

**Highland and Western Isles Valuation Joint Board**

**Audited Annual Accounts**

**Cunntasan Bliadhnail Neo-sgrùdaichte**

**Co-bhòrd Luachaidh Na Gàidhealtachd agus Nan  
Eilean Siar**

**2023/24**

**Highland and Western Isles Valuation Joint Board  
Audited Annual Accounts 2023/24**

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# Highland and Western Isles Valuation Joint Board

## Audited Annual Accounts 2023/24

### 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 2023/24 and understand the year-end financial position as at 31 March 2024. In addition, it provides a narrative on the financial outlook for the Board during financial year 2024/25 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 [Tasks and responsibilities | 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 2024 are named below:

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

There have been no changes in members of the Board to the date of signing of the accounts.

### **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;

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

The proper officer re-certifies the audited Annual Accounts after they have been approved for signature by the local authority or a committee of the local authority, in this case The Highland and Western Isles Valuation Joint Board. The proper officer is the Treasurer to the Board; and

- The Code was developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board and has effect for financial years commencing on or after 1 April 2013 and the current code that applies is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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**

2023/24 was a busy year for the Board and its employees and one which saw the introduction, and implementation, of new regulations in both Electoral Registration and Valuation for Rating.

Changes that came about due to the implementation of the Elections Act 2022 (“Elections Act”) dominated the work of the electoral sections. These changes centred on the rules surrounding voter identification, proxy voting, online absent vote applications, and overseas electors.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

To further complicate matters the Act created divergence between the processes for devolved elections and those applicable for a UK Parliamentary General Election.

There was one by-election called during the financial year, and registers were supplied for community council elections held in Highland.

The valuation environment continues to be challenging. 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 \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/06/Non-domestic-tax-rates-review-Barclay-report-2022-06-20.pdf)). Once the revaluation was completed, focus turned to the transfer of outstanding appeals to the new local taxation chamber at the Scottish Courts and Tribunal Service. The Barclay Review also introduced a new system of proposals/appeals and brought in an audit of self-catering accommodation. These changes have put a particular strain on the service.

As with previous years, recruitment and retention of staff has been a concern across all grades. Although some posts remain unfilled, recruitment improved towards the end of the financial year. However, with retirements imminent in 2024, it does leave the service with a relatively inexperienced staff across all areas of activity. Following the completion of a management restructure, a full management team is now in place. Due to gaps in staffing throughout the year the spend on overtime remained high.

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, there has been some slippage in response times because of the self-catering unit ("SCU") audit which has had its effect on maintaining valuation services.

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

The SAA website also provides detailed valuations of the most common types of commercial properties such as shops, offices and industrial subjects. This enables ratepayers to check the valuations of their property and to compare them with others. The type of subjects and total number of detailed valuations available for inspection on the SAA website was enhanced significantly with the addition of further detailed valuations in advance of the 2023 revaluation.

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Valuation notices were issued at the end of March 2023, and this led to a large volume of queries in April, as ratepayers began to understand the changes to the non-domestic rating system.

Amendment to the Assessor's valuation software was required to reflect the changes in procedures brought about by the Barclay Review.

The number of revaluation proposals, monthly until the deadline on 31 August 2023.

<b>Month</b>	<b>No. of Proposals</b>
Apr-23	52
May-23	48
Jun-23	325
Jul-23	599
Aug-23	724
<b>Total</b>	<b>1,748</b>

Up until the end of May 2023, proposal numbers were low, but this had been expected as the level of information required to be supplied by ratepayers was much greater than that needed to submit an appeal previously. It had been expected that the bulk would arrive in the run up to 31 July 2023, the final day for submissions. The Scottish Government passed Regulations on 19 July 2023 to extend the deadline by one month to 31 August 2023.

The 1,748 proposals consist of 1,512 in Highland and 236 in the Western Isles.

The proposal numbers were down in comparison with the corresponding appeal numbers from 2017. In 2017 there were 3,974 appeals in Highland and 384 in the Western Isles. However, it is too early to draw comparison between the workloads of each revaluation. 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 steps to submitting an appeal by a ratepayer, or their agent, is now somewhat onerous in comparison to what was required previously. The appellant must submit their full grounds of appeal, an accurate alternative valuation, and the evidence on which they intend to rely on. This is on top of supplying authorisation that they have been engaged to act on behalf of the ratepayer. This has led to a decrease in speculative proposals.

The process for the disposal of proposals also requires more input by the Assessor. The Assessor sets the Proposal Determination Date ("PDD"), but there are several steps that must be taken in the process.

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

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.

It won't be until later in 2024 before a long term recognition of the workloads and resource required will be fully understood. The LTC listed a small number of outstanding legacy 2017 appeals in early 2024, which were too late to be programmed for disposal by the previous appeals regime.

During the course of the year valuation staff have been dealing with both legacy appeals and current proposals. A summary of appeal receipt and disposal progress as at 31 March 2024 is shown below.

<b>NDR Appeals</b>						
	<b>Count</b>	<b>Resolved</b>	<b>Total original rateable value £000</b>	<b>Total revised rateable value £000</b>	<b>Open</b>	<b>Total original rateable value outstanding £000</b>
2010 Reval	4,503	4,501	191,783	183,429	2	151
2010 – 2011 RR	2883	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	4,255	4,129	225,220	203,814	126	10,118
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	265	30,915	29,640	25	1,535
2020 – 2021 RR	128	117	10,839	10,048	11	591
2021 – 2022 RR	895	622	55,611	54,081	273	13,972
2022 – 2023 RR	127	71	9,959	9,437	56	13,907

<b>NDR Proposals</b>						
	<b>Count</b>	<b>Resolved</b>	<b>Total original rateable value £000</b>	<b>Total revised rateable value £000</b>	<b>Open</b>	<b>Total original rateable value outstanding £000</b>
2023 Reval	1,748	85	949	720	1,663	154,891
2023 – 2024 RR	106	8	81	647	98	4,804



## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

2023/24 saw the introduction of the SCU audit which required the Assessor to write to the operators of all the entries on the valuation roll. This involved the issue of 5,136 questionnaires, with Highland and Western Isles accounting for 32% of all such entries in Scotland. As an online process had not been developed the returns were email and paper based. This coupled with unclear legislation meant the process was somewhat slower than originally anticipated. Further legislation was passed ([The Council Tax \(Dwellings and Part Residential Subjects\) \(Scotland\) Amendment Regulations 2024 \(legislation.gov.uk\)](#)) which gave clear deadlines for returning information, and clarified grey areas in the original legislation.

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. A new online facility has been developed to make the return of information for the SCU audit easier for operators in 2024/25. The information will also be incorporated into changes to our in-house valuation system which will aim to reduce the time processing each return.

<b>NDR New &amp; Altered</b>							
	<b>Count</b>	<b>1 – 3 months</b>		<b>3 – 6 months</b>		<b>6+ months</b>	
Highland	1,647	416	25.26%	310	18.82%	921	55.92%
Western Isles	234	60	25.64%	63	26.92%	111	47.44%
Total	1,881	476	25.31%	373	19.83%	1,032	54.86%

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

<b>NDR</b>	<b>Count</b>		<b>Rateable Value £000</b>	
	<b>01/04/2023</b>	<b>31/03/2024</b>	<b>01/04/2023</b>	<b>31/03/2024</b>
Highland	20,679	20,304	426,997	432,524
Western Isles	2,858	2,862	30,380	30,761
Total	23,537	23,166	457,377	463,285

### Council Tax

The Valuation List, which comprises 147,630 entries (2022/23: 146,050) 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.

