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## **Grampian Valuation Joint Board**

Friday, 05 November 2021

### **SUPPLEMENTARY AGENDA**

The undernoted reports have been added to the Agenda for the meeting of **Grampian Valuation Joint Board** on **Friday, 05 November 2021** at **10:30**.

#### **BUSINESS**

- |                                                                  |                 |
|------------------------------------------------------------------|-----------------|
| <b>4a. GVJB Audit of 2020-21 Annual Accounts</b>                 | <b>5 - 36</b>   |
| Report by the External Auditor                                   |                 |
| <b>4b. Audited Annual Accounts for Year Ending 31 March 2021</b> | <b>37 - 116</b> |
| Report by the Treasurer to the Board.                            |                 |

<b>GUIDANCE NOTES</b>
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- \* **Declaration of Group Decisions and Members Interests** - At the beginning of the meeting, immediately following the Sederunt, the Convener will, in terms of Standing Order 25, seek declarations from individuals on any financial or other interests.
  
- \*\* **Written Questions** - Any member can put one question to the Convener about relevant and competent business not already on the Agenda for a meeting of the Board. No member can put more than one question at any meeting. The member must give notice in writing of their question to the Clerk 4 working days prior to the meeting. A copy of any written answer provided by the Convener will be tabled at the start of the relevant meeting. The member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter but no discussion will be allowed.
  
- \*\*\* **Question Time** - At each ordinary meeting of the Board, 10 minutes will be allowed for question time when any member can put one question to the Convener regarding any matter within the remit of the Board. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed. In the event of further information/investigation being required in order to answer the question, the Clerk will arrange for a written answer to be provided within 7 working days.



## Grampian Valuation Joint Board

### **SEDERUNT**

Councillor Graham Leadbitter (Chair)  
Councillor Bill Cormie (Depute Chair)

Councillor Charles Buchan (Member)  
Councillor Marion Buchan (Member)  
Councillor Neil Copland (Member)  
Councillor Gordon Graham (Member)  
Councillor Andy Kille (Member)  
Councillor Neil MacGregor (Member)  
Councillor Avril Mackenzie (Member)  
Councillor Ron McKail (Member)  
Councillor John Reynolds (Member)  
Councillor Stephen Smith (Member)  
Councillor Judy Whyte (Member)  
Councillor Frank Brown (Member)  
Councillor Derek Ross (Member)

Clerk Name:	Tracey Sutherland
Clerk Telephone:	07971 879268
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Grampian Valuation Joint Board  
Woodhill House  
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Aberdeen  
AB15 6GE

5 November 2021

## **Grampian Valuation Joint Board Audit of 2020/21 annual accounts**

### **Independent auditor's report**

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 5 November 2021. The proposed report is attached at [Appendix A](#).

### **Annual audit report**

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Grampian Valuation Joint Board's consideration our draft annual report on the 2020/21 audit. Exhibit 2: Significant findings from the audit of the financial statements sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of two (financial sustainability and the appropriateness of the disclosures in the governance statement) of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. The reasons for this reduced scope are set out in our 2020/21 Annual Audit Plan.

4. This report will be issued in final form after the annual accounts have been certified.

### **Unadjusted misstatements**

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have one unadjusted misstatement to report to those charged with governance. Had this adjustment been made, creditors would have increased and the balance on the General Fund would have decreased by £12,000 (refer to Exhibit 2 in the Annual Audit Report for details).

### **Fraud, subsequent events and compliance with laws and regulations**

7. In presenting this report to the Joint Board we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Treasurer**

- 8.** As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.
- 9.** A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

## Appendix A: Proposed Independent Auditor's Report

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

In my opinion the accompanying financial statements:

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

##### Basis for opinion

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 under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is five years. I am independent of the body 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 body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

##### Risks of material misstatement

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

## **Responsibilities of the Treasurer and Grampian 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 body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The board is responsible for overseeing the financial reporting process.

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- 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 Grampian 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.



## Reporting on other requirements

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

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

### **Statutory other information**

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

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in 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 statutory 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 statutory 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 Management Commentary and Annual Governance Statement**

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

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

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

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

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 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.

Maggie Bruce  
Senior Audit Manager  
Audit Scotland  
1st Floor, Room F03  
The Green House  
Beechwood Business Park North  
Inverness  
IV2 3BL

## Appendix B: Letter of Representation (ISA 580)

Maggie Bruce  
Senior Audit Manager  
Audit Scotland  
1st Floor, Room F03  
The Green House  
Beechwood Business Park North  
Inverness  
IV2 3BL

Date

Dear Maggie

### Grampian Valuation Joint Board Annual Accounts 2020/21

1. This representation letter is provided about your audit of the annual accounts of Grampian Valuation Joint Board for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the management commentary, annual governance statement and remuneration report.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Assessor and Electoral Registration Officer and the management team, the following representations given to you in connection with your audit of Grampian Valuation Joint Board's annual accounts for the year ended 31 March 2021.

#### General

3. Grampian Valuation Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Grampian Valuation Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 Code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Grampian Valuation Joint Board at 31 March 2021 and the transactions for 2020/21.

#### Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 Code where applicable.

Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Grampian Valuation Joint Board circumstances and have been consistently applied.

**8.** The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

**9.** I have assessed Grampian Valuation Joint Board 's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Grampian Valuation Joint Board's ability to continue as a going concern.

### **Assets**

**10.** Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

**11.** I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

**12.** I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2021.

**13.** There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

**14.** Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities**

**15.** All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

**16.** Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 Code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

**17.** Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

**18.** The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been estimated on a reasonable basis.

**19.** The pension assumptions made by the actuary in the IAS 19 report for Grampian Valuation Joint Board have been considered and I confirm that they are consistent with management's own view.

**20.** There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

**21.** There are no significant contingent liabilities arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2020/21 Code and IAS 37.

**22.** With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

### **Fraud**

**23.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

**24.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

**25.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 Code. I have made available to you the identity of all the Grampian Valuation Joint Board's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

**26.** The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

**27.** I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

### **Corporate Governance**

**28.** I confirm that the Grampian Valuation Joint Board has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have

disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**29.** I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

### **Events Subsequent to the Date of the Balance Sheet**

**30.** All events subsequent to 31 March 2021 for which the 2020/21 Code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Lorraine Paisey  
Treasurer

# Grampian Valuation Joint Board

**DRAFT 2020/21 Annual Audit Report**



 **AUDIT SCOTLAND**

Prepared for the Grampian Valuation Joint Board and the Controller of Audit  
November 2021

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# Key messages

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## Audit of 2020/21 annual accounts

- 1 The Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and were properly prepared in accordance with the applicable requirements.

## Financial sustainability and annual governance statement disclosures

- 3 The Joint Board underspent its 2020/21 budget by £0.854 million. The majority of this will be returned to constituent authorities (£0.414 million) and the Scottish Government (£0.247 million) with the remainder (£0.064 million) added to reserves
- 4 Reserves have been used to balance the 2021/22 budget in order to reduce constituent authorities' requisitions.
- 5 The Joint Board has approved a three-year financial plan. We would encourage it to continue to work towards development of a long-term financial strategy.
- 6 Annual governance statement disclosures are appropriate.

# Introduction

1. This report summarises the findings from our 2020/21 audit of Grampian Valuation Joint Board (the Joint Board).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 5 February 2021 meeting of the Joint Board. This report comprises the findings from:
  - our audit of the Joint Board's annual accounts
  - consideration of financial sustainability and the appropriateness of the disclosures in the annual governance statement.
3. In common with all organisations, the Joint Board has had to respond to the global coronavirus pandemic. Staff continued to work from home for the duration of the financial year. This, combined with increased demand for postal votes ahead of the May 2021 Scottish Parliamentary election together with restrictions on travel and the ability to access properties requiring inspection/survey, resulted in a deterioration in performance against some of the Joint Board's key indicators (time taken to update the Valuation Roll and Valuation List with new dwellings/other changes) during 2020/21. Despite this, the Assessor reports that the Joint Board met all of its statutory requirements during 2020/21.

## Adding value through the audit

4. We add value to the Joint Board through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
  - providing clear conclusions on the appropriateness of the disclosures in the annual governance statement and financial sustainability.
5. We aim to help the Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. The Joint Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Joint Board is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**7.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice (2016) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on the Joint Board's Best Value arrangements is focussed on the use of resources to secure financial sustainability.

**8.** As public sector auditors we give independent opinions on the annual report and accounts. The wider scope of public audit also requires auditors to conclude on the appropriateness of the organisation's arrangements for financial management, financial sustainability, governance and transparency, and value for money unless the auditor judges that it is not appropriate due to the body's size, nature, and audit risks.

**9.** As in previous years, and as reported in our 2020/21 Annual Audit Plan, we have applied the small body provisions of the Code of Audit Practice to the Joint Board's 2020/21 audit. This is due to the small volume and lack of complexity of the Joint Board's financial transactions. Further details of the respective responsibilities of management and the auditor can be found in the Code and supplementary guidance.

**10.** This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**11.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

## Auditor independence

**12.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and the 2020/21 audit fee of £7,610, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** This report is addressed to both the Joint Board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

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# Part 1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

The Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

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## Our audit opinions on the annual accounts are unmodified

**14.** The annual accounts for the year ended 31 March 2021 were approved by the Board on 5 November 2021 (TBC). As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2020/21 (the Code)
- the management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

## The Covid-19 pandemic did not adversely impact our ability to obtain audit evidence

**15.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not adversely affected by the Covid-19 outbreak. We were able to obtain sufficient, appropriate audit evidence to support our audit opinion.

**16.** The working papers provided to support the accounts were of a good standard and the audit team received good support from finance staff which helped ensure the final accounts audit process ran smoothly.

## The annual accounts were signed off in line with the original timescales

**17.** The unaudited annual report and accounts were received on 4 June 2021 in line with our agreed audit timetable. Both the Joint Board and Audit Scotland staff worked from home for the duration of the audit, due to ongoing restrictions as a result of the Covid-19 pandemic. Lessons learned from the previous year and use of efficient communication methods, such as Microsoft Teams, allowed the audit to progress in line with the timetable set out in our annual audit plan.

