Highland and Western Isles Valuation Joint Board

Audited Annual Accounts

Cunntasan Bliadhnail Neo-sgrùdaichte

Co-bhòrd Luachaidh Na Gàidhealtachd agus Nan Eilean Siar

2025/26

Highland and Western Isles Valuation Joint Board
Audited Annual Accounts 2025/26

Contents
Clàr-innse

Management Commentary **2**

Statement of Responsibilities for the Annual Accounts **25**

Annual Governance Statement **27**

Remuneration Report **35**

Independent Auditor's Report **40**

Comprehensive Income and Expenditure Statement (CIES) **46**

Movement in Reserves Statement 2025/26 ..... **47**

Movement in Reserves Statement 2024/25 ..... **48**

Balance Sheet **49**

Cash Flow Statement **51**

Accounting Policies and Notes to the Accounts **52**

Management Commentary
Aithris Stiùiridh

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 2025/26 and understand the year-end financial position as at 31 March 2026. In addition, it provides a narrative on the financial outlook for the Board during financial year 2026/27 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 W Finlayson MRICS, AEA (Cert-Scotland). Roy Christie, MRICS, AEA (Cert-Scotland) is Depute Assessor and Electoral Registration Officer, Mandy Thomson, BA (Hons), AEA (Dip) is the Depute Electoral Registration Officer/Business Manager and Stephen MacKenzie, MRICS is the Assistant Assessor. Copies of the minutes of meetings and audited accounts of the Board are available on the Assessors website Publications | The Highland and Western Isles Valuation Joint Board | The Highland Council

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 2026, who were appointed following the local government election for Highland Council on 5 May 2022, are named below:

Highland Council (Substantive)	Highland Council (Substitute)	Western Isles Council (Substantive)	Western Isles Council (Substitute)
Mr B Boyd	Mr M Baird – joined 26.03.26	Mr D Crichton (Vice Convener)	Mr M MacDonald
Mr M Cameron	Mr A Christie	Mr G Murray	(Vacancy)
Ms T Collier	Mrs M Cockburn		
Mr L Fraser (Convener)	Mr M Green – substantive member from 26.03.26		
Mr A Graham	Mr B Lobban		
Mr M Green – 26.03.26	Mr K MacLean		
Mr J McGillivray – joined 15.05.25 left 26.03.26	Mr D Macpherson – joined 31.10.24 – left 26.03.26		
Ms J McEwan	Mr P Oldham		
Mrs M Paterson	Ms T Robertson		
Ms M Smith – left 30.04.25			

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 involves the First Tier and Upper Tribunals for Scotland and onward appeal to the Lands Valuation Appeal Court consisting of named judges of The Court of Session.

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

- 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 2025/26.

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

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

Performance Information

2025/26 was an exceptionally busy year for the Board and its employees and one which not only saw the introduction, and implementation, of new regulations and processes in

both Electoral Registration and Valuation for Rating, but the completion of proposals for the 2023 Revaluation and the completion of valuations for the 2026 Revaluation.

There were 5 by-elections called during the financial year, all 5 in Highland. This is a small reduction from the 6 by-elections that were held across the Board area in 2024/25.

Valuation staff continue to operate in what is a very challenging and pressured environment. The 2023 revaluation was the first to be completed within the compressed timescales that were introduced following the Barclay Review (Non-domestic tax rates review: Barclay report - gov.scot (www.gov.scot)). Revaluation proposals were required to be dealt with by 30 September 2025, while valuation staff were also completing valuations in advance of publishing draft values on 30 November 2025. These processes were completed successfully. The new system of proposals/appeals and the introduction of an audit of self-catering accommodation continues to put a particular strain on the service.

As with previous years recruitment and retention of staff has been a concern across all grades. Although recruitment improved during the financial year, retirals left the service with a relatively inexperienced staff across all areas of activity. Two of the graduate valuers successfully completed the assessment of Professional Competence (APC) during the year, and the three remaining graduates are to go forward to sit their APC at the beginning of 2026/27.

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

Non-Domestic Rating

Despite the changes brought in by the Barclay Review, the Assessor has continued to maintain the Valuation Roll during the year, processing new entries, deletions and amendments as required. However, as with 2024/25, there continues to be some slippage in response times because of the self-catering audit which has had its effect on maintaining valuation services. A further window was opened in May 2025 to complete the audit. Following the mop up from that exercise the 2024/25 audit was not completed until the very end of 2025/26.

The Finance Departments of the two constituent authorities are advised of changes weekly, which aids the efficient collection of non-domestic rates income. The Scottish Assessors' Association (SAA) website contains details of Valuation Roll entries on an all-Scotland basis, and data is uploaded weekly to ensure the most up to date information is widely available.

The SAA website also provides detailed valuations ranging from the most common types of commercial properties such as shops, offices and industrial subjects to self-catering units (SCU), car parks and a number of public buildings including schools, halls and places of worship. This enables ratepayers to check the valuations of their property and to compare them with others. In preparation for the 2026 Revaluation the number of

valuations at the portal was extended to include supermarkets, retail warehouses, timeshare and a range of other subjects.

In 2025/26 the Board completed the disposal of the 1,838 proposals received, by the statutory deadline of 30 September 2025. The 1,838 proposals consisted of 1,612 in Highland and 226 in the Western Isles. This figure is higher than reported in 2024/25 (1,751), due to the miscategorising of a number of proposals.

Although the proposal numbers were down in comparison with the corresponding appeal numbers from 2017, when there were 4,358 appeals, 3,974 in Highland and 384 in the Western Isles, across a total of 4,107 subjects, the process for disposal has somewhat changed. Therefore, it is not possible to draw comparison between the workloads of this and previous revaluations. The higher number of appeals in 2017 included a high number of speculative appeals which were either withdrawn by the appellant or their agent or dismissed by the valuation appeal committee. Many of those had minimal discussion prior to their disposal. At the 2017 revaluation an appeal simply required a letter or email which identified the property and that an appeal wished to be lodged.

The process for the disposal of proposals requires more input by the Assessor than previously. The Assessor sets the Proposal Determination Date (PDD) but there are several steps that must be taken in the process. The Assessor must explain their position at least 70 days prior to the PDD, and then, if the proposal is not disposed of, issue a Decision Notice giving their full reasons for disagreeing with the appellant's proposal either in part or in full. If the ratepayer disagrees with the outcome, they may then appeal to the Local Taxation Chamber (LTC), the equivalent to the former valuation appeal committee.

As the 2023 revaluation was the first to be completed using the new Regulations it is still difficult to draw out a long-term conclusion as to the future of non-domestic proposal trends. It won't be until the conclusion of the 2026 Revaluation period, and the settling of the process for the SCU audit, before a long-term recognition of the workloads and resource required will be fully understood.

There were a number of lessons learnt from the process which will be implemented for the 2026 Revaluation. This includes:

- The re-organisation of the valuation teams in Inverness in the Inverness office into 3 distinct teams with area responsibilities. This will be made possible by staff gaining more experience and recruitment.
- Earlier programming of proposals compared to 2023. This is made possible due to greater familiarity with the process.
- Wider training of valuers in specialist areas. For example, renewable and hospitality subjects.

A summary of appeal receipt and disposal progress as at 31 March 2026 is shown below.

The tables are broken down into three sections. The first table reflects the appeals submitted under the regulations prior to the implementation of the Non-Domestic Rates (Scotland) Act 2020. The second and third tables reflect the proposals, and subsequent appeals that were received following the implementation of the Non-Domestic Rates (Scotland) Act 2020.

NDR Appeals prior to the Non-Domestic Rates (Scotland) Act 2020

Count		Resolved	Total original rateable value £000	Total revised rateable value £000	Open	Total original rateable value outstanding £000
2010 Reval	**4,287**	**4,285**	**183,678**	**175,498**	**2**	**151**
2010 – 2011 RR	2,883	2,882	157,280	154,234	1	1,822
2011 – 2012 RR	2,927	2,926	228,353	225,626	1	1,822
2012 – 2013 RR	192	192	21,277	20,519	0	0
2013 – 2014 RR	141	141	28,390	27,383	0	0
2014 – 2015 RR	226	226	26,034	25,045	0	0
2015 – 2016 RR	256	254	26,447	25,153	2	2,065
2016 – 2017 RR	127	127	50,330	48,392	0	0
2017 Reval	**4,107**	**4,034**	**203,584**	**183,013**	**73**	**7,194**
2017 – 2018 RR	663	652	23,927	19,452	11	992
2018 – 2019 RR	409	395	18,539	16,154	14	4,894
2019 – 2020 RR	290	278	31,172	29,897	12	1,535
2020 – 2021 RR	2,408	2,404	197,133	193,804	4	331
2021 – 2022 RR	905	904	69,639	68,097	1	162
2022 – 2023 RR	156	140	24,535	23,408	16	1,013

NDR Proposals following enactment of Regulations under the Non-Domestic Rates (Scotland) Act 2020						
Count		**Resolved**	**Total original rateable value £000**	**Total revised rateable value £000**	**Open**	**Total original rateable value outstanding £000**
2023 Reval	**1,838**	**1,838**	**153,401**	**145,992**	**0**	**0**
2023 – 2024 RR	107	44	693	264	63	4,217
2024 – 2025 RR	112	24	1,469	595	88	12,255
2025-2026 RR	104	34	2,207	1,474	70	9,434

NDR 2023 Appeals following enactment of Regulations under the Non-Domestic Rates (Scotland) Act 2020						
Count		**Resolved**	**Total rateable value after proposal outcome £000**	**Total revised rateable value after appeal outcome £000**	**Open**	**Total rateable value after proposal outcome outstanding £000**
2023 Reval	128	17	26,200	740	111	25,454

There has been little by way of progress in resolving pre-2023 appeals as the vast majority relate to hydroelectricity subjects. Although a decision was made in favour of the Assessor , on 30th June 2026, the appellants have since appealed the decision and it remains ongoing.