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The Council Tax List is also available for public inspection on the SAA website ([Scottish Assessors – Scottish Assessors Association website \(saa.gov.uk\)](https://www.scottishassessors.org.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	2,016	1,048	51.98%	304	15.08%	664	32.94%
Western Isles	146	81	55.48%	13	8.9%	52	35.62%
Total	2,162	1,129	52.22%	317	14.66%	716	33.12%

This year also saw the first council tax hearings before the First-tier Tribunal. There were five cases where the banding of the dwelling was disputed and in each case the banding was confirmed at the Assessor's banding. There were also several cases dealt with by way of written representations. Each of those cases were in respect of appeals where the appellant appealed against a notice of invalidity, and again in each case the appeals were dismissed.

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

### Key Performance Indicators

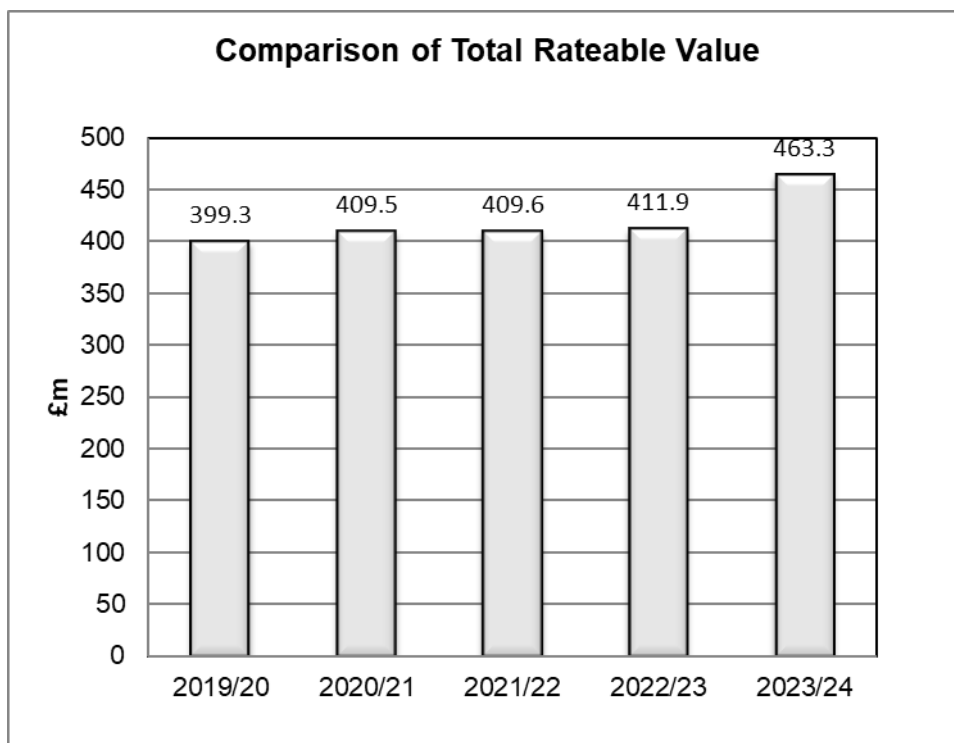
	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Valuation Roll</b>					
Total number of entries	22,982	23,299	23,569	23,313	23,166
Total Rateable Value	£399.3m	£409.5m	£409.6m	£411.9m	£463.3m
No of amendments effected	1,746	1,698	1,689	1,622	1,881
Amendments within time periods					
0-3 months	54%	43%	53%	50%	25%
3-6 months	14%	17%	16%	20%	20%
Over 6 months	31%	40%	31%	30%	55%
<b>Council Tax</b>					
Total no. of entries	142,686	143,841	144,692	146,050	147,630
Adjustment to band D equivalent	139,634	140,987	141,940	143,445	145,201
New entries added	1,822	1,377	1,934	1,860	2,162

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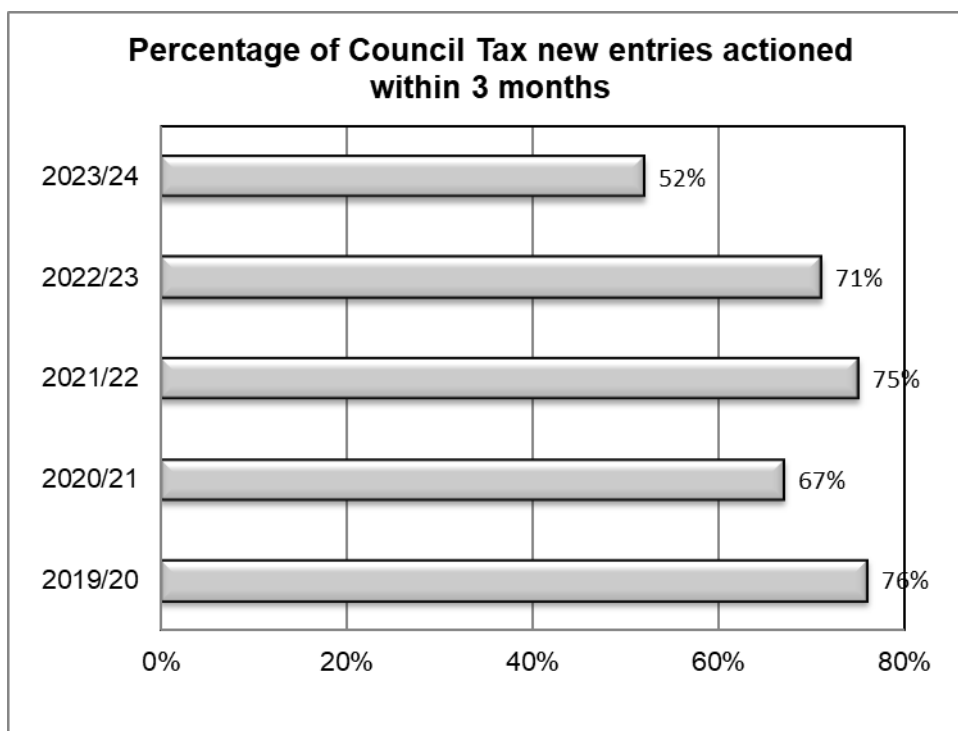
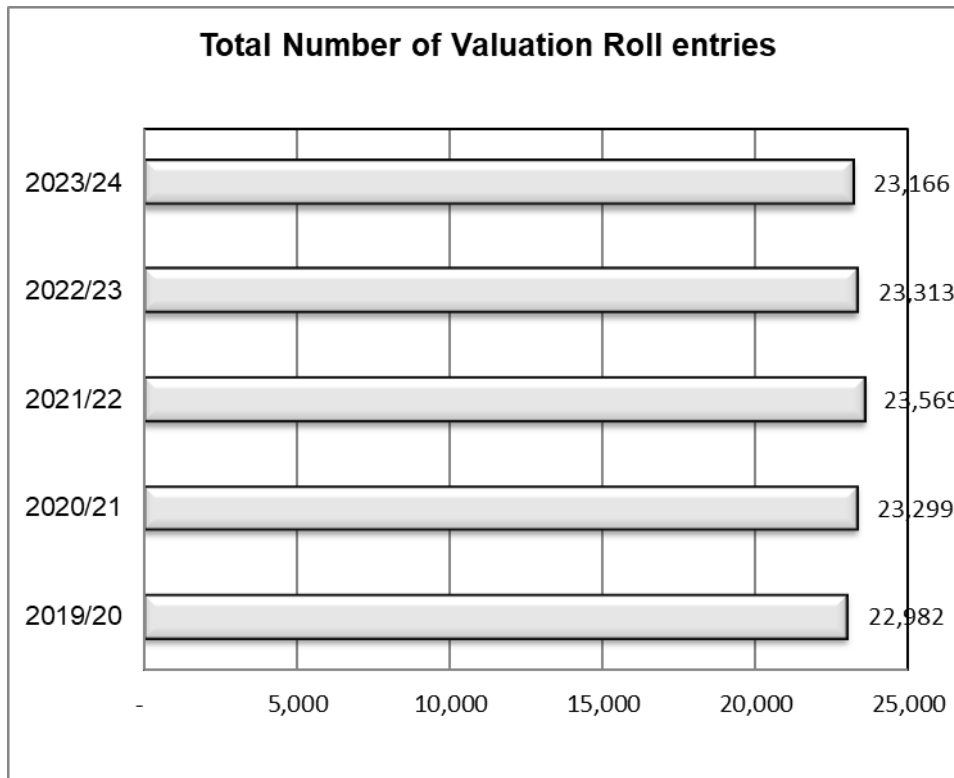
	2019/20	2020/21	2021/22	2022/23	2023/24
New entries within time periods					
0-3 months	76%	67%	75%	71%	52%
3-6 months	13%	20%	15%	19%	15%
Over 6 months	11%	13%	9%	9%	33%