## Overall materiality is £90,000

**18.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£90,000
Performance materiality	£63,000
Reporting threshold	£4,500

Source: Audit Scotland

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## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

**19.** [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. Appendix 2 also identifies the work we undertook to address these risks and our conclusions from this work.

## We have one significant finding to report from our audit of the annual accounts

**20.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have one significant finding to report (refer to [Exhibit 2](#) for details).

## Exhibit 2

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Calculation of amount to be transferred to General Fund</b></p> <p>A number of years ago members agreed that the cumulative balance on the General Fund should not exceed 5% of the total budget in that year.</p> <p>In February 2020, members agreed to earmark the underspend on the 2019/20 budget for NDR reform as an additional part of the General Fund.</p> <p>Audit testing identified that the cumulative balance on the General Fund as at 31 March 2021 (£0.235 million) was based on 5% of requisitions which is less than the total 2020/21 budget which was partly funded from reserves but more than the 2020/21 budget for core costs.</p> <p>There is currently a lack of clarity in how the cumulative balance should be calculated. In our view, the cumulative balance on the uncommitted part of the General Fund should be calculated on the budget for the Joint Board's core costs as in February 2020 it was agreed that the earmarked part would be 'additional'. As a result, the General Fund balance is overstated, and creditors are understated by £0.012 million.</p>	<p>Management have decided not to amend the annual accounts for this misstatement. The amount is not material to our opinion on the annual accounts.</p> <p><b>Recommendation 1</b></p>

Source: Audit Scotland

### The misstatement was less than our performance materiality threshold and so we did not need to revise our audit approach

**21.** Audit testing identified only one misstatement of £12,000 (refer to [Exhibit 2](#) above). As this is below our performance materiality threshold, there was no impact on our audit approach

### There is one unadjusted misstatement to report to those charged with governance

**22.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Our audit identified only one misstatement above our reporting threshold and, as noted in [Exhibit 2](#) above, management have not amended the accounts for this. We are content with this decision as the amount is not material to our opinion on the annual accounts.

## The management commentary could be further improved

**23.** In addition to the opinion on the management commentary noted at paragraph 14 above, we also consider the qualitative aspects of the management commentary. The purpose of a management commentary is to provide information on a body, its main objectives, and the principal risks it faces. It should provide a fair, balanced, and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

**24.** Last year we concluded there was scope to improve the management commentary and recommended that the Joint Board review its management commentary against Audit Scotland's '[Good Practice Note on Management Commentaries: Enhancing the quality of local government annual accounts](#)' as part of its preparation of the 2020/21 annual accounts.

**25.** This year a number of amendments were required to the financial performance section of the management commentary to improve consistency with the main financial statements. The revised narrative provides a more complete picture of the Joint Board's financial performance. We have concluded that the audited management commentary meets the requirements of the Code.

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## Recommendation 3 (b/f)

The Joint Board should review the content and presentation of its management commentary against Audit Scotland's good practice guide.

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## Good progress has been made on prior year recommendations

**26.** The Joint Board has made good progress in implementing our prior year audit recommendations. For the action not yet implemented, a revised response and timescale have been agreed with management and are set out in [Appendix 1](#).

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# Part 2. Financial sustainability and annual governance statement disclosures

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

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## Main judgements

The Joint Board underspent its 2020/21 budget by £0.854 million. The majority of this will be returned to constituent authorities (£0.414 million) and the Scottish Government (£0.247 million) with the remainder (£0.064 million) added to reserves.

Reserves have been used to balance the 2021/22 budget in order to reduce constituent authorities' requisitions.

The Joint Board has approved a three-year financial plan. We would encourage it to continue to work towards development of a long-term financial plan.

Annual governance statement disclosures are appropriate.

---

## The 2020/21 budget was underspent by £0.854 million

**27.** The Joint Board's net operating expenditure in 2020/21 was £3.979 million compared to budgeted net expenditure of £4.833 million, an underspend of £0.854 million. The majority of this underspend relates to vacant posts (£0.640 million) and receipt of government grants to fund additional costs associated with electoral registration (£0.366 million).

**28.** [Exhibit 3](#) summarises performance against budget in 2020/21.



**Exhibit 3****Performance against budget 2020/21**

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Employee costs	3,704	3,053	(651)
Other service expenses (including capital financed from current revenue (CFCR))	1,087	1,243	156
Support service recharges	57	63	6
Interest and investment income	(2)	(1)	1
Government grants and other service income	(13)	(379)	(366)
Net (under)/overspend against budget	4,833	3,979	(854)
Funded by:			
Requisitions	(4,703)	(4,703)	-
Approved use of Reserves	(130)	-	130
<b>2020/21 Outturn</b>	<b>-</b>	<b>(724)</b>	<b>(724)</b>

**29.** The net operating expenditure (£3.979 million) differs from the net cost of services disclosed in the comprehensive income and expenditure statement of £4.219 million by £0.240 million. This is because reports prepared for the Joint Board's monitoring purposes are prepared on a different basis from the accounting policies used to prepare the financial statements.