The self-catering audit which requires the Assessor to write to the operators of all the entries on the valuation roll entered its third year. This involved issuing in excess of 5,000 questionnaires, with Highland and Western Isles accounting for over 30% of all such entries in Scotland. Most audit returns are returned by self-caterers directly through the SAA portal. Although this enhancement to the service made back-office systems run smoother, it did not eliminate the number of non-responses.
Although The Council Tax (Dwellings and Part Residential Subjects) (Scotland) Amendment Regulations 2024 (legislation.gov.uk) gave clear deadlines for returning information, and clarified grey areas in the original legislation, there were still a substantial number of non-returns.

Due to the pressures of completing the 2026 Revaluation the SCU audit was put back until the end of the financial year. Prior to its completion the Scottish Government announced that a further window would be made available for SCU operators to make submissions

due to low return rates nationally. The window will open in the next financial year between 1 April 2026 and 30 April 2026.

As an outcome of the SCU audit, the number of changes to the valuation roll processed over 3 months from the event were inevitably high. Also, the time spent on this work impacted on survey programmes as they were pushed back to the end of the financial year. The online facility which has been developed makes the return of information for the SCU audit easier for operators and has been incorporated into our in-house valuation system with the aim to reduce the time processing each return.

The change in number of subjects and total rateable value is noted below.

NDR New & Altered (2025/2026)							
	Count	**1 – 3 months**		**3 – 6 months**		**6+ months**	
Highland	1,244	250	20.10%	227	18.25%	767	61.65%
WI	238	30	12.61%	28	11.76%	180	75.63%
Total	1,482	280	18.89%	255	17.21%	947	63.90%

The change in number of subjects and total rateable value is noted below.

NDR	**Count**		**Rateable Value £000**	
	01/04/2025	**31/03/2026**	**01/04/2025**	**31/03/2026**
Highland	20,203	20,789	425,469	381,038
WI	2,777	2,914	30,469	85,573
Total	22,980	23,703	455,938	466,611

Council Tax

The Valuation List, which comprises 150,819 (2024/25: 149,329) 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)). 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.

As noted above, work on the SCU audit impacted on time related performance, not only in rating but in council tax too, due to the relationship between both strands of work which required the transfer of subjects between both. This is displayed in the table below.

	Total	1 - 3 months		3 – 6 months		6+ months	
Highland	1,368	800	58.48%	184	13.45%	384	28.07%
WI	185	102	55.14%	29	15.67%	54	29.19%
Total	1,553	902	58.08%	213	13.72%	438	28.20%

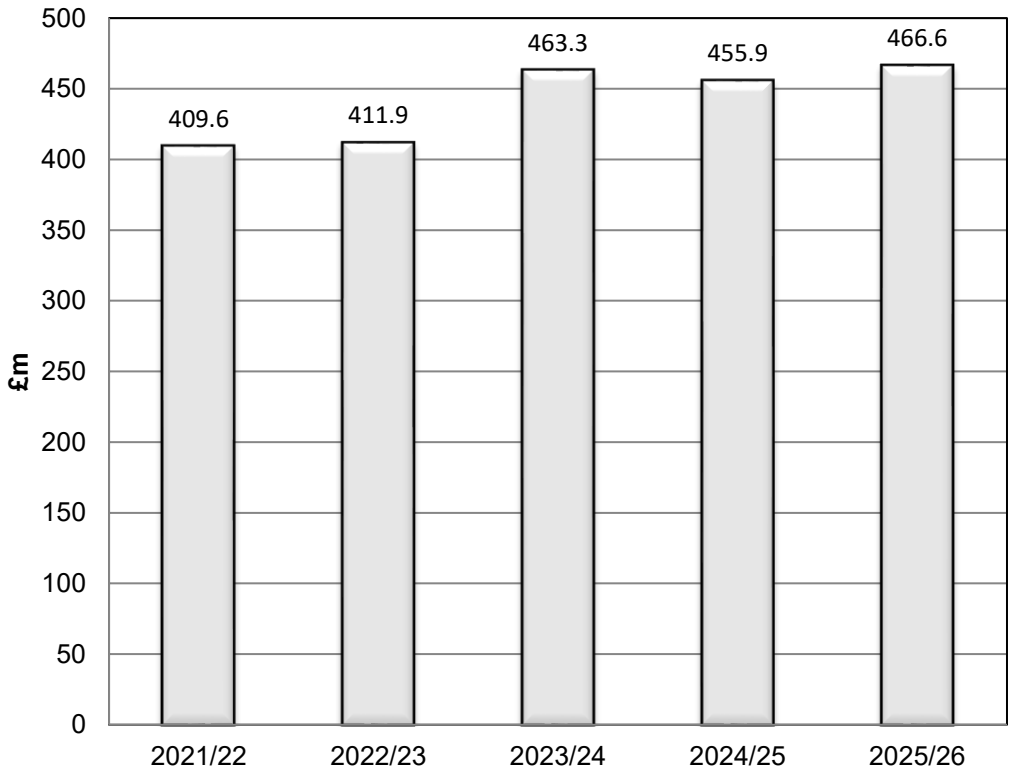
2025-26 was the third year in which council tax appeals were determined by the First-tier Tribunal. No appeals were heard when the banding of a dwelling was in dispute. However, a number of appeals relating to Notices of Invalidity were considered by way of written representations. In each case, the Tribunal dismissed the appeal and upheld the Assessor's decision.