**General**

Costs of all permanent staff	£1.971m	£2.167m	£2.214m	£2.330m	£2.437m
Number of FTE staff as at 1 April each year	48.9	52.0	50.1	49.5	52.4



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**Elections and Referenda 2023/24**

There was one Local Government by-election held during 2023/24, which was held on 28 September 2023 for Ward 7 The Highland Council.

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The required administrative procedures for this election were successfully dealt with and, in administrative terms, the election passed without incident.

The revised register of electors was published on 1 February 2024.

The Elections Act 2022 received Royal Assent on 28 April 2022 and introduced a number of changes. These changes apply to UK Parliamentary Elections in Great Britain. Elections to the Scottish Parliament and all local elections in Scotland are devolved and will not be affected by these changes.

Prior to April 2023 Voter ID had been introduced requiring voters to show photo ID at polling stations before a ballot paper is issued. This change requires EROs to issue free voter authority certificates, temporary voter authority certificates or anonymous electors documents to those without a valid form of photo ID.

During 2023/24 further changes were enacted and these included:

- The requirement for postal voters to reapply for a postal vote every three years, replacing current rules of refreshing their signature every five years
- Further limiting the number of people someone may act as proxy for
- Allowing all British citizens living overseas to vote in UK Parliamentary elections, regardless of when they left the UK.

### **2023 Annual Canvass**

The annual canvass of electors commenced in July 2023 and household registration forms were posted to all properties in Highland and Western Isles ahead of publication of the Register on 1 February 2024.

[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 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.

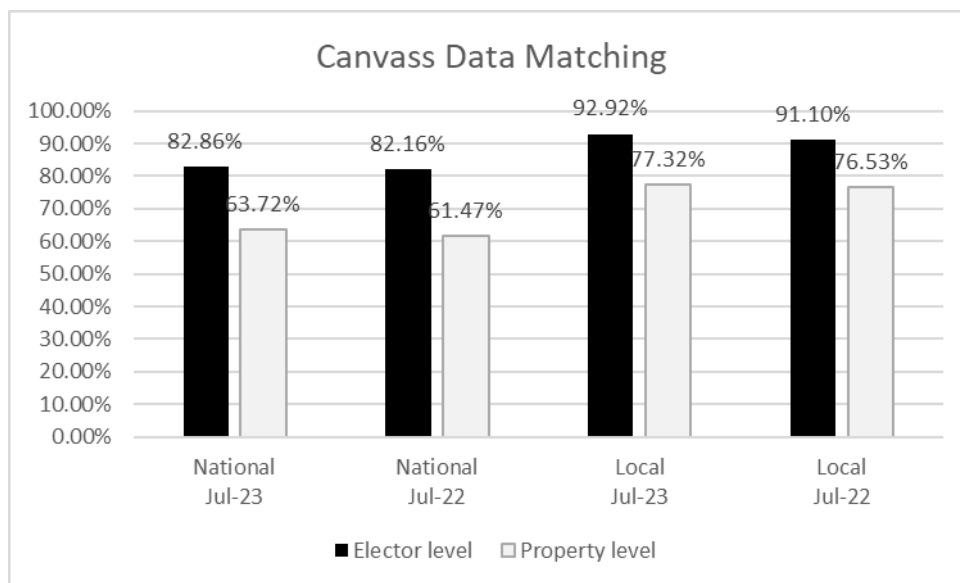
As part of the canvass reform changes, a national data matching exercise of the electoral register was undertaken in July 2023, matching elector information against DWP records to identify properties where electors may have changed. The results from both the national and local data matching exercises are below.

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<b>July 2023</b>	<b>National data matching</b>	<b>Local data matching</b>
<b>Elector level</b>	82.86%	92.92%
<b>Property level</b>	63.72%	77.32%

In July 2022 the results were:

<b>July 2022</b>	<b>National data matching</b>	<b>Local data matching</b>
<b>Elector level</b>	82.16%	91.10%
<b>Property level</b>	61.47%	76.53%



There has been improvement in both property and elector matches in comparison with 2022.

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

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

After carrying out a further match against local data records, 22,737 of properties shifted from route 2 to route 1.

All 111,942 properties in route 1 received canvass communication “A” advising electors that they did not need to respond if the information in the communication was correct. There were 32,526 properties which went down route 2 and electors were asked to respond to canvass communication “B” to confirm who lived in the household.

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Any property that failed to respond was sent a further canvass form, and a total of 22,948 properties received a canvass form.

A total of 309 properties were included in route 3, which were registered residential care homes or Houses of Multiple Occupation. Telephone canvassing of 2,082 properties was undertaken prior to commencement of doorstep canvassing of 11,156 properties from September 2023.

As in previous years, the use of e-mail and telephone responses were an option for electors to respond to canvass communications. The use of e-communications will be explored further in financial year 2024/25 as a cost saving to the Board. This work had been planned for 2023/24 but due to Election Act changes and staffing issues this has had to be postponed.

A comparison between the 1 December 2022 and 1 February 2024 published registers is as follows:

Local Authority Area	Electorate at 1 December 2022	Electorate at 1 February 2024	Net Change
Highland	188,556	187,896	(660)
Western Isles	21,706	21,583	(123)
<b>Total</b>	210,262	209,479	(783)

Given the variance in the publication dates of December 2022 and February 2024, it is difficult to draw conclusions or reasons for the slight reduction in the electorate. However, deaths and electors moving out with the area, will account for some of the variance.

### The Open Electoral Register

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

Local Authority Area	Total Electorate on Full Register 1 February 2024	Total No of Electors "Opting-Out" of Open Register	Opt-Outs as %	Total on Open Register
Highland	187,896	114,370	60.87%	73,526
Western Isles	21,583	10,968	50.82%	10,615
<b>Total</b>	209,479	125,338	59.83%	84,141

# **Highland and Western Isles Valuation Joint Board**

## **Audited Annual Accounts 2023/24**

### **Performance Standards**

In December 2022, the Electoral Commission published their new performance standards for Electoral Registration Officers. 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 ERO has yet to meet with the electoral Commission to discuss the above performance standards, but anticipates this will take place in 2024/25.

### **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 2024 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"/Western Isles), with additional funding for specific purposes from the Scottish Government. For example, the Board receives Barclay funding, following the Barclay Review in 2017.



## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

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 shown in the table below. Note 1, the Expenditure and Funding Analysis (page 43) shows how the management accounting information below reconciles to the Annual accounts.

### Budget Performance Statement For the year ended 31 March 2024

2022/23		2023/24		
Actual		Budget	Actual	Variance
£000		£000	£000	£000
2,330	Staff costs	2,653	2,519	(134)
224	Property costs	217	240	23
284	Administration expenses	374	253	(121)
4	Transport and plant costs	2	3	1
494	Supplies and services	394	379	(15)
4	Members' expenses	10	6	(4)
3,340	<b>Gross expenditure</b>	3,650	3,400	(250)
(4)	Sales of register etc.	(5)	(4)	1
(2)	Non-specific grants	(11)	(16)	(5)
(15)	Interest on revenue balances	-	(49)	(49)
(21)	<b>Gross income</b>	(16)	(69)	(53)
3,319	<b>Net expenditure</b>	3,634	3,331	(303)
10	Transfer (from)/to Reserves	(47)	(1)	46
(3,329)	<b>Requisition income</b>	(3,587)	(3,330)	257
-		-	-	-

The net budgeted expenditure of the Board in 2023/24 was £3.634m (2022/23 £3.646m). Actual net expenditure was £3.331m (2022/23 £3.319m). There was an underspend of £0.303m in 2023/24 (2022/23 £0.327m underspend).

Due to the restriction on the balance that can be held in the General Fund (cumulative balance should not exceed 5% of the total budget in that year), £0.001m was transferred from reserves. Therefore £0.257m was returned to the constituent authorities in the same proportion as requisition funding.

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

- The underspend in the staffing budget, 5.1% lower than budget, was largely due to unfilled vacancies and difficulties experienced in recruiting staff across the organisation. Travel and subsistence costs were underspent as a result of reduced survey work carried out by valuation and technical staff due to office-based work on the SCU audit and, in turn, a reliance on desktop surveys.

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

- The overspend on property costs is largely due to residual costs from the closing of the Dingwall office, in particular, the cost of temporary office space.
- The underspend in administration expenses is due to following factors:
  - Uncertainty over Lands Tribunal for Scotland (LTS) fees which had accrued in the previous financial year. The final figure for LTS fees was less than anticipated, and with the LTS no longer handling valuation appeals it was confirmed that all fees had now been paid, and the matter was now closed. The prior year over-accrual of £0.021m was therefore reversed.
  - There was an underspend on the digitisation project due mainly to difficulty in recruiting staff, although some of the work was taken up by staff on overtime.
  - There were significant underspends on legal expenses and digitisation of paper files. Funding for the digitisation project is for a period of three years and any underspend will be carried forward to the 2024/25 financial year.
- The underspend against supplies and services is due to reduced ICT costs and Valuation Appeal Committee expenses. The Assessor has no control over Valuation Appeal Committee costs.
- Interest on revenue balances is not a budgeted balance. It has increased compared to the prior year due mainly due to increases in interest rates.

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.

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. £0.001m has been added to the £0.256m 2023/24 surplus and the total returned to the constituent authorities.

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

Balance at 31/03/23 £000	<b>Balance at 31/03/24 £000</b>
182	<b>182</b>
General Fund Balance	

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

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 £0.358m (2022/23 £0.403m) from the Scottish Government, has been allocated to the constituent authorities as follows:

2022/23		Constituent Authority	2023/24	
£000	% share		£000	% share
2,974	89.3	The Highland Council	<b>2,975</b>	<b>89.3</b>
355	10.7	Comhairle nan Eilean Siar	<b>355</b>	<b>10.7</b>
<b>3,329</b>	<b>100.0</b>	Total	<b>3,330</b>	<b>100.0</b>

### Statement of Requisitions 2023/24

Constituent Authority	Population	Budget requisition	Actual requisition	Balance due
				to constituent authority
	No.	£000	£000	£000
Highland Council	232,132	3,205	2,975	(230)
Comhairle nan Eilean Siar	27,684	382	355	(27)
Total	259,816	3,587	3,330	(257)

### 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 asset of £2.118m as at 31 March 2024 (31 March 2023 £0.486m) due to the accrual of pension assets/liabilities in accordance with IAS 19.

The pension asset represents the best estimate of the current value of pension benefits that have been funded by the Board. The asset relates to benefits earned by existing or previous employees up to 31 March 2024.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

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

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

The Scottish Government announced an intention to review business rates and the Barclay Review published their report in 2017. This led to the passing of the Non-Domestic Rates (Scotland) Act 2020 which implemented a number of the recommendations. Some of the changes required additional resource and others were implemented at limited cost. The first of the three yearly revaluations was completed at the end of March 2023 and focus then turned to the new proposals/appeals process. This, coupled with the Tribunal Service handling appeals submitted prior to 1 April 2023 which could not be disposed of by the Valuation Appeal Committee, led to a challenging environment for qualified valuers to operate in. On top of this there was the challenge to complete the first audit of SCUs. Additional funding was put in place in 2019/20 which continued through to 2023/24. A modest increase in funding for 2024/25 was announced by the Scottish Government.

It has been reported previously that the above changes require additional valuation resource and this risks being compromised by staff recruitment and retention issues. The Board has not been alone in facing challenges in recruiting suitably qualified staff as difficulty has been experienced in recruitment throughout Scotland. This has necessitated following a policy of training graduates. However, care must be taken to ensure that the present cohort of graduates are best placed to be successful in their final professional assessments. To this end, a recently recruited valuer, with wide experience in the public and private sectors, in addition to that gained in an Assessor's office, has, with the full support of the management team, been allocated to oversee the progress of the graduates. Once qualified it is essential that these newly qualified surveyors are retained, and as such recruitment and retention policies will require to be examined in an effort to maintain newly qualified staff and give access to career progression. As the area of valuation for rating becomes more complex and challenging it would be in the Board's best interest to address this issue to avoid compromising its ability to satisfy statutory commitments.

The service continues to plan with a view to minimising the costs of the additional volume of mail and canvassing associated with Individual Electoral Registration ("IER"), including the costs of complying with the increased checking requirements.

Elections Act changes will continue into 2024/25 as work on the UK Government's Electoral Integrity Programme continues. It is expected that improvements will be made to the digital service to deliver benefits to both electors and the Board.

As with valuation for rating, electoral administration is also becoming a more complex area.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

Not only has the Elections Act brought about fundamental changes to reserved elections, it has also created divergence from devolved elections. Recruitment has been an issue, and it is key that retention of staff, and career progression, also becomes a priority as having experienced, and well trained staff is key to providing the level of service that will be required going forward.

In setting its budget for 2024/25 through to 2026/27, it is projected that there will be an increase in the requisition funding from the constituent authorities. Barclay funding anticipated for 2024/25, which is the last year funding is expected to be received, is £0.013m higher than for 2023/24.

This Board continues to be in a challenging financial position given the pressure on the financial settlements to local authorities from the Scottish Government and pressures to produce efficiency savings will continue in the coming years, even although overall expenditure is set to increase. This will place significant pressure on the statutory services that are provided by the Assessor and ERO. The Board needs to sustain sufficient resources to ensure the delivery of services that are required by law and that are crucial for both fair and successful elections and the legal and proper basis for tax revenues for councils.

It should also be recognised that there is an additional workload as the number of subjects in the Valuation Roll and Council Tax list continues to increase. The Assessor will continue to be required to ensure proper dialogue with the constituent authorities so that there is a full financial plan and adequate resources are available for the future at a time when councils are facing continued significant reductions in funding.

