3,310)	Requisitions from constituent authorities (includes Barclay funding)	(3,329)
(3,310)		(3,329)

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.

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	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2022/23
		£000	£000	£000	£000
Adjustments involving the Pensions Reserve					
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	875	(875)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(314)	314	-	-
Adjustments involving the Employee Statutory Mitigation Account					
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	1	-	(1)	-
Total adjustments		562	(561)	(1)	-

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	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2021/22
		£000	£000	£000	£000
Adjustments involving the Pensions Reserve					
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	-	-
Adjustments involving the Employee Statutory Mitigation Account					
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	-
Total adjustments		617	(629)	12	-

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. This has resulted in a credit balance on the Pensions Reserve showing a surplus in the benefits earned by past and current employees and the resources the Board has set aside to meet them. Therefore, the asset ceiling adjustment has been applied as per IFRIC 14. See Note 12 for further details.

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Pensions Reserve

2021/22		2022/23
£000		£000
(5,371)	Opening balance at 1 April	(4,161)
296	Return on plan assets (excluding the amount included in the net interest expense)	(1,054)
1,441	Actuarial gain/(loss) arising on changes in financial assumptions	8,088
-	IFRIC 14 Asset Ceiling Adjustment	(900)
123	Actuarial gain arising on changes in demographic assumptions	162
(21)	Experience adjustments	(1,088)
1,839		5,208
(932)	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	(875)
303	Employer's pension contributions and direct payments to pensioners payable in the year	314
(4,161)	Closing balance at 31 March	486

(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.

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2021/22 £000		2022/23 £000
(63)	Opening balance at 1 April	(51)
63	Settlement or cancellation of accrual made at the end of the preceding year	51
(51)	Amounts accrued at the end of the current year	(52)
(51)	Closing balance at 31 March	(52)

11. External audit costs

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

2021/22 £		2022/23 £
7,800	External audit costs	8,800

No non-audit services were provided in the year by the Board's auditor Audit Scotland.

12. Defined benefit pension schemes

Participation in pension schemes

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

The Board participates in one post-employment scheme:

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

Transactions relating to post-employment benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

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	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement (CIES)				
Cost of services				
Current service cost	820	757	-	-
Past service cost (including curtailments)	-	-	-	-
	820	757	-	-
Financing and investment income and expenditure				
Net interest expense	109	114	3	4
Total post-employment benefits charged to the deficit on the provision of services	929	871	3	4
Other post-employment benefits charged to the CIES				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(296)	1,054	-	-
Actuarial (gain)/loss arising on changes in financial assumptions	(1,440)	(8,061)	(1)	(27)
IFRIC 14 Asset Ceiling Adjustment	-	900	-	-
Actuarial (gain) arising on changes in demographic assumptions	(122)	(160)	(1)	(2)
Experience adjustments	40	1,074	(19)	14
Total post-employment benefits charged to the CIES	(1,818)	(5,193)	(21)	(15)

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	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Movement in reserves statement				
Reversal of net charges made to the deficit on the provision of services for post-employment benefits in accordance with the code	(929)	(871)	(3)	(4)
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	292	302	11	12
Total movement in reserves in respect of post-employment benefits	(637)	(569)	8	8

Pension assets and liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Present value of the defined benefit obligation	(22,841)	(16,540)	(159)	(136)
Fair value of pension fund assets	18,839	18,062	-	-
IFRIC 14 Asset Ceiling Adjustment	-	(900)	-	-
Net asset/(liability) arising from defined benefit obligation	(4,002)	622	(159)	(136)

IAS19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC14. The economic benefits were calculated as £0.486m per the actuary. Therefore, a £0.900m adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

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Information about the defined benefit obligation – Funded obligations

	Liability split	
	£000	Percentage (%)
Active members	7,721	46.7%
Deferred members	1,333	8.1%
Pensioner members	7,486	45.2%
Total	16,540	100.0%

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Opening fair value of scheme assets	18,428	18,839	-	-
Interest income	366	505	-	-
Return on plan assets	296	(1,054)	-	-
Contributions by employer	292	302	11	12
Contributions by Scheme participants	99	101	-	-
Estimated benefits paid (net of transfers in)	(642)	(631)	-	-
Unfunded benefits paid	-	-	(11)	(12)
Closing fair value of scheme assets	18,839	18,062	-	-
IFRIC 14 Asset Ceiling Adjustment	-	(900)	-	-
Adjusted closing fair value of scheme assets	18,839	17,162	-	-

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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	
	31/03/2022	31/03/2023	31/03/2022	31/03/2023
	£000	£000	£000	£000
Opening defined benefit obligation	23,611	22,841	188	159
Current service cost	820	757	-	-
Past service cost	-	-	-	-
Interest cost	475	619	3	4
Contributions by scheme participants	99	101	-	-
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in financial assumptions	(1,440)	(8,061)	(1)	(27)
Actuarial (gains) from changes in demographic assumptions	(122)	(160)	(1)	(2)
Experience adjustments	40	1,074	(19)	14
Estimated benefits paid (net of transfers in)	(642)	(631)	-	-
Unfunded pension payments	-	-	(11)	(12)
Closing value	22,841	16,540	159	136