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

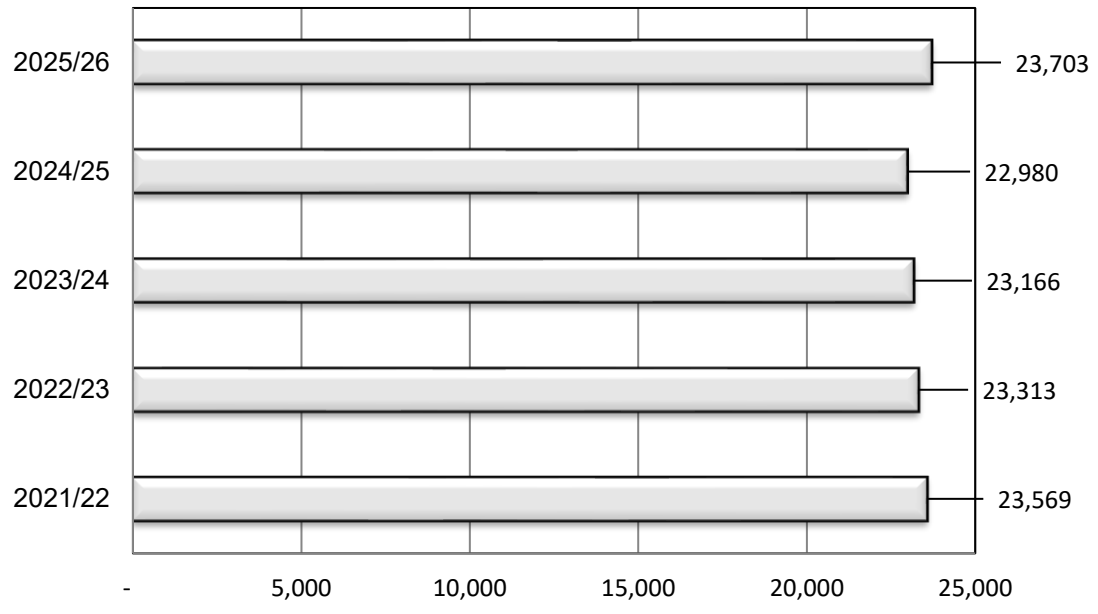
Key Performance Indicators – Summary

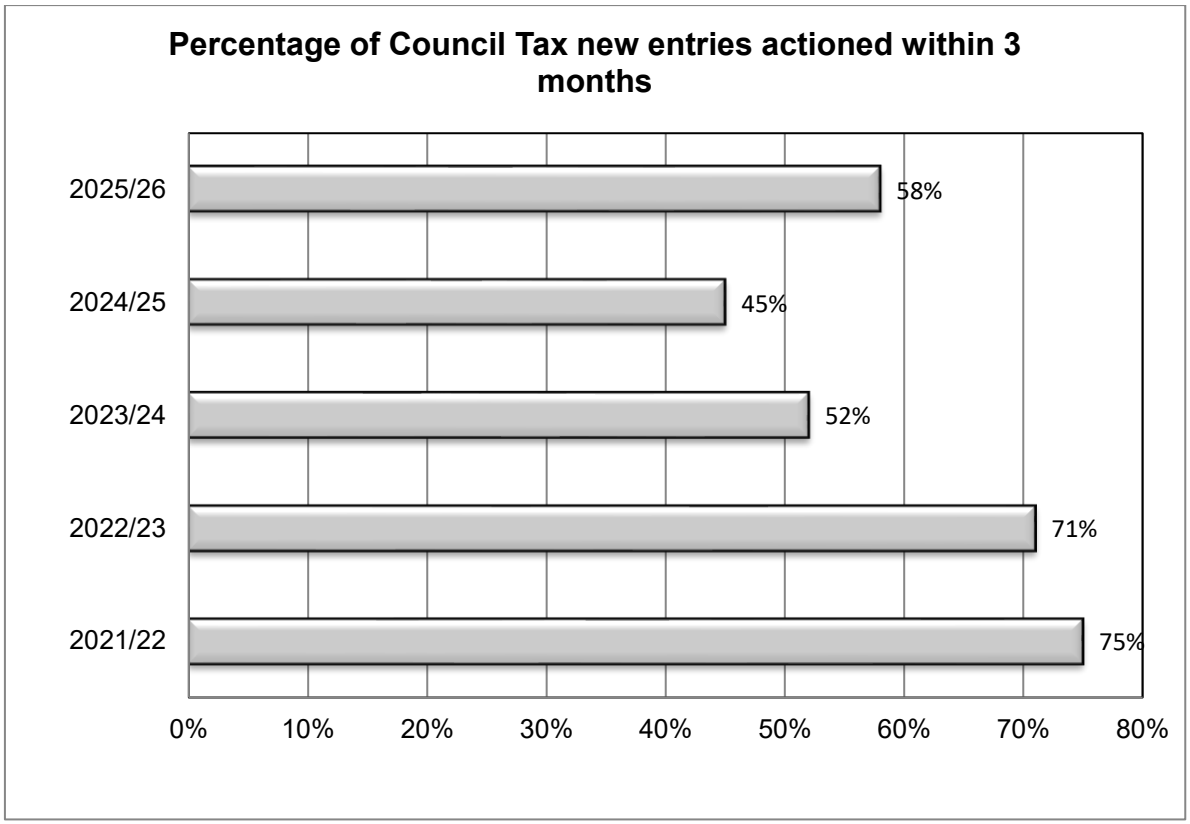
	2021/22	2022/23	2023/24	2024/25	2025/26
Valuation Roll					
Total number of entries	23,569	23,313	23,166	22,980	23,703
Total Rateable Value	£409.6m	£411.9m	£463.3m	£455.9m	£466.6m
No of amendments effected	1,689	1,622	1,881	1,556	1,482
Amendments within time periods					
0-3 months	53%	50%	25%	21%	19%
3-6 months	16%	20%	20%	14%	17%
Over 6 months	31%	30%	55%	65%	64%
Council Tax					
Total no. of entries	144,692	146,050	147,630	149,329	150,819
Adjustment to band D equivalent	141,940	143,445	145,201	147,003	148,614
New entries added	1,934	1,860	2,162	2,142	1,553
New entries within time periods					
0-3 months	75%	71%	52%	45%	58%
3-6 months	16%	20%	15%	14%	14%
Over 6 months	9%	9%	33%	41%	28%
General					
Costs of all permanent staff	£2.214m	£2.330m	£2.437m	£2.747m	£2.846m
Number of FTE staff as at 1 April each year	50.1	49.5	52.4	55.0	53.9

Comparison of Total Rateable Value



Total Number of Valuation Roll entries





Elections and Referenda 2025/26

Five Local Government by-elections were held throughout 2025/26, all of which were in Highland. The elections were Ward 6 (Cromarty Firth) and Ward 10 (Eilean a' Cheo), both held on 19 June 2025, Ward 7 (Tain and Easter Ross) and Ward 11 (Caol and Mallaig) both on 25 September 2025 and Ward 21 (Fort William and Ardnamurchan) which was held on 11 December 2025. The required administrative procedures for each of these elections were successfully dealt with and, in administrative terms, the elections passed without incident.

The revised register of electors was published on 1 December 2025.

2025 Annual Canvass

The annual canvass of electors commenced on 7 July 2025 and household registration forms were posted to all properties in Highland and Western Isles ahead of publication of the Register on 1 December 2025.

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.

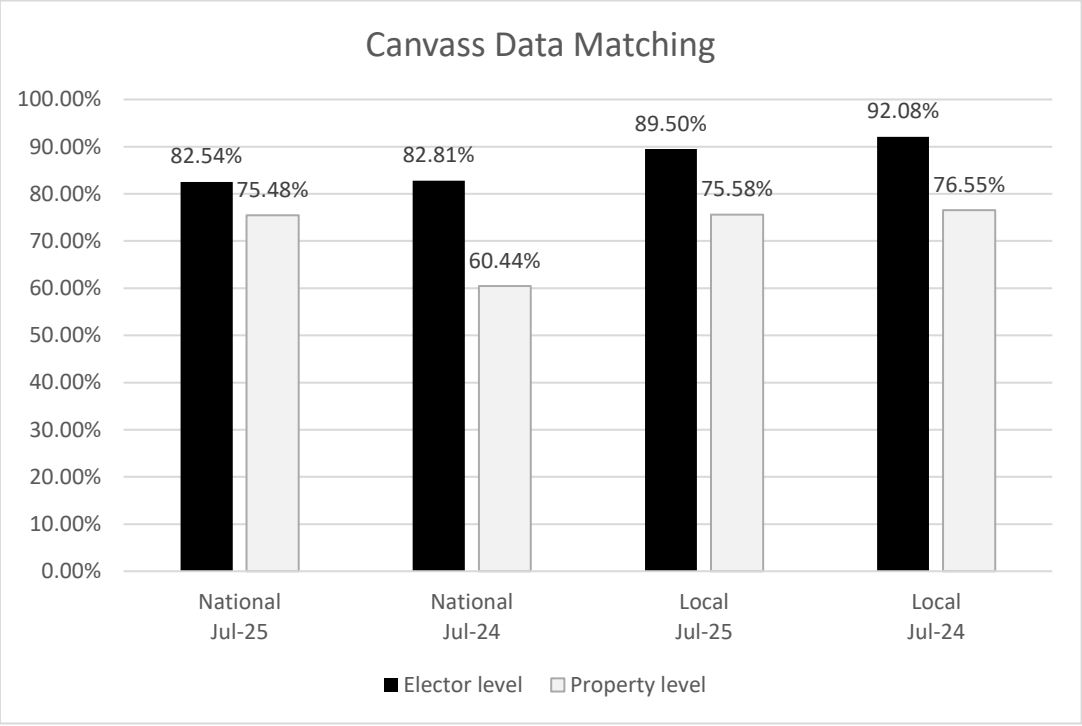
The change in legislation came into effect for the annual canvass in Autumn 2020 and now allows the ERO to carry out a more tailored annual canvass which considers local circumstances and to carry out household matches against local data sets. The legislation also allows for electronic communications 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 2025, 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.

July 2025	National data matching	Local data matching
Elector level	82.54%	89.50%
Property level	75.48%	76.58%

In July 2024 the results were:

July 2024	National data matching	Local data matching
Elector level	82.81%	92.08%
Property level	60.44%	76.55%



There was an overall increase in property matches between 2024 and 2025 while the number of electors matched slightly decreased.

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, 22,817 of properties shifted from route 2 to route 1.

All 109,639 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 26,483 properties which went down route 2 and electors were asked to respond to a canvass form to confirm who lived in the household. Any property that failed to respond was sent a further canvass communication "B" and a total of 37,484 properties received a canvass communication "B".

A total of 39 properties were included in route 3, which were registered residential care homes or Houses in Multiple Occupation. The reduction in numbers from 2024, when there were 199, was due to an earlier write out to Route 3 properties but a shorter deadline date being provided (following Electoral Commission guidance).

Telephone canvassing of 2,487 properties was undertaken prior to commencement of doorstep canvassing of 17,353 properties from October 2025.

As in previous years, the use of e-mail and telephone responses were an option for electors to respond to canvass communications.

A comparison between the 1 February 2025 and 1 December 2025 published registers is as follows:

Local Authority Area	Electorate at 1 February 2025	Electorate at 1 December 2025	Net Change
Highland	189,236	190,352	1,116
Western Isles	21,639	21,626	-13
Total	210,875	211,978	1,103

The publication dates of 1 February 2025 and 1 December 2025 reflect the annual canvass carried out in advance of each date. The write out for the UK absent vote reapplication process may have had a limited effect on the canvass quality on 1 December 2025 but it would not have been measurable in terms of outcomes. It would be expected that between

deaths, young electors being added to the register, and electors moving in and out with the area that there will be some 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 2025	Total No of Electors "Opting-Out" of Open Register	Opt-Outs as %	Total on Open Register
Highland	190,352	120,309	63.20%	70,043
Western Isles	21,626	11,771	54.43%	9,855
Total	211,978	132,080	62.31%	79,898

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.

Some work has begun on comparing statistics from within the electoral management software (EMS) with that of previous years. An example is the comparison between the issue of Invitations to Register (ITR) and their return.

TOTAL ITRs ISSUED PER ANNUM						
Year	Original	%age returned	1st Reminder	%age returned	2nd Reminder	Total
2022	17,356	49.71%	8,728	39.97%	5,239	31,323
2023	19,262	37.53%	12,033	32.36%	8,139	39,434
2024	15,725	31.15%	10,827	22.65%	8,375	34,927
2025	12,964	36.27%	8,262	21.94%	6,449	27,675

An Invitation to Register (ITR) is issued to any potential electors who are identified by a successful response to a canvass communication, through direct contact from an individual or by other local data matching.