### **Staffing and Working Environment**

The COVID-19 restrictions, although now lifted, forced the service to adapt to an online setting. It is acknowledged that there is a trend towards hybrid working, and one that the Assessor views 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 management team, have curtailed this being formally brought in. Steps will be taken to create a formal hybrid environment which meets, not only the needs of staff, but that of the service going forward.

With change comes a need to monitor training and identify training needs. Steps will be taken to ensure that staff training plans are up to date and maintained, and that staff are afforded opportunities to feed into that process through discussion and personal development plans.

The physical environment in the Inverness office needs to be adapted to meet the needs of a hybrid workforce. This includes hot desking, provision of meeting spaces and interview rooms. This will partially be met by freeing up physical space as paper files become digitised, but will require input from the teams that work within Inverness.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

In an increasingly digital world, it would be correct to look at how customers contact the service and explore areas where they can be better served digitally, remotely and, those that need assistance, in person. Any steps taken should not diminish the service provided.

### **Going Concern**

The IAS 19 Pension and Injury Benefit Assets of £2.118m (2022/23: £0.486m) have a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in an overall balance of £2.271m (2022/23: £0.616m). 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 W Finlayson MRICS  
Assessor and Electoral Registration Officer

Laurie Fraser  
Convener

Brian Porter CPFA  
Treasurer

**Highland and Western Isles Valuation Joint Board  
Audited Annual Accounts 2023/24**

**Statement of Responsibilities for the Annual Accounts  
Aithris Dhleastanasan airson nan Cunntasan Bliadhna**

**The Valuation Joint Board's Responsibilities**

The Valuation Joint Board is required to:

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

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

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

Laurie Fraser  
Convener

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

### **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 2023/24 (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 2024.

Brian Porter CPFA  
Treasurer



# **Highland and Western Isles Valuation Joint Board**

## **Audited Annual Accounts 2023/24**

### **Annual Governance Statement**

#### **Aithris Riaghlachais Bhliadhna**

#### **Scope of responsibility**

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

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

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

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

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

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the statutory requirements of the Assessor and Electoral Registration Officer are met and policies, aims and objectives can be delivered.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

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 2024 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 2023/24 Code of Corporate Governance ([Highland and Western Isles Valuation Joint Board - corporate governance policies | Code of Corporate Governance 2023/2024](#)) 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:

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

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

The work undertaken by the Internal Audit Section during the year to 31 March 2024 consists of that undertaken directly for the Board and indirectly, where the Highland Council's financial systems are used. The 2023/24 Internal Audit Annual Plan was approved by the Board on 22/09/23. This comprised of:

- A review of the systems of internal control to inform the Board's Annual Governance Statement and the Internal Audit Annual Report 2022/23.
- An audit of Information Management Arrangements which had the opinion of "Reasonable Assurance". The audit concluded that whilst there were established systems and controls to support effective Information Management, areas for improvement were identified. To address these the report contained 6 audit recommendations, 5 medium and 1 low priority grades. These will follow the normal action tracking process to ensure that the agreed management actions are satisfactorily implemented.
- The review of the IER process has not yet been concluded and so has been carried forward into 2024/25.

In order to inform the 2023/24 audit opinion, a random sample of financial transactions during the year was examined to verify that that the expected controls had been complied with. A sample of 6 expenditure transactions were checked to ensure these were procured and paid correctly in accordance with the Assessor's Financial Regulations and Contract Standing Orders, and this was accurately recorded in the financial ledger. These were found to be satisfactory.

As staff costs are the most significant area of expenditure, accounting for some 73% of the budget, an overview of payroll controls was undertaken to ensure that there are appropriate arrangements to ensure the completeness and accuracy of payroll. This provided assurance that there are appropriate checks over payroll starters and leavers, and for review of the monthly payroll ledger costs.

On the basis of the work undertaken during the year, it was considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, it is the audit opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems for the year to 31 March 2024.

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

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

Laurie Fraser  
Convener

Frank W Finlayson MRICS  
Assessor and Electoral Registration Officer

# Highland and Western Isles Valuation Joint Board

## Audited Annual Accounts 2023/24

### Remuneration Report

#### Aithisg Tuarastail

All information disclosed in the tables at paragraphs 3 and 4 in the Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report has been 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.

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

### 3. Remuneration

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

Total Remuneration including salary, fees and allowances

2022/23	Name and Post Title	2023/24
£ 80,923	Frank W Finlayson, Assistant Assessor and ERO to 04/01/2023; Assessor and ERO from 05/01/2023	<b>£111,929</b>
N/A	Roy Christie, Depute Assessor & ERO from 01/03/2024	<b>£7,733</b> <i>(full time equivalent £92,802)</i>
N/A	Stephen Mackenzie, Assistant Assessor from 07/11/2023	<b>£26,201</b> <i>(full time equivalent £65,502)</i>
N/A	Mandy Thomson, Depute ERO Business Manager from 23/07/2023	<b>£42,237</b> <i>(full time equivalent £61,079)</i>
79,968 <i>(full time equivalent £105,554)</i>	William Gillies, Assessor and ERO; retired 04/01/2023	<b>N/A</b>

The senior employees in the table above include any employee:

- Who has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons.
- Who, as respects all or most of the duties of 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.

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

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

### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>Number</b>	<b>Salary Band</b>	<b>Number</b>
2	£50,000-£54,999	1
3	£55,000-£59,999	1
-	£60,000-£64,999	2
-	£65,000-£69,999	1
2	£80,000-£84,999	-
-	£110,000-£114,999	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.

<b>2022/23</b>	<b>Councillor Name and Responsibility</b>	<b>2023/24</b>
<b>£</b>		<b>£</b>
<b>2,363</b>	L Fraser - Convener from 18/06/2021 to 5/05/2022 and from 20/06/2022 to 31/03/2024	<b>3,352</b>
<b>711</b>	D Crichton – Vice Convener from 20/06/2022 to 31/03/2024	<b>764</b>

### 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.

<b>2022/23</b>	<b>Type of Remuneration</b>	<b>2023/24</b>
<b>£</b>		<b>£</b>
<u>3,148</u>	Salaries	<u>4,729</u>

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

The annual return of Councillors' salaries and expenses for 2023/24 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 2023 to 2024 \(highland.gov.uk\)](https://www.highland.gov.uk/expenses-valuation-board-expenses-2023-to-2024).

### 4. Pension Benefits

The pension entitlements of senior employees for the year to 31 March 2024 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 31/03/23	For year to 31/03/24		As at 31/03/24 £000	Difference from March 2023 £000
Name and Post Title	£	£			
Frank W Finlayson, Assistant Assessor and ERO to 04/01/2023; Assessor and ERO from 05/01/2023	15,194	21,267	Pension	56	14
			Lump Sum	90	26
Stephen Mackenzie, Assistant Assessor from 07/11/2023	10,461	11,634	Pension	22	3
			Lump Sum	20	2
Mandy Thomson, Depute ERO Business Manager from 23/07/2023	9,557	12,460	Pension	23	4
			Lump Sum	27	3
William Gillies, Assessor and ERO - retired 04/01/2023	15,256	N/A	Pension	N/A	N/A
			Lump Sum	N/A	N/A

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 2023/24 are shown in the following tables with prior year comparisons:



## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

The 2023/24 contribution tiers and rates are as follows:

	Contribution rate
Pensionable pay	
On earnings up to and including £25,300	5.50%
On earnings above £25,300 and up to £31,000	7.25%
On earnings above £31,000 and up to £42,500	8.50%
On earnings above £42,500 and up to £56,600	9.50%
On earnings above £56,600	12.00%

2022/23 contribution tiers and rates:

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

The 2023/24 employer's contribution rate is 19% of pensionable pay (2022/23: 19%).