**30.** Note 7 to the accounts reconciles the figures in the budget outturn report to the figures in the comprehensive income and expenditure statement. Note 7 shows that the majority of the difference is due to the cost of retirement benefits which are based on cash flows in the budget monitoring reports, but on the current service costs of benefits accrued in the year within the accounts.

**31.** IAS 19 (Retirement Benefits) calculations depend on a number of complex judgements and assumptions which are updated each year. As at 31 March 2021, the actuary has calculated that the Joint Board's share of assets in the North East Scotland Pension Fund exceeds its future pension commitments by £0.008 million. As a result, the Joint Board's balance sheet as at 31 March 2021 shows net assets of £0.998 million compared to net liabilities of £3.3 million as at 31 March 2020.

## **Reserves increased by £0.064 million with £0.414 million to be returned to constituent authorities and £0.247 million to the Scottish Government**

**32.** The Joint Board maintains a General Fund balance to support medium-term financial planning and to address any unforeseen costs. In the absence of a more specific regulation for Valuation Joint Boards in respect of the carry forward limits on the General Fund, members agreed that a maximum of 3% of the total budget should be added to the general fund in any one year as long as the cumulative balance does not exceed 5% of the total budget in that year.

**33.** In February 2020, the Joint Board agreed to earmark the underspend (£0.091 million) on the 2019/20 budget for Non-Domestic Rates reform as an additional part of the General Fund. During 2020/21, the NDR reform budget was underspent by £0.299 million due to difficulties in recruiting staff. The majority of this underspend (£0.247 million) was returned to the Scottish Government with the remainder (£0.052 million) added to the earmarked reserve.

**34.** After transferring £0.012 million to the uncommitted General Fund balance (refer to comments at [Exhibit 2](#)), the remainder of the underspend (£0.414 million) will be returned to constituent authorities.

## **Reserves have been used to balance the 2021/22 budget in order to reduce constituent authorities' requisitions**

**35.** The Joint Board approved its 2021/22 budget in February 2021. The budget paper split the budget between core costs (£4.389 million) and NDR reform costs (£0.544 million) which are funded by the Scottish Government through the local government settlement to constituent authorities. Members agreed to fund £0.208 million of the budget from reserves with the remainder (£4.725 million) to be funded by constituent authorities.

**36.** Overall, the 2021/22 budget increased by £0.1 million (2%) due to an increase in the budget for NDR reform (£0.180 million (49.5%)) offset by a reduction in core costs of £0.080 million (1.8%).

**37.** This is the second year that the General Fund balance has been used to balance the Joint Board's budget and as a result, the uncommitted General Fund balance is expected to reduce to £0.118 million (2.7% of the 2021/22 net core costs budget) at 31 March 2022 (£0.235 million as at 31 March 2021).

**38.** The latest budget monitoring report, as at 31 May 2021, shows an underspend against the budget to date of £0.098 million. A detailed estimated outturn statement will be reported to the Joint Board meeting in November 2021.

## **The Joint Board has approved a three-year financial plan**

**39.** In previous years we have highlighted the importance of medium to longer-term financial planning and recommended that the Joint Board develops a medium to long-term financial strategy supported by clear and detailed financial plans.

**40.** In November 2020, the Treasurer presented a three-year financial plan to the Joint Board which is based on pay awards increases of between 1-5% for budget areas where the financial implication is not certain.

**41.** The recommended scenarios were built into an indicative budget for the three years to 31 March 2024 which was included in an Appendix to the November report. This formed the basis of the three-year budget approved by members at the Joint Board meeting in February 2021.

**42.** The three-year financial plan sets out the financial challenges facing the Joint Board including uncertainty in the key areas of salaries (which account for more than 76% of the Joint Board's budget) and accommodation. These challenges are likely to put pressure on the General Fund balance.

**43.** We have concluded that the Joint Board has made good progress in developing its approach to medium-term financial planning and recognises the need to focus on the immediate and medium-term impact of the current pandemic. We would, however, stress the importance of longer-term financial planning to the achievement of financial sustainability and encourage the Joint Board to continue to work towards development of a long-term financial strategy.

### **Annual governance statement disclosures are appropriate**

**44.** Our review of the Annual Governance Statement within the annual accounts assessed the assurances which are provided to the Treasurer regarding the adequacy and effectiveness of the Joint Board's system of internal control which operated in the financial year. As in previous years, the Treasurer has placed reliance on the Internal Audit Manager's opinion that 'reasonable assurance can be placed on the adequacy and effectiveness of the system of internal financial control established within the Assessor's Service.'

**45.** Our review identified two areas where the Joint Board could improve compliance with the guidance and management agreed to amend the Annual Governance Statement to include these in the audited annual accounts.

**46.** The Annual Governance Statement sets out the key challenges facing the Joint Board in 2021/22. These include upgrading operational capacity in terms of workforce, processes, and IT systems to meet the challenges of moving to a 3-year revaluation cycle.