The costs vary each year due to the numbers issued and the return rate from the original communication or each reminder. As data matching improves, the number of ITRs issued increases.

In future management commentaries there will be a range of information drawn from the EMS and from that improvements in service can be highlighted and areas can be targeted where service levels are lower.

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 2026 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 and the UK Government. For example, the Board receives Barclay funding, following the Barclay Review in 2017, and funding for the Elections Act 2022.

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, shows how the management accounting information below reconciles to the Annual accounts.

2024/25 Actual £000		2025/26 Budget £000	2025/26 Actual £000	Variance £000
2,849	Staff costs	3,167	2,846	(321)
224	Property costs	208	191	(17)
337	Administration expenses	319	525	206
3	Transport and plant costs	2	1	(1)
392	Supplies and services	394	369	(25)
7	Members' expenses	9	4	(5)
3,812	**Gross expenditure**	4,099	3,936	(163)
(6)	Sales of register etc.	(4)	(2)	2
(154)	Non-specific grants		(65)	(65)
(39)	Financing and Investment income and expenditure	-	(42)	(42)
(199)	**Gross income**	(4)	(109)	(105)
3,613	**Net expenditure**	**4,095**	**3,827**	**(268)**
3	Transfer (from)/to Reserves	(47)	20	67
(3,616)	**Requisition income**	(4,048)	(3,847)	201
-		-	-	-

The net budgeted expenditure of the Board in 2025/26 was £4.095m (2024/25 £3.690m). Actual net expenditure was £3.827m (2024/25 £3.613m) with £0.020m being transferred to reserves (2024/25 £0.003m). There was an underspend of £0.221m in 2025/26, before transfer to reserves (2024/25 £0.077m underspend).

There was capacity to transfer £0.020m 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 £0.201m was returned to the constituent authorities in the same proportion as requisition funding.

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

- There is an underspend due to unfilled vacancies and difficulties experienced in recruiting staff across the organisation. This is particularly noticeable in the valuation sections.
- The overspend in administration expenses is due to several factors being:
  - An overspend on printing, stationery and postages were encountered due to additional work, for which funding was received, on the Elections Act.
  - There continues to be a growth in legal expenses. In particular regarding a valuation case which was heard before the Upper Tribunal for Scotland in November 2025.
- Financing and Investment income and Expenditure is displaying an increase. This relates to Interest on Revenue Balances, but was not budgeted for as it cannot be determined with certainty.

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. £0.020m of the £0.221m 2025/26 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 31/03/25 £000		**Balance at 31/03/26 £000**
185	General Fund Balance	**205**

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

The final requisition, including Barclay funding of £0.425m (2024/25 £0.371m) from the Scottish Government, has been allocated to the constituent authorities as follows:

2024/25		Constituent Authority	2025/26	
£000	**% share**		**£000**	**% share**
3,230	89.3	The Highland Council	**3,437**	**89.3**
386	10.7	Comhairle nan Eilean Siar	**410**	**10.7**
3,616	100.0	Total	**3,847**	**100.0**

Statement of Requisitions 2025/26

Constituent Authority	Population	Budget requisition	Actual requisition	Balance due to constituent authority
	No.	£000	£000	£000
Highland Council	232,132	3,617	3,437	(180)
Comhairle nan Eilean Siar	27,684	431	410	(21)
Total	259,816	4,048	3,847	(201)

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 shows that the Board has a net pension liability of (£0.085m) as at 31 March 2026 (31 March 2025 £0.097m) due to the accrual of pension assets/liabilities in accordance with IAS 19.

The pension liability represents the best estimate of the current value of pension benefits that have been funded by the Board. The liability relates to benefits earned by existing or previous employees up to 31 March 2026.

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

In 2017 the Barclay Review was published, the outcome of which was the passing of the Non-Domestic Rates (Scotland) Act 2020 which implemented a number of the recommendations contained within the report. The report, and subsequent legislation, fundamentally changed the face of non-domestic rating. A five yearly revaluation with a two-year tone date was replaced by a three yearly revaluation with a one-year tone date. The tone date being the date on which the valuations were based on. For example, for the 2026 Revaluation the valuations were effective from 1 April 2026, based on a valuation date of 1 April 2025. This allowed less than one year to value each subject and issue a valuation notice for each. The assessor also published draft valuations at the Scottish Assessors' Association portal at the end of November 2025.

The 2026 revaluation was the second to be carried out under the new regulations and was therefore completed at the end of March 2026. Focus will then turn to the proposals and appeals process now that the valuation stage is complete. The Local Taxation Chamber will continue to list cases for hearing from the 2023 Revaluation. This will provide challenges for valuers as they deal with the outstanding appeals and steer a path through new proposals submitted to challenge Revaluation 2026 valuations. The third annual audit of over five thousand self-catering units, started in February 2026. Due to the timetable to complete the 2026 Revaluation the process did not start until much later in the financial year. The process was largely completed by the end of March 2026, although the Scottish Government has opened a further window for applications at the beginning of 2026/27.

Funding to carry out the work imposed by the Non-Domestic Rates (Scotland) Act 2020 was first put in place in 2019/20 and has continued through to 2025/26. A commitment by the Scottish Government to fund the above noted work in future years will be required for the service to continue to meet the demands of the Act.

It should be highlighted, as in previous years, that the changes above, required, and still require, additional valuation resource. Nationally there are difficulties in recruiting suitably qualified staff especially surveyors with rating experience. The Board's policy of training graduates continues to be successful, but care should be taken to ensure that as more senior members of the valuation team approach retirement there is sufficient succession planning to ensure that there is a continuing programme of training new recruits. With the remaining three graduates sitting their Assessment of Professional Competence in the

spring of 2026, the recruitment process will begin again to bring in a further wave of trainees.

Canvass Reform which commenced in 2020 has 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. The reformed canvass has achieved the following benefits:

- reduced the administrative burden on EROs and the financial burden on taxpayers;
- safeguarded the completeness and accuracy of the registers; and
- maintained the security and integrity of the registers.

One area which has proved to be difficult for the ERO in recent years is the recruitment of canvassers. The number of canvassers over the last few years has dropped and recruitment has proved to be difficult. However, a recruitment drive in 2025/26 has led to an increase in the number of canvassers and it is planned to get them working in advance of the Scottish Parliamentary Elections, both going from door to door, and where possible assisting staff within the Board's offices. It is worth noting that canvassers find that the information that they are collecting has diminished over time to such a point that, were it not a statutory obligation, it would be difficult to justify on grounds of cost.

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 Assessors' 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.

Although recruitment and retention issues persist, work has been carried out with Human Resources at The Highland Council, to create career pathways within the organisation. This piece of work, which was approved by the Board at its March meeting, will be circulated to staff for comments prior to consultation with unions. Once it has gone through these stages it will be implemented.

It is acknowledged that due to the complexities of both processes and timetables that the skillset needed to carry out all areas of administration requires wider qualities than previously required. To this end it is envisaged that, through the career pathways, training

plans and mentorship, staff will have greater opportunities to develop. Creating knowledgeable and stable teams is key to the future of the service, especially in the face of continuing legislative change. It is anticipated that the above steps will lead to greater collaboration between the valuation and electoral teams at times of high workloads. Examples would be around major elections and revaluations.

The Assessor acknowledges that for good governance staff who carry out the statutory functions of the Board require support to enable them to carry out not only these functions but meet the requirements of data protection legislation, public records and freedom of information. The Assessor has noted some slippage in completing outstanding audit actions and with support in place will set about addressing these issues in the first half of 2026/27.

Barclay funding for 2026/27 has increased by £0.099m. Presently there is no planned Barclay funding for future years. 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 cannot be stressed enough the extra workload that the service is under due to the annual audit of self-catering units. This additional burden requires a range of staff from valuation, technical and clerical to administer a process, which, due to the result of either a lack of return or a late return, and in turn the legislative consequences can lead to difficult and fraught conversations.

The Assessor will continue to be required to ensure proper dialogue with the constituent authorities so that there is a full financial plan and that adequate resources are available going forward when councils are facing funding constraints.

Working Environment

With a trend towards hybrid working, the Assessor views this as an opportunity to create a greater work life balance for staff. Pressures of both the implementation of the Barclay Review and the Elections Act, and vacancies within the service have curtailed this being formally brought in. Steps are being taken to create a more flexible environment which meets, not only the needs of staff, but that of the service going forward. Staff are being

encouraged to look at both workloads and timetables around stress points to best plan such flexibility.

The physical environment in the Inverness office is being adapted to meet the needs of a hybrid workforce. This includes hot desking and associated lockers, provision of meeting spaces and interview rooms. This is partially being met by the freeing up of physical space as paper files become digitised, and savings from the renegotiated rent on the Inverness office.

In an increasingly digital world, making services accessible for customers to contact the service are being established. An example is that self-catering operators can supply all their documentation at the annual audit through the SAA portal. The Board continually strives to look at all areas where stakeholders can be served better, whether that be digitally, remotely and, for those that need assistance, in person. Any steps taken should not diminish the service provided.