### 5. Trade Union Facility Time

In 2023/24 there was no Trade Union Official within the Valuation Service (2022/23: None).

### 6. Exit Packages

There were no exit packages committed by the Board in either 2023/24 or 2022/23.

Laurie Fraser  
Convener

Frank W Finlayson MRICS  
Assessor and Electoral Registration Officer

# Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

## 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 2024 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 Accounts, 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 2023/24 (the 2023/24 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 2024 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 2023/24 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 were 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.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

### **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 for the Annual Accounts, 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.

## **Highland and Western Isles Valuation Joint Board**

### **Audited Annual Accounts 2023/24**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

### **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 for the Annual Accounts 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).

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

### **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

**Highland and Western Isles Valuation Joint Board  
Audited Annual Accounts 2023/24**

**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.

2022/23				2023/24		
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
2,774	-	2,774	Staff costs	2,549	-	2,549
224	-	224	Property costs	240	-	240
284	-	284	Administration expenses	253	-	253
4	-	4	Transport and plant costs	3	-	3
494	-	494	Supplies and services	379	-	379
4	-	4	Members Expenses	6	-	6
-	(6)	(6)	Income	-	(4)	(4)
<b>3,784</b>	<b>(6)</b>	<b>3,778</b>	<b>Cost of Services</b>	<b>3,430</b>	<b>(4)</b>	<b>3,426</b>
		103	Financing and Investment income and expenditure			(114)
		(3,329)	Taxation and non-specific grant income			(3,347)
		<b>552</b>	<b>(Surplus)/Deficit on provision of services</b>			<b>(35)</b>
		(5,208)	Re-measurements of the net defined benefit liability/asset			(1,620)
		<b>(4,656)</b>	<b>Total comprehensive income and expenditure</b>			<b>(1,655)</b>

The notes on pages 43 to 68 form part of these financial statements.

**Highland and Western Isles Valuation Joint Board**  
**Audited Annual Accounts 2023/24**

**Movement in Reserves Statement 2023/24**  
**Aithris Gluasad ann an Cùl-stòran 2023/24**

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	<b>Total Usable Reserves</b>	Pension Reserve	Employee Statutory Mitigation Account	<b>Total Reserves</b>
		£000	<b>£000</b>	£000	£000	<b>£000</b>
<b>Balance at 31 March 2023</b>		182	<b>182</b>	486	(52)	<b>616</b>
<b>Movement in reserves during 2023/24</b>						
Total Comprehensive Income and Expenditure	9,10	35	<b>35</b>	1,620	-	<b>1,655</b>
Adjustments between accounting basis and funding basis under regulations	9	(35)	(35)	12	23	-
<b>Increase/(decrease) in 2023/24</b>		-	-	1,632	23	<b>1,655</b>
<b>Balance at 31 March 2024</b>		182	<b>182</b>	2,118	(29)	<b>2,271</b>

The notes on pages 43 to 68 form part of these financial statements.



**Highland and Western Isles Valuation Joint Board  
Audited Annual Accounts 2023/24**

**Movement in Reserves Statement 2022/23  
Aithris Gluasad ann an Cùl-stòran 2022/23**

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

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

### 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'.

31/03/23 £000		Notes	31/03/24 £000
486	Pension Asset	12	2,118
486	<b>Long term assets</b>		<b>2,118</b>
30	Short term debtors	15	47
627	Cash and cash equivalents		515
657	<b>Current assets</b>		<b>562</b>
(527)	Short term creditors	16	(409)
(527)	<b>Current liabilities</b>		<b>(409)</b>
616	<b>Net assets/(liabilities)</b>		<b>2,271</b>
182	General Fund		182
486	Pension Reserve	10	2,118
(52)	Employee Statutory Mitigation Account	10	(29)
616	<b>Total reserves</b>		<b>2,271</b>

The notes on pages 43 to 68 form part of these financial statements.

The unaudited annual accounts were issued on 27 June 2024 and the audited annual accounts were authorised for issue on 23 September 2024.

Brian Porter CPFA  
Treasurer

**Highland and Western Isles Valuation Joint Board**  
**Audited Annual Accounts 2023/24**

**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.

31/03/23		31/03/24
£000		£000
(552)	Net deficit on the provision of services	35
	Adjust net deficit on the provision of services for non-cash movements	
	(Re-measurement of the net defined benefit liability from Income and Expenditure Statement and the movement in debtors and creditors from balance sheet)	
710		(147)
(15)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(49)
<u>143</u>	Net cash inflow/(outflow) from operating activities	<u>(161)</u>
<u>15</u>	Financing activities	<u>49</u>
<u>158</u>	Net increase/(decrease) in cash and cash equivalents	<u>(112)</u>
<u>469</u>	Cash and cash equivalents at the beginning of the year	<u>627</u>
<u>627</u>	<b>Cash and cash equivalents at the end of the year</b>	<u><b>515</b></u>

The notes on pages 43 to 68 form part of these financial statements.

**Highland and Western Isles Valuation Joint Board  
Audited Annual Accounts 2023/24**

**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.

<b>2023/24</b>	<b>Net Expenditure chargeable to the General Fund £000</b>	<b>Adjustments between Funding &amp; Accounting Basis £000</b>	<b>Net Expenditure in the CIES £000</b>
Staff costs	2,519	30	2,549
Property costs	240	-	240
Administration expenses	253	-	253
Transport and plant costs	3	-	3
Supplies and services	379	-	379
Members Expenses	6	-	6
Income	(4)	-	(4)
<b>Net Cost of Services</b>	3,396	30	3,426
Other Income and Expenditure:	(3,396)	(65)	(3,461)
<b>(Surplus)/Deficit</b>	-	(35)	(35)
<b>General Fund Movements:</b>			
Opening Balance	182		
Surplus on General Fund	-		
<b>Closing Balance</b>	<b>182</b>		

**Highland and Western Isles Valuation Joint Board**  
**Audited Annual Accounts 2023/24**

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

**2. Note to Expenditure and Funding Analysis**

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

**Adjustments between Funding & Accounting Basis 2023/24**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	Net Change for the Pensions Adjustments £000	Adjustment for Employee Annual Leave Accrued £000	Total Adjustments £000
Staff costs	53	(23)	30
Net Cost of Services	53	(23)	30
Other Income and expenditure	(65)	-	(65)
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit on the provision of services</b>	<b>(12)</b>	<b>(23)</b>	<b>(35)</b>

## Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24

### Adjustments between Funding & Accounting Basis 2022/23

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

### 3. Accounting Policies

#### General principles

The Annual Accounts summarise the transactions of the Board for the 2023/24 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 2023/24, 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.

## **Highland and Western Isles Valuation Joint Board**

### **Audited Annual Accounts 2023/24**

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

### **Cash and cash equivalents**

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

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

Through this arrangement with The Highland Council, the Board has immediate access to funds and therefore has considered cash and cash equivalents. The balance of £0.515m (2022/23 £0.627m) 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.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

### **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.



## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

- 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.

# Highland and Western Isles Valuation Joint Board

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### 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.

## **Highland and Western Isles Valuation Joint Board**

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

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

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

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

#### **Overheads and support services**

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

#### **Contingent liabilities**

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

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

#### **Reserves**

The General Fund Reserve is at the maximum level permitted.