**47.** We concluded that the information in the audited Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by Scottish Ministers.

### **The Joint Board's Cyber Essentials Plus accreditation has lapsed**

**48.** Public bodies should have good provision for managing data and monitoring information security. They should also have demonstrable capacity and capability for responding to increasing risks to cyber security. Threats are increasing as organisations deliver more services online. Public bodies should have risk assessment processes in place for recording activities and learning including the cost impact of responding to a cyber-attack.

**49.** The Joint Board's Public Service Network (PSN) and Cyber Essentials Plus accreditations both lapsed in the last year. The Joint Board reviewed its arrangements for some IT services and systems during 2020/21 and this contributed to the delay in reapplying for Cyber Essentials Plus accreditation. As part of that review, Aberdeenshire Council are providing IT support for the first nine months of 2021/22. We have been advised that PSN accreditation is no longer required as the Individual Electoral Registration (IER) digital service is moving away from being hosted on a PSN service.

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## Recommendation 2

The Joint Board should reapply for Cyber Essentials Plus accreditation as soon as practicable.

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## National performance audit reports

**50.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Although there were no reports published in 2020/21 which were of direct interest to the Joint Board, there were others with some wider relevance. These are included in [Appendix 3](#).

# Appendix 1. Action plan 2020/21

## 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Reserves' policy</b></p> <p>Audit testing identified that the amount transferred to the General Fund was based on requisitions and not budget as set out in the Joint Board's reserve policy. The reserves policy was agreed before the introduction of a separate budget for NDR reform or use of reserves to fund annual budgets. As a result, there is a lack of clarity as to how the cumulative balance on the uncommitted part of the General Fund should be calculated.</p> <p><b>Risk:</b> the General Fund balance is overstated in the annual accounts.</p>	<p>The Joint Board should revisit its reserve policy to ensure it clearly sets out the basis for calculating the maximum cumulative balance to be held for emergencies and unforeseen circumstances.</p> <p><a href="#">Exhibit 2</a></p>	<p>Reserves Policy will be reviewed to ensure it remains relevant and covers the current funding streams.</p> <p><b>Responsible officer:</b> Treasurer</p> <p><b>Agreed date:</b> 28 February 2022</p>
<p><b>2. Cyber security</b></p> <p>Organisations are increasingly threatened by cyber-attacks as evidenced by recent incidents affecting public bodies.</p> <p>The Joint Board's Cyber Essentials Plus accreditation lapsed in August 2020.</p> <p><b>Risk:</b> key systems are not resilient enough to deal with a cyber-attack.</p>	<p>The Joint Board should reapply for Cyber Essentials Plus accreditation as soon as practicable.</p> <p><a href="#">Paragraphs 48 &amp; 49</a></p>	<p>Appropriate IT professionals will be consulted to review what is required to allow reaccreditation as soon as practicable.</p> <p><b>Responsible officer:</b> Assessor &amp; ERO</p> <p><b>Agreed date:</b> 31 January 2022</p>

## Outstanding prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Management commentary</b></p> <p>The management commentary included in the unaudited annual accounts required amendment before we could conclude that it met the requirements of the Code.</p> <p><b>Risk:</b> there is a risk that the Joint Board fails to communicate effectively with its stakeholders.</p>	<p>The Joint Board should review the content and presentation of its 2020/21 management commentary against Audit Scotland's good practice guide.</p>	<p><b>Outstanding</b></p> <p>A number of amendments were required to the financial performance section of the management commentary to improve consistency with the main financial statements.</p> <p>Refer to <a href="#">paragraphs 23 to 25</a> for details.</p> <p>Review presentation of financial performance section.</p> <p><b>Responsible officer:</b></p> <p>Treasurer</p> <p><b>Revised date:</b></p> <p>31 May 2022</p>
<p><b>4. Internal control arrangements</b></p> <p>The scale and pace of change as a result of Covid-19 poses a risk to the Joint Board's governance arrangements.</p> <p><b>Risk:</b> there is a risk that key financial controls do not operate as intended due to new ways of working.</p>	<p>The Joint Board should ensure that internal controls remain effective during this period of uncertainty and as new ways of working are developed and adopted.</p>	<p><b>Complete</b></p> <p>Our audit did not identify any areas of control weakness due to Covid-19.</p>
<p><b>5. Related party returns and registers of interest</b></p> <p>Of the 15 related party returns issued to members, only 8 responses (53%) were received. Senior officers are not asked to complete a related party return. Review of Joint Board member's registers of interest noted that only 3 showed evidence of update within the previous 6 months. The Joint Board's senior officers have not</p>	<p>The Joint Board should review its procedures for identifying related parties within the annual accounts. These should cover both members and senior officers. In addition, members should be reminded of the importance of keeping their registers of interest up to date and senior officers should be asked to complete a register of interests return.</p>	<p><b>Complete</b></p> <p>The Assessor and Deputies completed a register of interest return in June 2020.</p> <p>All remaining staff were asked to complete a register of interest during 2020/21. This is considered to be an example of good practice.</p> <p>Members were reminded of the importance of completing related party returns and keeping their registers of interest up to date in August</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>completed a register of interests' disclosure.</p> <p><b>Risk:</b> related party transactions are not all detected and disclosed within the annual accounts</p>		<p>2019. Response rates improved in 2019/20 to 87% although this has decreased to 53% in 2020/21.</p>

# Appendix 2. Significant audit risks

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion.

## Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<b>1. Management override of controls</b>  ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	<b>Results:</b> Our audit work did not identify any issues that would indicate management override of controls affecting the year-end position.  <b>Conclusion:</b> Satisfactory
<b>2. Estimates and judgements</b>  There is a significant degree of subjectivity in the measurement and valuation of the pension liability and non-current asset values included in the annual accounts. This subjectivity represents an increased risk of misstatement in the accounts which is heightened by the impact of the COVID-19 pandemic on property markets.	Assessment of the scope, independence and competence of the professionals engaged in providing estimates, and the appropriateness of the actuarial assumptions. Focussed testing of IAS19 disclosures and non-current asset valuations. Review of the reports from the valuer and actuary for references to the impact of COVID-19 on property markets and their valuations.	<b>Results:</b> We reconsidered this risk on receipt of the unaudited accounts and concluded that there was not a risk of material misstatement in the valuation of non-current assets.  Our audit work did not identify any issues with the scope, independence, or competence of the actuary.  We considered the work undertaken by management, the actuary in light of the Covid-19 pandemic and considered the impact on the year-end valuations.  <b>Conclusion:</b> Satisfactory



## Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>3. Financial sustainability</b></p> <p>The Joint Board has yet to approve a medium to longer term financial plan and used £0.13 million (58%) of its general fund reserve to balance its budget for 2020/21. In March 2020, members agreed to set a minimum level to be held in its general fund reserve of 2.5% of annual net expenditure. There is a risk that the Joint Board is unable to agree and implement a sustainable financial plan before it reduces its general fund reserves to the agreed minimum.</p>	<p>Review the three-year financial plan and the 2021/22 budget setting papers. Comment on financial sustainability within our annual audit report.</p>	<p><b>Results:</b> A three-year financial plan was presented to the Joint Board in November 2020. This set out a number of scenarios and formed the basis of the three-year budget approved by members in February 2021.</p> <p><b>Conclusion:</b> Satisfactory</p>

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# Appendix 3. Summary of 2020/21 national performance reports

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## April

[Affordable housing](#)

## June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

## July

[The National Fraud Initiative in Scotland 2018/19](#)

## January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

## February

[NHS in Scotland 2020](#)

## March

[Improving outcomes for young people through school education](#)

# Grampian Valuation Joint Board

## DRAFT 2020/21 Annual Audit Report

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**REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 5 NOVEMBER 2021**

**SUBJECT: AUDITED ANNUAL ACCOUNTS FOR YEAR ENDING 31 MARCH 2021**

**BY: TREASURER TO THE BOARD**

**1. REASON FOR REPORT**

- 1.1 To submit the audited Annual Accounts for the financial year ending 31 March 2021 to the Board for consideration and approval.

**2 RECOMMENDATION**

**2.1 It is recommended that the Board:**

- i) approves that the Annual Accounts are signed, having regard to the Annual Report from the External Auditor considered earlier at this meeting;
- ii) notes the surplus of £724,000 for 2020/21; and
- iii) if the Annual Accounts are approved for signing, agrees that £414,000 be returned to constituent authorities leaving a balance on the General Fund of £235,000, and an earmarked reserve for Non Domestic Rates Reform of £143,000.

**3. 2020/21 ACCOUNTS**

- 3.1 It is a statutory requirement that the Board meets to consider and approve for signature the audited Annual Accounts and, following the signing of the Annual Accounts, provides appropriately signed statements to the External Auditor, Audit Scotland.
- 3.2 A copy of the audited Annual Accounts for 2020/21 are appended to this report as **APPENDIX 1**. There have been presentational amendments in the accounts which don't affect the amount which falls due to be returned to the constituent authorities.

- 3.3 The Auditor's draft Report to the Board and the Controller of Audit is the subject of a separate report to this meeting. The report confirms that there are no unadjusted misstatements in the accounts to report to those charged with governance. The Independent Auditor's report gives an unqualified opinion, which means that the financial statements give a true and fair view of the Board's financial position for 2020/21.
- 3.4 With a total underspend of £0.854m, there was no requirement to utilise the budgeted £0.130m from reserves. After transfers to the reserves and the repayment of NDR grant to the Scottish Government, the remaining balance available for return to the constituent authorities is £414,000.
- 3.5 The surplus to be returned to the constituent authorities is in proportion to the percentage of requisitions for 2020/21 and is as follows:

<b>2020/21 Proposed Surplus Refund to Authorities</b>		
	<b>%</b>	<b>£</b>
Aberdeen City Council	39.04	161,625
Aberdeenshire Council	44.60	184,644
Moray Council	16.36	67,731
<b>Total</b>	<b>100.00</b>	<b>414,000</b>