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 impacted by uncertainty and ongoing pressure on public sector budgets and funding. 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 Liabilities of (£0.085m) (2024/25 liabilities of £0.097m) have a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall balance of £0.007m (2024/25: overall balance £0.059m). 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 for the Annual Accounts
Aithris Dhleastanasan airson nan Cunntasan Bliadhnail

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 Chief Officer - 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

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 2025/26 (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 2026.

Brian Porter CPFA
Treasurer

Annual Governance Statement
Aithris Riaghlachais Bhliadhnail

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.

The governance framework has been in place at The Highland and Western Isles Valuation Joint Board for the year ended 31 March 2026 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 2025/26 Code of Corporate Governance (Highland and Western Isles Valuation Joint Board - corporate governance policies | Code of Corporate Governance 2025/2026) 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 report.

The Internal Audit Service operates in accordance with the Global Internal Audit Standards (GIAS) in the UK Public Sector. Details of the assessment of conformance with the GIAS, and the results of the Quality Assurance and Improvement Programme is included within the Highland Council's Internal Audit Annual Report 2025/26. Internal Audit Annual Report 2025/26 This report was considered by the Council's Audit Committee on 27/05/26.

In accordance with the GIAS requirements, a risk based tactical audit plan is produced each year and submitted for approval to the Valuation Joint Board. The 2025/26 Internal Audit Annual Plan was approved by the Board on 10/06/25 and this comprised of the following audit reviews:

- Maintenance of Self-Catering Units (SCUs) on the valuation roll
  This review had been carried forward from the 2024/25 audit plan. The report carried a Limited Assurance opinion as it was concluded that whilst a significant amount of work had been undertaken, the Years 1 and 2 audits had not been concluded. However, it was recognised that the Board area had the highest number of SCUs in Scotland (32%). The report contained 3 High and 6 Medium priority recommendations and was considered by the Board on 07/10/25.

- Staff Development
  This review focused on induction, mandatory training, employee training/ development, and succession planning. The audit report was provided to the Board meeting of 16/12/25. It had the opinion of Limited Assurance and had 2 High and 7 Medium priority recommendations. Overall, the report concluded that whilst there was evidence of commitment to staff development, the lack of formal policies, structured processes, and strategic oversight limited the effectiveness and resilience of current arrangements.

- Payroll
  This audit is being coordinated with a review of the Highland Council's Payroll processes as they use the same systems. Fieldwork is underway and it is anticipated that the audit report will be presented to the next Board meeting on 25/09/26.

As part of the audit process, all audit recommendations are action tracked to ensure that the associated management actions were implemented as agreed. Monthly tracking is undertaken whereby individual actions are then tracked once their due date has passed.

The action tracking process also allows for revision of the agreed action target dates. Again, these are tracked once the revised target date has passed.

The position as at 31/03/26 shows 15 open actions, 14 (93%) with revised target dates. Whilst operational pressures within the Office of the Assessor and ERO are recognised, the lack of progress in addressing actions in a timely manner is of concern. Therefore, improvement in this area is expected and will be monitored during 2026/27 with updates provided to the Board. This is summarised in the table below with further commentary provided.

Note: More than one action may have been agreed in response to a recommendation.

Name	Date	High		Medium		Low		Total open actions
		No. recs	Open actions	No. recs	Open actions	No. recs	Open actions	
Information Management Arrangements	12/02/24	0	0	5	1	1	0	1
Maintenance of Self-Catering Units on the Valuation Roll	02/09/25	3	2	6	3	0	0	5
Staff Development	21/11/25	2	1	7	8	0	0	9
Total		**5**	**3**	**18**	**12**	**1**	**0**	**15**

(1) Information Management Arrangements (1 Medium priority action)
The action was in respect of ensuring that there were appropriate security measures in place for a cloud-based system. Guarantees about the technical and organisational security measures governing the processing carried out and the steps to ensure compliance with those measures have been obtained from the system provider and have now been submitted for consideration by internal audit. Further evidence of independent security verification is being requested from the supplier. (Original target date 31/05/24, revised action date 31/08/26).

(2) Maintenance of Self-Catering Units (SCU) on the Valuation Roll (2 High, 3 Medium priority actions)

High priority actions:

i. All outstanding tasks relating to the Year 1 SCU audit exercise should be completed:

(i) Check that all SCUs included on the Valuation Roll on 01/04/23, other than those excluded for specified reasons, had been issued with a communication and take appropriate action where gaps are identified.

(ii) Resolve all open/unresolved cases and action all outstanding transfers to Council Tax.

The agreed actions were to: (i) Identify any outstanding tasks including (ii) the processing of cases which are presently displaying as unresolved. Further progress has been made with several transfers to Council Tax carried out but there remain a number of outstanding cases. (Original target date 31/01/26, revised action date 30/06/26).

ii. All outstanding tasks relating to the Year 2 SCU audit exercise should be completed:
(i) Establish which SCUs included on the VR on 01/04/24, other than those excluded for specified reasons, and issue them with a communication. This should include those previously excluded due to open/unresolved Year 1 cases.
(ii) Resolve all open/unresolved cases and then action all outstanding transfers to Council Tax.

The regulations governing the SCU audit changed from those applied for the 2022/23 audit. The initial audit was open-ended whereas the 2023/24 had a cut-off date which acted as a guillotine, and as such late returns or non-returns were placed on the Council Tax list even if they were operated as a SCU. Further progress has been made with the benefit of further amendment to the regulations providing an additional time-window late 2025, which permitted a significant number of cases to be closed and remain on the Valuation Roll. Several transfers to Council Tax carried out but there remain 64 outstanding cases, the majority of which are due to be transferred to Council Tax for 2023/24. (Original target date 31/01/26, revised action date 31/07/26).

Medium priority actions:

iii. A more structured approach should be taken to reporting on the progression of each SCU audit exercise to senior management and the VJB. This should be facilitated by improved reporting from CAS, and the information should be presented to senior management and the VJB in a consistent manner. Progress has been made in terms of system functionality, but the formal reporting structure is still to be determined. (Original target date 31/12/25, revised action date 31/07/26).

iv. A handwritten list of bookings should not be accepted as evidence that letting requirements had been met. Ideally, the owner/ occupier should be contacted for further information or alternatively the property could be deemed to have failed to meet the requirements. In response it was acknowledged that the quality of returns varied and each case would be treated on its own merits within the legislative framework. This was to be addressed in updated guidance. Whilst some steps have been taken to address this, guidance has not been updated. In the meantime, staff were reminded by email on 26/05/26 that they

should contact property owners for further information where returns are incomplete/ unclear or in an unusual format (e.g. handwritten) and ultimately refer any unclear returns where no further information is forthcoming to the valuers, who in turn can refer to divisional valuers if necessary. (Original target date 30/09/25, revised action date 30/06/26).

v. Processes to be updated to ensure regular checking of each member of staff's handling of cases. Training documentation to be updated. Whilst some steps have been taken to address this, the guidance requires to be updated. (Original target date 30/09/25, revised action date 31/05/26).

(3) Staff development (1 High priority and 8 Medium priority actions).

i. High priority - Formal succession planning framework to be developed. Knowledge sharing and role shadowing to be embedded into ongoing operations. Work in progress and following a review of the staff structure a number of new supporting role posts have been filled and further posts are in the process of being rolled out. (Original target date 17/02/26, revised action date 31/08/26).

Medium priority actions:

ii. A formal training and development policy will be produced. A staff consultation regarding the schemes has just concluded and are now out for consultation by the Unions. (Original target date 17/02/26, revised action date 31/08/26).

iii. Structured training and development plan to be developed and implemented. Process to be introduced for regular review and update of training and development policy and plan, and subsequent approval. (Original target date 30/06/26, revised action date 31/08/26).

iv. Structured ERD process to be reinstated with outcomes feeding into a formal training plan. Work in progress, process delayed due to work on revaluation and SP election. (Original target date 31/12/25, revised action date 31/08/26).

v. Individual training needs to be centrally collated and analysed to identify common themes and enable coordinated provision. Although reinstatement of ERD process is a work in progress, process has been delayed due to work on revaluation and SP election. Revised date agreed to allow sufficient time to collate and analyse training needs identified during ERD interviews. (Original target date 30/04/26, revised action date 30/11/26).

vi. Functionality of the Traineasy system should be explored with Highland Council's People Development, with the aim of replacing the current manual, spreadsheet-based method for recording and monitoring mandatory training.

Meantime, manual spreadsheet has been updated and is under further review. (Original target date 31/05/26, revised action date 31/08/26).

vii. Written instructions to be developed, reviewed, and maintained for all key activities identified in the Service Plan. (Original target date 31/08/26).

viii. Centralised framework for skills gap analysis to be developed and skills audits to be extended to all staff groups. Process to be aligned with ERD framework. This is currently work in progress. (Original target date 30/06/26, revised action date 31/08/26).

ix. Formal workforce plan to be developed and reviewed regularly thereafter/progress reported to HWIVJB. Continues to be a work in progress and following a review of the staff structure a number of new supporting role posts have been filled and further posts are in the process of being rolled out. (Original target date 17/02/26, revised action date 31/08/26).

On the basis of the work undertaken during the year, it is 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 framework of governance, risk management and control for the year to 31st March 2026.

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 ensure 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; and

  - 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.