## **Highland and Western Isles Valuation Joint Board Audited Annual Accounts 2023/24**

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

### **Value Added Tax (VAT)**

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

### **Going concern**

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

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

The following accounting standards will be adopted within the 2024/25 Code effective from 1 April 2024. There is therefore no impact on the 2023/24 financial statements.

The only standard below expected to have a significant impact on the 2024/25 financial statements is the implementation of IFRS 16 Leases.

- IFRS 16 Leases. Implementation of IFRS 16 Leases which replaces IAS 17 Leases will be mandatory from 2024/25.

The Board will be adopting this standard in 2024/25, which removes the operating classification for leases where the Board acts as lessee. This eliminates the ability for organisations to keep operating leases off balance sheet which means that for lease arrangements previously accounted for as operating leases, a right-of-use (ROU) asset and a lease liability will be brought onto the balance sheet as at 1 April 2024, with exemptions available for low value (under £0.006m) and short term leases (less than 12 months remaining on lease).

IFRS 16 will be applied retrospectively, but with a cumulative effect being recognised as at 1 April 2024. Therefore, the ROU assets and lease liabilities will be calculated as if IFRS 16 had previously been applied, but will only be recognised in 2024/25 with no prior year adjustments required.

It is anticipated that the adoption of the Code's adaptation of IFRS 16 will result in the following additions to the balance sheet:

- £0.309m Property, Plant and Equipment - land and buildings (right-of-use assets)
- £0.309m Lease Liabilities

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- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period.
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.
  - clarify how lending conditions affect classification.
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

#### **5. Critical judgements in applying accounting policies**

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

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

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

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

The only item in the Board's Balance Sheet at 31 March 2024 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% (£20k) change in employer liability, change to pension of 0.1% likely to be approximately 2% (£286k) and change of 0.1% to the discounting of fund liabilities to be approximately 2% (£301k).

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

2022/23 £000		2023/24 £000
118	Pensions Net Interest	(65)
(15)	Interest receivable	(49)
<u>103</u>		<u>(114)</u>

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

2022/23 £000		2023/24 £000
(3,329)	Requisitions from constituent authorities (includes Barclay funding)	(3,330)
-	Non-specific grant income	(17)
<u>(3,329)</u>		<u>(3,347)</u>

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

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

	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2023/24
		£000	£000	£000	£000
<b>Adjustments involving the Pensions Reserve</b>					
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12	323	(323)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(335)	335	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	(23)	-	23	-
<b>Total adjustments</b>		<b>(35)</b>	<b>12</b>	<b>23</b>	<b>-</b>

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	Notes	General Fund	Pension Reserve	Employee Statutory Mitigation Account	Total 2022/23
		£000	£000	£000	£000
<b>Adjustments involving the Pensions Reserve</b>					
Reversal of items relating to post-employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12	875	(875)	-	-
Employers' pension contributions and direct payments to pensioners payable in the year	12	(314)	314	-	-
<b>Adjustments involving the Employee Statutory Mitigation Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10	1	-	(1)	-
<b>Total adjustments</b>		<b>562</b>	<b>(561)</b>	<b>(1)</b>	<b>-</b>

**10. Balance Sheet – unusable reserves**

(a) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.



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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.

2022/23 £000		2023/24 £000
(4,161)	Opening balance at 1 April	<b>486</b>
(1,054)	Return on plan assets (excluding the amount included in the net interest expense)	<b>1,107</b>
8,088	Actuarial gain/(loss) arising on changes in financial assumptions	<b>615</b>
(900)	IFRIC 14 Asset Ceiling Adjustment	<b>900</b>
162	Actuarial gain arising on changes in demographic assumptions	<b>217</b>
(1,088)	Experience adjustments	<b>(1,219)</b>
5,208		<b>1,620</b>
(875)	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	<b>(323)</b>
314	Employer's pension contributions and direct payments to pensioners payable in the year	<b>335</b>
486	Closing balance at 31 March	<b>2,118</b>

(b) Employee Statutory Mitigation Account

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

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2022/23 £000	2023/24 £000
(51) Opening balance at 1 April	(52)
51 Settlement or cancellation of accrual made at the end of the preceding year	52
(52) Amounts accrued at the end of the current year	(29)
(52) Closing balance at 31 March	(29)

**11. External audit costs**

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

2022/23 £	2023/24 £
8,800 External audit costs	9,330

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.

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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.

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2022/23</b>	<b>2023/24</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>				
<b>Cost of services</b>				
Current service cost	757	388	-	-
	<u>757</u>	<u>388</u>	<u>-</u>	<u>-</u>
<b>Financing and investment income and expenditure</b>				
Net interest expense	114	(71)	4	6
<b>Total post-employment benefits charged to the deficit on the provision of services</b>	<b>871</b>	<b>317</b>	<b>4</b>	<b>6</b>
<b>Other post-employment benefits charged to the CIES</b>				
Re-measurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	1,054	(1,107)	-	-
Actuarial (gain)/loss arising on changes in financial assumptions	(8,061)	(614)	(27)	(1)
IFRIC 14 Asset Ceiling Adjustment	900	(900)	-	-
Actuarial (gain) arising on changes in demographic assumptions	(160)	(217)	(2)	-
Experience adjustments	1,074	1,236	14	(17)
<b>Total post-employment benefits charged to the CIES</b>	<b>(5,193)</b>	<b>(1,602)</b>	<b>(15)</b>	<b>(18)</b>

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	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
<b>Movement in reserves statement</b>				
Reversal of net charges made to the deficit on the provision of services for post-employment benefits in accordance with the code	(871)	(783)	(4)	(6)
<b>Actual amount charged against the General Fund balance for pensions in the year</b>				
Employers' contributions payable to the scheme	302	317	12	6
<b>Total movement in reserves in respect of post-employment benefits</b>	<b>(569)</b>	<b>(466)</b>	<b>8</b>	<b>-</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23	2023/24	2022/23	2023/24
	£000	£000	£000	£000
Present value of the defined benefit obligation	(16,540)	(17,480)	(136)	(111)
Fair value of pension fund assets	18,062	19,709	-	-
IFRIC 14 Asset Ceiling Adjustment	(900)	-	-	-
<b>Net asset/(liability) arising from defined benefit obligation</b>	<b>622</b>	<b>2,229</b>	<b>(136)</b>	<b>(111)</b>

The liabilities show the underlying commitments that the Board has in the long term to pay post-employment (retirement) benefits. The net asset to the Board in 2023/24 of £2.118m (Board LGPS net asset £2.229m less discretionary benefits arrangement net liability £0.111m) (2022/23 £0.486m (Board LGPS net asset £0.622m less discretionary benefits arrangement net liability £0.136m)) 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.

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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 2022/23 the economic benefit reductions were calculated as £0.900m. Therefore, an adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC14.

In 2023/24 the calculation identified that there were no economic benefit reductions to be applied. Therefore, no adjustment to the defined benefit plan asset has been required.