#### **4. CONCLUSION**

- 4.1 **The Board generated a surplus of £854,000 in 2020/21. If the Annual Accounts are approved, £414,000 will be returned to constituent authorities leaving a balance on the General Fund of £235,000 and the earmarked NDR Reform Reserve of £143,000.**

Author of Report:	Susan Souter, Accountant
Background papers:	Held within Accountancy Section, Moray Council
Date:	October 2021

AUDITED ACCOUNTS



**GRAMPIAN  
VALUATION  
JOINT BOARD**

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**ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31 MARCH 2021**





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Treasurer to the Board, Financial Services, High Street, Elgin, IV30 1BX



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## MANAGEMENT COMMENTARY

**Note: The management commentary was originally prepared by the previous Assessor, Ian H Milton, prior to his retirement in June 2021. The commentary has been updated by his successor, Mark J Adam, to take account of changes to legislation etc. after that date.**

### **Strategy and objectives**

Unlike local authorities that are charged with providing a wide range of services within their local authority area, the Assessor & Electoral Registration Officer is charged with the provision of valuation assessment and registration services across Aberdeen City Council, Aberdeenshire Council and Moray Council areas.

These strictly defined and regulated services are delivered by the Assessor & Electoral Registration Officer, the responsible independent statutory official, in partnership with the Grampian Valuation Joint Board. The Board is required to appoint and resource the Assessor; the constituent authorities are required to appoint and resource an Electoral Registration Officer (ERO). By agreement, the Board has undertaken this responsibility on behalf of the local authorities.

#### **The priorities for 2020/21 were:**

- Implement a full household canvass using the reformed canvass model;
- Publish revised registers by 1 December 2020;
- Prepare for the Scottish Parliamentary election scheduled for 6 May 2021;
- Continue to upgrade IT systems to deliver the non-domestic rates reform changes that include more frequent revaluations, greater transparency and improved information gathering powers;
- Maximise Valuation Roll appeal resolution;
- Maintain a complete and accurate Valuation Roll in terms of the Local Government (Scotland) Act 1975;
- Maintain a complete and accurate Council Tax Valuation List in terms of the Local Government Finance Act 1992.

### **Monitoring regimes**

The Electoral Commission has a performance monitoring framework in place for EROs across the UK and required quantitative and qualitative performance returns. The Cabinet Office in its capacity as lead department for the implementation of individual electoral registration across the UK also required performance returns from EROs during 2020/21 as part of the roll-out of canvass reform.

Quarterly revaluation appeal resolution returns are made to the Scottish Government that in turn publishes the local and national data<sup>1</sup>.

Key performance indicators set by the Board and submitted to the Scottish Government monitor performance in terms of the Valuation List and Valuation Roll update.

---

<sup>1</sup> <https://www.gov.scot/publications/non-domestic-rates-revaluation-appeals/>

## **MANAGEMENT COMMENTARY (continued)**

### **Business model**

The organisation delivers the outcomes that are required by statute in a dual strand approach with the Board providing resources and oversight and the Assessor & ERO delivering the specialised independent professional services of valuation assessment and registration. Normally the organisation operates out of offices in Aberdeen, Banff and Elgin however for 2020/21 operational activity has been largely home-based with only limited activity being undertaken in operational offices due to the pandemic-related restrictions.

The Assessor & ERO works closely with the other Scottish Assessors and EROs via the Scottish Assessors' Association (SAA) to deliver a service across Aberdeen City, Aberdeenshire and Moray council areas that is consistent with that being delivered across all 32 local authority areas in Scotland. The sharing of expertise and representation through the SAA is a unique example of shared services across Scotland that includes a national website and data source for a wide range of stakeholders that includes citizens, business, third sector, public agencies, government and research bodies.

Appeal outcome data and performance indicators measure the effectiveness of the organisation's valuation assessment role and the Electoral Commission's performance framework monitors the registration outcomes.

During 2020/21 the organisation met all the demands placed upon it in terms of valuation assessment and registration. This was despite the necessity to close operational offices in March 2020 due to the pandemic and move to a working-from-home operational model.

The pandemic had both direct and indirect impacts on the organisation's planned activities for the year. The direct impact was two-fold. The requirement to re-configure our management procedures, Information Technology (IT) systems and working practices to allow services to continue to be delivered whilst working from home was the principal challenge, however as the year progressed, the restrictions on travel and access to properties impacted heavily on the inspection and survey of properties and the carrying out of door to door visits for registration purposes.

The pandemic impacted indirectly too with the introduction of new pandemic-related demands on the organisation such as the requirement to handle high volumes of business support grant related enquiries, receive and record some 10,000 Covid related appeals claiming a material change of circumstance that has impacted on rateable values, and also provide capacity for a surge in absent vote applications ahead of the May 2021 Scottish Parliamentary election.

For the second consecutive year, the risks and uncertainties that prevailed during the year have been the most challenging this organisation has had to address.