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:

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2021/22		2022/23
5%	Cash and cash equivalents	4%
	Equity Securities:	
	By industry type	
15%	Consumer	10%
8%	Manufacturing	4%
1%	Energy and utilities	0%
10%	Financial institutions	6%
5%	Health and care	5%
6%	Information technology	3%
1%	Other	1%
	Debt Securities:	
	By sector	
7%	Corporate bonds	7%
3%	UK Government	2%
4%	Other	5%
6%	Private Equity	8%
	Property:	
11%	UK	10%
	Investment funds and unit trusts:	
10%	Equity	21%
2%	Bonds	2%
1%	Hedge funds	0%
5%	Commodities	0%
0%	Infrastructure	6%
0%	Other	6%
100%	Total	100%

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

	Fair value of pension fund assets	
31/03/22		31/03/23
£000		£000
	Financial Instruments	
16,808	Quoted in an active market	14,574
2,031	Not quoted in an active market	3,488
-	IFRIC 14 Asset Ceiling Adjustment	(900)
18,839	Subtotal equity instruments	17,162
18,839		17,162

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Basis for estimating assets and liabilities

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

The significant assumptions used by the actuary have been:

2021/22		2022/23
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
20.8	Men	20.4
23.3	Women	23.1
	Longevity at 65 for future pensioners (years)	
22.0	Men	21.6
25.3	Women	25.0
3.20%	Rate of inflation	2.95%
4.00%	Rate of increase in salaries	3.75%
3.20%	Rate of increase in pensions	2.95%
2.70%	Rate for discounting fund liabilities	4.75%
50.00%	Take up option to convert annual pension into retirement lump sum (pre-2009)	50.00%
75.00%	Take up option to convert annual pension into retirement lump sum (post 2009)	75.00%

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

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

	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	274
1 year increase in member life expectancy	4%	667
0.1% increase in the Salary Increase Rate	0%	29
0.1% increase in the Pension Increase Rate (CPI)	1%	249

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 2022/23 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 2024 will be approximately £0.302m.

The weighted average duration of the defined benefit obligation for scheme members is 18.0 years 2022/23 (18.0 years 2021/22).

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 £2.614m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board (2021/22 £2.989m).

In addition, Highland Council provides administrative, financial and computing services to the Board. In 2022/23 the Board paid £0.237m to the Highland Council for these services (2021/22 £0.065m). Rent of £0.008m per annum is paid to Wick Common Good Fund, which is a subsidiary of Highland Council.

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At the year-end there was a creditor balance with the Highland Council of £0.291m, including £0.271m requisition creditor (2021/22 £0.151m restated).

Comhairle Nan Eilean Siar

CNES provided £0.312m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board (2021/22 £0.357m).

At the year-end there was a creditor balance with CNES of £0.033m, including £0.032m requisition creditor (2021/22 £0.014m restated).

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:

2021/22 £000	Government	Nature of Funding	2022/23 £000
313	Scottish Government	Barclay funding	403
-	Scottish Government	Elections Act 2022 funding	2
72	Scottish Government	Household Notification Letter funding	-
385		Total	405

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 2022/23 was £0.403m, which was fully utilised in the year.

At the year-end there was a creditor balance with the Scottish Government of £Nil for Barclay funding (2021/22 £Nil - restated).

The 2021/22 figures in the note above have been restated as the Barclay underspend of £0.035m for that year was returned to the requisitioning authorities, not the Scottish Government.

Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid is shown in the Remuneration Report. There were no transactions with members other than the allowances shown in the Remuneration Report.

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14. Operating Leases

The Board leases a number of office premises.

Board as Lessee

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

2021/22		2022/23
£000		£000
105	Not later than one year	94
241	Later than one year and not later than five years	174
42	Later than five years	9
388		277
388		277

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

2021/22		2022/23
£000		£000
121	Minimum lease payments	104
121		104
121		104

15. Short Term Debtors

2021/22		2022/23
£000		£000
36	Prepayments	30
36	Total	30
36		30

16. Short Term Creditors

2021/22		2022/23
£000		£000
(129)	Other local authorities	(324)
(35)	Scottish Government	(4)
(220)	Other entities and individuals	(199)
(384)	Total	(527)
(384)		(527)

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17. Financial Instrument Balances

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

Financial Assets

Current Investments 31 March 2022 £000		Current Investments 31 March 2023 £000
469	Amortised cost	627
469	Total	627

Financial Liabilities

Current Creditors 31 March 2022 £000		Current Creditors 31 March 2023 £000
384	Amortised cost	527
384	Total	527

Financial Instrument Gains and Losses

2021/22 Surplus or Deficit on the Provision of Services £000		2022/23 Surplus or Deficit on the Provision of Services £000
	Interest revenue:	
(3)	Financial assets measured at amortised cost	(15)
(3)	Total interest revenue	(15)

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 27 June 2023. Where events taking place before this date provided information about conditions existing at 31 March 2023 the financial statements have been adjusted in all material respects.