Laurie Fraser
Convener

Frank W Finlayson MRICS
Assessor and Electoral Registration Officer

Remuneration Report
Aithisg Tuarastail

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 will be 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. 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.

3. Remuneration

3.1 Remuneration of Senior Employees of the Board

Total Remuneration including salary, fees and allowances

2024/25	Name and Post Title	2025/26
£		**£**
116,780	Frank W Finlayson, Assessor and ERO from 05/01/2023	**121,502**
96,965	Roy Christie, Depute Assessor & ERO from 01/03/2024	**100,979**
70,176	Stephen Mackenzie, Assistant Assessor from 07/11/2023	**79,504**
67,828	Mandy Thomson, Depute ERO Business Manager from 23/07/2023	**72,558**

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.

3.2 Remuneration by Pay Band

The number of Board employees who received remuneration of £50,000 or more during the year are shown in the table below in bands of £5,000.

2024/25 Number	Salary Band	2025/26 Number
4	£50,000-£54,999	1
2	£55,000-£59,999	2
1	£60,000-£64,999	1
2	£65,000-£69,999	1
1	£70,000-£74,999	2
-	£75,000-£79,999	1
1	£95,000-£99,999	-
-	£100,000-£104,999	1
1	£115,000-£119,999	-
-	£120,000-£124,999	1

3.3 Senior Councillors and Conveners and Vice Conveners of Joint Boards

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

2024/25 £	Councillor Name and Responsibility	2025/26 £
4,839	L Fraser - Convener from 20/06/2022 to 31/03/2026	**2,240**
144	D Crichton – Vice Convener from 20/06/2022 to 31/03/2026	**278**

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.

2024/25 £	Type of Remuneration	2025/26 £
5,532	Salaries & expenses	2,518

The annual return of Councillors' salaries and expenses for 2025/26 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 2025 to 2026 (highland.gov.uk).

4. Pension Benefits

The pension entitlements of senior employees for the year to 31 March 2026 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year.

	In-year pension contributions		Accrued Pension Benefits		
	For year to 31/03/25	For year to 31/03/26		As at 31/03/26	Difference from March 2025
Name and Post Title	**£**	**£**		**£000**	**£000**
Frank W Finlayson, Assistant Assessor and ERO to 04/01/2023; Assessor and ERO from 05/01/2023	20,292	21,104	**Pension**	60	5
			Lump Sum	88	3
Roy Christie, Depute Assessor & ERO from 01/03/2024	4,206	17,498	**Pension**	3	3
			Lump Sum	-	-
Stephen Mackenzie, Assistant Assessor from 07/11/2023	12,137	12,951	**Pension**	29	3
			Lump Sum	24	2
Mandy Thomson, Depute ERO Business Manager from 23/07/2023	11,334	12,370	**Pension**	28	2
			Lump Sum	30	1

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 2025/26 are shown in the following tables with prior year comparisons:

The 2025/26 contribution tiers and rates are as follows:

Pensionable pay	Contribution rate
On earnings up to and including £27,500	5.50%
On earnings above £27,501 and up to £33,600	7.25%
On earnings above £33,601 and up to £46,100	8.50%
On earnings above £46,101 and up to £61,400	9.50%
On earnings above £61,401	12.00%

2024/25 contribution tiers and rates:

Pensionable pay	Contribution rate
On earnings up to and including £27,000	5.50%
On earnings above £27,000 and up to £33,000	7.25%
On earnings above £33,000 and up to £45,300	8.50%
On earnings above £45,300 and up to £60,400	9.50%
On earnings above £60,400	12.00%

The 2025/26 employer's contribution rate is 17.5% of pensionable pay (2024/25: 17.5%).

5. Trade Union Facility Time

In 2025/26 there was no Trade Union Official within the Valuation Service (2024/25: None).

6. Exit Packages

There were no exit packages committed by the Board in either 2025/26 or 2024/25.

Laurie Fraser
Convener

Frank W Finlayson MRICS
Assessor and Electoral Registration Officer

Independent Auditor's Report
Aithisg Neach-sgrùdaidh Neo-eisimeilich

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 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including material accounting policy information. 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 2025/26 (the 2025/26 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Highland and Western Isles Valuation Joint Board as at 31 March 2026 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 2025/26 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 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 the 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 was not provided to the 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.

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 the 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 the 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 the 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 the 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;
- 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, Annual Governance Statement, Statement of Responsibilities 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

Comprehensive Income and Expenditure Statement (CIES)
Aithris Teachd-a-steach agus Caiteachais Ioma-chuimseach

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.

2024/25					2025/26		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Notes**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
2,944	-	2,944	Staff costs		2,882	-	2,882
199	-	199	Property costs		205	-	205
337	-	337	Administration expenses		525	-	525
3	-	3	Transport and plant costs		1	-	1
392	-	392	Supplies and services		369	-	369
7	-	7	Members Expenses		4	-	4
-	(6)	(6)	Income		-	(2)	(2)
3,882	**(6)**	**3,876**	**Cost of Services**	1	**3,986**	**(2)**	**3,984**
		(110)	Financing and Investment income and expenditure	7			(8)
		(3,770)	Taxation and non-specific grant income	8			(3,913)
		(4)	**(Surplus)/Deficit on provision of services**				**63**
		2,216	Re-measurements of the net defined benefit liability/asset	12			(11)
		2,212	**Total comprehensive income and expenditure**				**52**

The Accounting Policies and Notes to the Accounts form part of these financial statements.

Movement in Reserves Statement 2025/26
Aithris Gluasad ann an Cùl-stòran 2025/26

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.

	Notes	General Fund	**Total Usable Reserves**	Capital Adjustment Account	Pension Reserve	Employee Statutory Mitigation Account	**Total Reserves**
		£000	**£000**	£000	£000	£000	**£000**
Balance at 31 March 2025		185	**185**	(4)	(97)	(25)	**59**
Movement in reserves during 2025/26							
Total Comprehensive Income and Expenditure		(63)	**(63)**	-	11	-	**(52)**
Adjustments between accounting basis and funding basis under regulations	9	83	**83**	(42)	1	(42)	**-**
Increase/ (decrease) in 2025/26		20	**20**	(42)	(12)	42	**(52)**
Balance at 31 March 2026		205	**205**	(46)	(85)	(67)	**7**

The Accounting Policies and Notes to the Accounts form part of these financial statements.

Movement in Reserves Statement 2024/25
Aithris Gluasad ann an Cùl-stòran 2024/25

	Notes	General Fund	**Total Usable Reserves**	Capital Adjustment Account	Pension Reserve	Employee Statutory Mitigation Account	**Total Reserves**
		£000	**£000**	£000	£000	£000	**£000**
Balance at 31 March 2024		182	**182**	-	2,118	(29)	**2,271**
Movement in reserves during 2024/25							
Total Comprehensive Income and Expenditure		4	**4**	-	(2,216)	-	**(2,212)**
Adjustments between accounting basis and funding basis under regulations	9	(1)	**(1)**	(4)	1	4	**-**
Increase/(decrease) in 2024/25		3	**3**	(4)	(2,215)	4	**(2,212)**
Balance at 31 March 2025		185	**185**	(4)	(97)	(25)	**59**

Balance Sheet
Duilleag Chothromachaidh

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'.

31/03/25 £000		Notes	**£000**	**31/03/26 £000**
530	Right of Use Asset	14	463	
530	**Long term assets**			**463**
24	Short term debtors	15	16	
635	Cash and cash equivalents		718	
659	**Current assets**			**734**
(525)	Short term creditors	16	(623)	
(525)	**Current liabilities**			**(623)**
(97)	Pension liability	12	(85)	
(508)	Lease liability	14	(482)	
(605)	**Long term liabilities**			**(567)**
59	**Net assets/(liabilities)**			**7**
185	General Fund			205
(4)	Capital Adjustment Account	10		(46)
(97)	Pension Reserve	10		(85)
(25)	Employee Statutory Mitigation Account	10		(67)
59	**Total reserves**			**7**

The Accounting Policies and Notes to the Accounts form part of these financial statements.

Highland and Western Isles Valuation Joint Board
Audited Annual Accounts 2025/26

The unaudited annual accounts were issued on 11th June 2026 and the audited annual accounts were authorised for issue on 2nd November 2026.

Brian Porter CPFA
Treasurer

Cash Flow Statement
Aithris Sruth-airgid

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.

31/03/25 £000		31/03/26 £000
4	Net surplus/(deficit) on the provision of services	(63)
	Adjust net deficit on the provision of services for non-cash movements	
116	(Re-measurement of the net defined benefit liability from Income and Expenditure Statement and the movement in debtors and creditors from balance sheet)	146
(39)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(42)
81	Net cash inflow/(outflow) from operating activities	**41**
39	Financing activities	42
120	Net increase/(decrease) in cash and cash equivalents	**83**
515	Cash and cash equivalents at the beginning of the year	**635**
635	**Cash and cash equivalents at the end of the year**	**718**

The Accounting Policies and Notes to the Accounts form part of these financial statements.

Accounting Policies and Notes to the Accounts
Poileasaidhean Cunntasachd agus Notaichean air na Cunntasan

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.