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

	Liability split	
	£000	Percentage (%)
Active members	6,557	37.5%
Deferred members	2,928	16.8%
Pensioner members	7,995	45.7%
<b>Total</b>	<b>17,480</b>	<b>100.0%</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000
Opening fair value of scheme assets	18,839	18,062	-	-
Interest income	505	854	-	-
Return on plan assets	(1,054)	1,107	-	-
Other remeasurements	-	(75)	-	-
Contributions by employer	302	323	12	12
Contributions by Scheme participants	101	105	-	-
Estimated benefits paid (net of transfers in)	(631)	(667)	-	-
Unfunded benefits paid	-	-	(12)	(12)
<b>Closing fair value of scheme assets c/f</b>	<b>18,062</b>	<b>19,709</b>	<b>-</b>	<b>-</b>

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	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2022/23</b>	<b>2023/24</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Closing fair value of scheme assets b/f</b>	<b>18,062</b>	<b>19,709</b>	-	-
IFRIC 14 Asset Ceiling Adjustment	(900)	(0)	-	-
<b>Adjusted closing fair value of scheme assets</b>	<b>17,162</b>	<b>19,709</b>	-	-

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

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits</b>	
	<b>31/03/2023</b>	<b>31/03/2024</b>	<b>31/03/2023</b>	<b>31/03/2024</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	22,841	16,540	159	136
Current service cost	757	388	-	-
Interest cost	619	783	4	6
Contributions by scheme participants	101	105	-	-
Re-measurement (gains) and losses:				
Actuarial (gains)/losses from changes in financial assumptions	(8,061)	(614)	(27)	(1)
Actuarial (gains) from changes in demographic assumptions	(160)	(217)	(2)	-
Experience adjustments	1,074	1,162	14	(17)
Estimated benefits paid (net of transfers in)	(631)	(667)	-	-
Unfunded pension payments	-	-	(12)	(12)
<b>Closing value</b>	<b>16,540</b>	<b>17,480</b>	<b>136</b>	<b>111</b>

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### Analysis of Pension Fund's Assets

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

2022/23	2023/24
4% <b>Cash and cash equivalents</b>	6%
<b>Equity Securities:</b>	
By industry type	
10% Consumer	10%
4% Manufacturing	6%
0% Energy and utilities	0%
6% Financial institutions	5%
5% Health and care	4%
3% Information technology	4%
1% Other	0%
<b>Debt Securities:</b>	
By sector	
7% Corporate bonds	6%
2% UK Government	2%
5% Other	6%
8% <b>Private Equity</b>	7%
<b>Property:</b>	
10% UK	9%
<b>Investment funds and unit trusts:</b>	
21% Equity	22%
2% Bonds	1%
0% Hedge funds	0%
0% Commodities	0%
6% Infrastructure	6%
6% Other	6%
<b>100%</b> Total	<b>100%</b>

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

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	Fair value of pension fund assets	
31/03/23		<b>31/03/24</b>
£000		<b>£000</b>
	Financial Instruments	
14,574	Quoted in an active market	<b>14,857</b>
3,488	Not quoted in an active market	<b>4,852</b>
(900)	IFRIC 14 Asset Ceiling Adjustment	-
<b>17,162</b>	<b>Subtotal equity instruments</b>	<b>19,709</b>

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for The Highland Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2023.

The significant assumptions used by the actuary have been:

<b>2022/23</b>		<b>2023/24</b>
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (years)	
<b>20.4</b>	Men	<b>21.5</b>
<b>23.1</b>	Women	<b>23.7</b>
	Longevity at 65 for future pensioners (years)	
<b>21.6</b>	Men	<b>22.7</b>
<b>25.0</b>	Women	<b>25.2</b>
<b>2.95%</b>	Rate of inflation	<b>2.80%</b>
<b>3.75%</b>	Rate of increase in salaries	<b>3.60%</b>
<b>2.95%</b>	Rate of increase in pensions	<b>2.80%</b>
<b>4.75%</b>	Rate for discounting fund liabilities	<b>4.80%</b>
<b>50.00%</b>	Take up option to convert annual pension into retirement lump sum (pre-2009)	-
<b>75.00%</b>	Take up option to convert annual pension into retirement lump sum (post 2009)	-
-	Take up option to convert annual pension into retirement lump sum (future retirements)	<b>65.00%</b>

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.



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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.

	<b>Impact on the Defined Benefit Obligation in the Fund</b>	
	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£000)</b>
0.1% decrease in Real Discount Rate	<b>2%</b>	<b>301</b>
1 year increase in member life expectancy	<b>4%</b>	<b>704</b>
0.1% increase in the Salary Increase Rate	<b>0%</b>	<b>20</b>
0.1% increase in the Pension Increase Rate (CPI)	<b>2%</b>	<b>286</b>

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

The aims of the fund are to:

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

The employer's contributions are set by the Fund actuary at each triennial actuarial valuation (as at 31 March 2023 for the 2023/24 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 2025 will be approximately £0.298m.

The weighted average duration of the defined benefit obligation for scheme members is 15.0 years (18.0 years 2022/23).

### **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.

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### Highland Council

The Highland Council provided £2.655m representing 89.3% of the funding for the Board and holds 8 of the 10 seats on the Board (2022/23 £2.614m).

In addition, Highland Council provides administrative, financial and ICT services to the Board. In 2023/24 the Board paid £0.228m to the Highland Council for these services (2022/23 £0.237m). Rent of £0.008m (2022/23 £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 £0.249m, including £0.230m requisition creditor (2022/23 £0.291m).

### Comhairle Nan Eilean Siar

CNES provided £0.317m representing 10.7% of the funding for the Board and holds 2 of the 10 seats on the Board (2022/23 £0.312m).

At the year-end there was a creditor balance with CNES of £0.028m, including £0.027m requisition creditor (2022/23 £0.033m).

### Scottish Government/UK Government

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

The Scottish Government provided funding to the Board as follows:

<b>2022/23</b>	<b>Government</b>	<b>Nature of Funding</b>	<b>2023/24</b>
£000			£000
403	Scottish Government	Barclay funding	358
2	Scottish Government	Elections Act funding	16
<b>405</b>		<b>Total</b>	<b>374</b>

The Barclay funding is paid to the local authorities by the Scottish Government and is passed to the Board by adding the amount into the requisitions. The funding approved for 2023/24 was £0.358m, which was fully utilised in the year.

### Members

Members of the Board have direct control over the Board's financial and operating policies.

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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. Operating Leases

The Board leases a number of office premises.

#### *Board as Lessee*

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
94	Not later than one year	93
174	Later than one year and not later than five years	89
9	Later than five years	1
<u>277</u>		<u>183</u>

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<u>104</u>	Minimum lease payments	<u>105</u>

### 15. Short Term Debtors

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<u>30</u>	Prepayments	<u>47</u>
<b>30</b>	<b>Total</b>	<b>47</b>

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**16. Short Term Creditors**

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(324)	Other local authorities	(277)
(4)	Scottish Government	-
(199)	Other entities and individuals	(132)
<b>(527)</b>	<b>Total</b>	<b>(409)</b>

**17. Financial Instrument Balances**

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

**Financial Assets**

<b>Current Investments 31 March 2023</b>		<b>Current Investments 31 March 2024</b>
<b>£000</b>		<b>£000</b>
627	Amortised cost	515
<b>627</b>	<b>Total</b>	<b>515</b>

**Financial Liabilities**

<b>Current Creditors 31 March 2023</b>		<b>Current Creditors 31 March 2024</b>
<b>£000</b>		<b>£000</b>
527	Amortised cost	409
<b>527</b>	<b>Total</b>	<b>409</b>

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### Financial Instrument Gains and Losses

2022/23 Surplus or Deficit on the Provision of Services £000		2023/24 Surplus or Deficit on the Provision of Services £000
	Interest revenue:	
(15)	Financial assets measured at amortised cost	(49)
<u>(15)</u>	<b>Total interest revenue</b>	<u>(49)</u>

### 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 2024, the Board has Debtors of £0.047m, cash held with Highland Council of £0.515m and Creditors of £0.409m. 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 27 June 2024. Where events taking place before this date provided information about conditions existing at 31 March 2024 the financial statements have been adjusted in all material respects.