2025/26	**Net Expenditure chargeable to the General Fund**	**Adjustments between Funding & Accounting Basis**	**Net Expenditure in the CIES**
	£000	**£000**	**£000**
Staff costs	2,846	36	2,882
Property costs	191	14	205
Administration expenses	525	-	525
Transport and plant costs	1	-	1
Supplies and services	369	-	369
Members Expenses	4	-	4
Income	(2)	-	(2)
Net Cost of Services	3,934	50	3,984
Other Income and Expenditure:	(3,954)	33	(3,921)
(Surplus)/Deficit	(20)	83	(63)

General Fund Movements:	
Opening Balance	185
Surplus on General Fund	20
Closing Balance	**205**

2024/25	Net Expenditure chargeable to the General Fund	Adjustments between Funding & Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000
Staff costs	2,849	95	2,944
Property costs	224	(26)	198
Administration expenses	337	-	337
Transport and plant costs	3	-	3
Supplies and services	392	-	392
Members Expenses	7	-	7
Income	(6)	-	(6)
Net Cost of Services	3,806	69	3,875
Other Income and Expenditure:	(3,809)	(70)	(3,879)
(Surplus)/Deficit	(3)	(1)	(4)
General Fund Movements:			
Opening Balance	182		
Surplus on General Fund	3		
Closing Balance	**185**		

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 2025/26

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments	Net Change for the Lease Adjustments	Adjustment for Employee Annual Leave Accrued	Total Adjustments
	£000	£000	£000	£000
Staff costs	(6)	-	42	36
Property Costs	-	14	-	14
Net Cost of Services	(6)	14	42	50
Other Income and expenditure	5	28	-	33
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	**(1)**	**42**	**42**	**83**

Adjustments between Funding & Accounting Basis 2024/25

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	**Net Change for the Pensions Adjustments**	**Net Change for the Lease Adjustments**	**Adjustment for Employee Annual Leave Accrued**	**Total Adjustments**
	£000	£000	£000	£000
Staff costs	99	-	(4)	95
Property Costs	-	(26)	-	(26)
Net Cost of Services	99	(26)	(4)	69
Other Income and expenditure	(100)	30	-	(70)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services	**(1)**	**4**	**(4)**	**(1)**

3. Accounting Policies

General principles

The Annual Accounts summarise the transactions of the Board for the 2025/26 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 2025/26, supported by International Financial Reporting Standards (IFRS).

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

Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.

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

Cash and cash equivalents

The Highland Council loans fund provides all the operational banking requirements of the Board and manages treasury risks in line with the Highland Council's Treasury Management Strategy Statement
https://www.highland.gov.uk/item_4_treasury_management_strategy_statement_and_investment_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 £0.718m (2024/25 £0.635m) represents the positive balance in Valuation Board funds that temporarily sits with the Highland Council loans fund.

Employee benefits

Benefits payable during employment

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

Post-Employment Benefits

Employees of the Board are admitted to the Highland Council Pension Fund which administers the Local Government Pension Scheme. As of 1 April 2015, this is a defined benefit career

average revalued earnings (CARE) scheme. In addition, the Board has liabilities for discretionary pension payments outside the main scheme.

Local Government Pension Scheme

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

- The liabilities of the Highland Council Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings of current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the constituents of the iBOxx AA 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 comprising:

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

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

Discretionary Benefits

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

Events after the reporting period

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

Adjusting events

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

Non-adjusting events

- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would

have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Financial Instruments

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

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

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

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

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

Government grants and contributions

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

- The Board will comply with the conditions attached to the payments
- 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.

Leases

The Board as a lessee

The Board classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Board initially recognises lease liabilities measured at the present value of lease payments, discounting by applying Highland Councils incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Board is reasonably certain to exercise
- lease payments in an optional renewal period if the Board is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the Board is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Board considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Board changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Board excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and

- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

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 and amendments to existing standards will be adopted within the 2026/27 Code effective from 1 April 2026. There is therefore no impact on the 2025/26 financial statements.

- FRS 102 The Financial Reporting Standard issued in March 2024, amendments to Heritage assets.
- IFRS 7 & 9 Financial Instruments issued May 2024, amendments to classification and measurement of financial instruments.
- Annual Improvements to IFRS accounting standards – Volume 11 issued in July 2024.
- IFRS 9 Financial Instruments issued December 2024, amendments to contract referencing nature dependant electricity.

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 2026 for which there is a significant risk of material adjustment in the forthcoming financial year is the pension asset/liability. Estimation of the net asset/liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Board with expert advice about the assumptions to be applied.

The impact of changes in the assumptions used on the pension 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% (£17k) change in employer liability, change to pension of 0.1% likely to be approximately 1% (£225k) and change of 0.1% to the discounting of fund liabilities to be approximately 2% (£243k).

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

2024/25 £000		2025/26 £000
(100)	Pensions net interest	**5**
29	Lease interest payable	**28**
(39)	Interest receivable	**(41)**
(110)		**(8)**

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

2024/25 £000		2025/26 £000
(3,616)	Requisitions from constituent authorities (includes Barclay funding)	**(3,847)**
(154)	Non-specific grant income	**(66)**
(3,770)		**(3,913)**

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

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

	Notes	General Fund	Pension Reserve	Capital Adjustment Account	Employee Statutory Mitigation Account	**Total 2025/26**
		£000	£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	353	(353)	-	-	**-**
Employers' pension contributions and direct payments to pensioners payable in the year	12	(354)	354	-	-	**-**
Adjustments involving the Capital Adjustment Account						
Charges for depreciation of non-current assets	14	68	-	(68)		**-**
Repayment of IFRS16 Lease Creditors	14	(26)		26		
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	42	-	-	(42)	**-**
Total adjustments		**83**	**1**	**(42)**	**(42)**	**-**

	Notes	General Fund	Pension Reserve	Capital Adjustment Account	Employee Statutory Mitigation Account	**Total 2024/25**
		£000	£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	345	(345)	-	-	**-**
Employers' pension contributions and direct payments to pensioners payable in the year	12	(346)	346	-	-	**-**
Adjustments involving the Capital Adjustment Account						
Charges for depreciation of non-current assets	14	67	-	(67)		**-**
Repayment of IFRS16 Lease Creditors	14	(63)		63		
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	(4)	-	-	4	**-**
Total adjustments		**(1)**	**1**	**(4)**	**4**	**-**

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, asset ceiling adjustments have been applied as per IFRIC 14. See Note 12 for further details.

2024/25 £000			**2025/26 £000**
2,118	Opening balance at 1 April		**(97)**
(207)	Return on plan assets (excluding the amount included in the net interest expense)	**216**	
2,616	Actuarial gain/(loss) arising on changes in financial assumptions	**460**	
(4,815)	IFRIC 14 Asset Ceiling Adjustment	**-**	
-	Changes in the effect of the asset ceiling	**(450)**	
29	Actuarial gain arising on changes in demographic assumptions	**(97)**	
161	Experience adjustments	**(119)**	
(2,216)			**11**
(345)	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		**(353)**
346	Employer's pension contributions and direct payments to pensioners payable in the year		**354**
(97)	Closing balance at 31 March		**(85)**

(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.

2024/25 £000		2025/26 £000
(29)	Opening balance at 1 April	**(25)**
29	Settlement or cancellation of accrual made at the end of the preceding year	**25**
(25)	Amounts accrued at the end of the current year	**(67)**
(25)	Closing balance at 31 March	**(67)**

(c) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2024/25 £000		2025/26 £000
-	Opening balance at 1 April	**(4)**
(67)	Charges for depreciation on lease liabilities	**(68)**
63	Repayment of IFRS16 creditors	**26**
(4)	Closing balance at 31 March	**(46)**

11. External audit costs

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

2024/25 £		2025/26 £
9,510	External audit costs	**11,947**

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.

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25	2025/26	2024/25	2025/26
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement (CIES)				
Cost of services				
Current service cost	445	348	-	-
	445	348	-	-
Financing and investment income and expenditure				
Net interest expense	(104)	0	5	5

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25	2025/26	2024/25	2025/26
	£000	£000	£000	£000
Total post-employment benefits charged to the deficit on the provision of services	**341**	**348**	**5**	**5**
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)	207	(216)	-	-
Actuarial (gain)/loss arising on changes in financial assumptions	(2,612)	(460)	(4)	(1)
IFRIC 14 Asset Ceiling Adjustment	4,815	-	-	-
Changes in the effect of the asset ceiling	-	450	-	-
Actuarial (gain) arising on changes in demographic assumptions	(29)	97	-	-
Experience adjustments	(156)	127	(5)	(8)
Total post-employment benefits charged to the CIES	**2,225**	**(2)**	**(9)**	**(9)**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25	2025/26	2024/25	2025/26
	£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	(836)	(348)	(5)	(5)
Actual amount charged against the General Fund balance for pensions in the year				
Employers' contributions payable to the scheme	331	346	5	5
Total movement in reserves in respect of post-employment benefits	**(505)**	**(2)**	**-**	**-**

Pension assets and liabilities recognised in the Balance Sheet

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2024/25 £000	2025/26 £000	2024/25 £000	2025/26 £000
Present value of the defined benefit obligation	(15,426)	(15,901)	(97)	(85)
Fair value of pension fund assets	20,241	21,445	-	-
IFRIC 14 Asset Ceiling Adjustment	(4,815)	(5,544)	-	-
Net asset/(liability) arising from defined benefit obligation	**-**	**-**	**(97)**	**(85)**

The liabilities show the underlying commitments that the Board has in the long term to pay post-employment (retirement) benefits. The net liability to the Board in 2025/26 of £0.085m (Board LGPS net asset £0.000m less discretionary benefits arrangement net liability £0.085m) (2024/25 £0.097m (Board LGPS net asset £0.000m less discretionary benefits arrangement net liability £0.097m)) has a substantial impact on the net worth of the Board as recorded in the balance sheet.

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.

In 2024/25 the calculation identified that the economic benefit reductions were to be floored at £0 which then became the asset ceiling. Therefore, as this was lower than the surplus in the defined benefit plan an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

In 2025/26 the calculation identified that the economic benefit reductions were to be floored at £0 which then became the asset ceiling. Therefore, as this was lower than the surplus in the defined benefit plan an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

Information about the defined benefit obligation – Funded obligations

	Liability split	
	£000	**Percentage (%)**
Active members	6,578	41.4%
Deferred members	2,615	16.4%
Pensioner members	6,708	42.2%
Total	**15,901**	**100.0%**

Reconciliation of the movements in the fair value of scheme assets

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**	
	2024/25 £000	**2025/26 £000**	**2024/25 £000**	**2025/26 £000**
Opening fair value of scheme assets	19,709	20,241	-	-
Interest income	941	1,169	-	-
Return on plan assets	(207)	216	-	-
Other remeasurements	-	-	-	-
Contributions by employer	336	346	10	8
Contributions by Scheme participants	119	126	-	-
Estimated benefits paid (net of transfers in)	(657)	(653)	-	-
Unfunded benefits paid	-	-	(10)	(8)
Closing fair value of scheme assets	**20,241**	**21,445**	**-**	**-**
IFRIC 14 Asset Ceiling Adjustment	**(4,815)**	**(5,544)**	-	-
Adjusted closing fair value of scheme assets	**15,426**	**15,901**	**-**	**-**

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	
	31/03/2025	31/03/2026	31/03/2025	31/03/2026
	£000	£000	£000	£000
Opening defined benefit obligation	17,480	15,426	111	97
Current service cost	445	348	-	-
Interest cost	836	890	5	5
Contributions by scheme participants	119	126	-	-
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in financial assumptions	(2,613)	(459)	(4)	(1)
Actuarial (gains) from changes in demographic assumptions	(29)	97	-	-
Experience adjustments	(155)	126	(5)	(8)
Estimated benefits paid (net of transfers in)	(657)	(653)	-	-
Unfunded pension payments	-	-	(10)	(8)
Closing value	**15,426**	**15,901**	**97**	**85**

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:

2024/25		2025/26
6%	**Cash and cash equivalents**	3%
	Equity Securities:	
	By industry type	
8%	Consumer	3%
4%	Manufacturing	3%
0%	Energy and utilities	0%
3%	Financial institutions	2%
2%	Health and care	1%
3%	Information technology	2%
0%	Other	0%
	Debt Securities:	
	By sector	
15%	Corporate bonds	14%
12%	UK Government	12%
6%	Other	5%
6%	**Private Equity**	6%
	Property:	
9%	UK	7%
	Investment funds and unit trusts:	
16%	Equity	31%
0%	Bonds	0%
0%	Hedge funds	0%
0%	Commodities	0%
6%	Infrastructure	7%
4%	Other	4%
100%	Total	**100%**

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

31/03/25 £000	Fair value of pension fund assets	31/03/26 £000
	Financial Instruments	
15,781	Quoted in an active market	**16,853**
4,460	Not quoted in an active market	**4,592**
(4,815)	IFRIC 14 Asset Ceiling Adjustment	**(5,544)**
15,426	Subtotal equity instruments	**15,901**

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 2023.

The significant assumptions used by the actuary have been:

2024/25		2025/26
	Mortality Assumptions: Longevity at 65 for current pensioners (years)	
21.4	Men	**21.8**
23.6	Women	**23.8**
	Longevity at 65 for future pensioners (years)	
22.6	Men	**23.0**
25.2	Women	**25.3**
2.80%	Rate of inflation	**3.00%**
3.60%	Rate of increase in salaries	**3.80%**
2.80%	Rate of increase in pensions	**3.00%**
5.80%	Rate for discounting fund liabilities	**6.20%**
-	Take up option to convert annual pension into retirement lump sum (pre-2009)	**-**
-	Take up option to convert annual pension into retirement lump sum (post 2009)	**-**
65.00%	Take up option to convert annual pension into retirement lump sum (future retirements)	**65.00%**

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.

	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%	243
1 year increase in member life expectancy	4%	639
0.1% increase in the Salary Increase Rate	0%	17
0.1% increase in the Pension Increase Rate (CPI)	1%	225

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 2023 for the 2025/26 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 2027 will be approximately £0.346m.

The weighted average duration of the defined benefit obligation for scheme members is 15.0 years (15.0 years 2024/25).

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 £3.437m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board (2024/25 £2.937m).

In addition, Highland Council provides administrative, financial and ICT services to the Board. In 2025/26 the Board paid £0.226m to the Highland Council for these services (2024/25 £0.246m). Rent of £0.008m (2024/25 £0.008m) per annum is paid to Wick Common Good Fund, which is a subsidiary of Highland Council.

At the year-end there was a creditor balance with the Highland Council of £0.624m, including £0.180m requisition creditor (2024/25 £0.066m).

Comhairle Nan Eilean Siar

CNES provided £0.410m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board (2024/25 £0.350m).

At the year-end there was a creditor balance with CNES of £0.021m, including £0.021m requisition creditor (2024/25 £0.009m).

Scottish Government/UK Government

The Scottish Government has effective control over the general operations of The Board as it is responsible for providing the statutory framework within which it operates.

The Scottish Government provided funding to the Board as follows:

2024/25 £000	Government	Nature of Funding	2025/26 £000
371	Scottish Government	Barclay funding	425
152	Scottish Government	Elections Act funding	66
523		**Total**	**491**

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 2025/26 was £0.425m, of which £0.349m was utilised in the year.

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.

14. 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:

2024/25 Restated £000		2025/26 £000
26	Not later than one year	27
203	Later than one year and not later than five years	229
305	Later than five years	253
534		**509**

Right of use assets

This table shows the change in the value of right-of-use assets held under lease by the Board.

	Land and Buildings £000s	Vehicles, plant and equipment £000s	Total £000s
Balance at 1 April 2025	530	-	530
Additions	-	-	-
Revaluations	-	-	-
Depreciation and amortisation	(67)	-	(67)
Disposals	-	-	-
Balance at 31 March 2026	**463**	**-**	**463**

Transaction under leases

The Board incurred the following expenses and cash flows in relation to leases:

	2024/25 £000s	2025/26 £000s
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	29	28
Expense relating to short-term leases	-	-

	2024/25 £000s	2025/26 £000s
Expense relating to exempt leases of low-value items	-	-
Variable lease payments not included in the measure of lease liabilities	-	-
Income from subletting right-of-use assets	-	-
Gains or losses arising from sale and leaseback transactions	-	-

Maturity analysis of lease liabilities

Lease liabilities due to be settled over the following time bands (measured at the undiscounted amount of expected cash payments)

	31 March 2025 Restated £000s	31 March 2026 £000s
Less than one year	53	53
One to five years	290	304
More than five years	343	276
Total Undiscounted liabilities	**686**	**633**

15. Short Term Debtors

2024/25 £000		2025/26 £000
13	Prepayments	16
11	Other entities and individuals	-
24	**Total**	**16**

16. Short Term Creditors

2024/25 £000		2025/26 £000
(75)	Other local authorities	(202)
-	Scottish Government	-
(424)	Other entities and individuals	(394)
(26)	Finance lease (IFRS16) creditors	(27)
(525)	**Total**	**(623)**

17. Financial Instrument Balances

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

Financial Assets

Current Investments 31 March 2025 £000		Current Investments 31 March 2026 £000
635	Amortised cost	718
635	**Total**	**718**

Financial Liabilities

Current Creditors 31 March 2025 £000		Current Creditors 31 March 2026 £000
525	Amortised cost	623
525	**Total**	**623**

Financial Instrument Gains and Losses

2024/25 Surplus or Deficit on the Provision of Services £000		2025/26 Surplus or Deficit on the Provision of Services £000
	Interest revenue:	
(39)	Financial assets measured at amortised cost	(41)
(39)	**Total interest revenue**	**(41)**

18. Nature and extent of risks arising from financial instruments

All treasury management is carried out on the Board's behalf by the Highland Council. The Highland Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Audit Committee. The Highland Council provides written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

As at 31 March 2026, the Board has Debtors of £0.016m, cash held with Highland Council of £0.718m and Creditors of £0.623m. There is no provision for bad debts. The transactions entered into do not give rise to any market or liquidity risk and credit risk is considered below.

Credit risk – the possibility that other parties might fail to pay amounts due to the Council

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Board's customers.

Deposits are not made with banks and financial institutions by the Highland Council unless they are rated independently by Fitch with a minimum score of F1,A,B,3. The authority has a policy of not lending more than £20m of its surplus balances to one institution for a maximum period of 364 days.

19. 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.

20. Events after the Balance Sheet Date

The unaudited annual accounts were issued by the Treasurer on 11th June 2026. Where events taking place before this date provided information about conditions existing at 31 March 2026 the financial statements have been adjusted in all material respects.