### **A fair review of the business**

In terms of our priorities:

*Implement a full household canvass using the reformed canvass model*

The 2020 canvass was the first canvass that used data to determine the appropriate approach to be taken on a household by household basis. This has been a most welcome and long-awaited development in the delivery of the annual canvass and meant that resources could be focussed where the need was greatest – namely where data indicated that changes in household composition were likely to have taken place.

## MANAGEMENT COMMENTARY (continued)

Where existing data suggested that there was no change in the household composition, the household received information but was not required to respond unless there were changes in the household composition that needed to be reported. Where data indicated that changes in household composition had taken place, a different canvass procedure followed that required a response from the household and follow-up actions by the ERO. The usual door to door follow-up procedures were not possible for households in this grouping that failed to respond however telephone canvassing was mandated and implemented where possible as an alternative to door to door visits.

In order to manage customer contact volumes, the issue of the canvass documentation to each dwelling was phased over a number of weeks in August and by the conclusion of the canvass on 30 November 2020 the service had issued 387,768 canvass communications to 286,999 residential addresses in the Grampian area. This compares to 482,539 canvass forms and reminders issued during the 2019 household canvass. The reduction in mailings is a key benefit of the reformed canvass procedure that focuses resources where the need is greatest.

There were two additional elements to the canvass process that require to be reported. The first element was the extension of the franchise to prisoners and foreign nationals beyond those of European Union (EU) and Commonwealth citizenship. The second element was the necessity to service two by-elections held on different polling days during the canvass period. Engagement with the Scottish Prison Service, the Scottish Refugee Council and local migrant settlement officers sought to ensure that the widened franchise was promoted with information targeted appropriately. The conduct of two by-elections with new emergency proxy provisions for those electors having to isolate provided an invaluable opportunity to test systems of processing and contact handling with a largely home-based team. They also provided an ideal opportunity to work with the relevant Returning Officers on an electoral event during a pandemic.

### *Publish revised registers by 1 December 2020*

During the period from 1 February 2020 to 30 November 2020 48,848 additions and deletions were made to the registers and 21,017 initial invitations to register were issued along with 24,142 first and second reminders. The table below provides summary details for the last three revised registers for local government and Scottish Parliament elections.

Revised registers	1 December 2018	1 February 2020	1 December 2020
Number of electors	432,135	445,690	448,331
Number of postal voters	87,422	91,070	88,494

### *Prepare for the Scottish Parliamentary election scheduled for 6 May 2021*

National and local planning commenced in August 2020 with scenario modelling focussing on the potential for a significant increase in demand for absent voting during the pandemic. The modelling was supported by voter attitudes research conducted by the Electoral Commission and this informed the modelling and ultimately influenced mandatory directions for EROs being issued by the Convenor of the Electoral Management Board for Scotland. The local response was to build capacity by increasing our call handling and processing establishment by more

## MANAGEMENT COMMENTARY (continued)

than 100% through an additional 24 full time equivalent temporary electoral registration assistants. This additional manpower was sourced through secondment agreements for furloughed sports and leisure personnel, existing temporary canvass personnel and employment from the open market. Various operational configurations were planned within the scenarios but the December lockdown dictated that the increased capacity would largely work from home with full internet and telephone links to our systems.

Two major innovations helped ensure successful delivery of registration services ahead of the election; an early letter to every household and an earlier deadline for applications to vote by post. The Scottish Government provided separate funding for a letter to be issued to every household in early February as an early call to action. This was particularly successful in Grampian where this initiative was supported by a new dedicated voter information online landing page and television publicity campaign. The landing page enabled voters to request pre-populated absent vote application forms that were generated through bulk processes rather than individual interactions and handled some 20,000 requests for application forms. In the period from 1 December 2020 to 6 April 2021 (the postal vote deadline) the number of postal voters increased from 88,494 to 123,567.

*Continue to upgrade IT systems to deliver the non-domestic rates reform changes that include more frequent revaluations, greater transparency and improved information gathering powers*

Work on this project was to a degree interrupted by the move to re-base operational staff to home-based working however this work has continued to progress at local and national levels. Further in a move to increase resilience and maximise cost effectiveness we are exploring an IT service sharing agreement with Aberdeenshire Council that will present opportunities to develop and maintain our IT infrastructure in partnership with the council.

### *Maximise Valuation Roll appeal resolution*

The 2017 revaluation had a significant impact on ratepayers in the North East and the volume of appeals is greater than had been the case in previous revaluation years. As previously recognised, the sensitivity of the situation was principally due to the slowdown in the North East property market that became apparent after the valuation date of 1 April 2015 but before the revaluation values came into force on 1 April 2017. The service has continued to be severely challenged by ratepayers pursuing appeals against their rateable values and the resultant appeal resolution process has continued to be particularly demanding throughout 2020/21. The Lands Valuation Appeal Court upheld the approach adopted by the Grampian Assessor in its decisions issued in February<sup>2</sup>. These decisions will assist in the disposal of some 700 appeals that had been suspended pending the outcome of the Lands Valuation Appeal Court cases. The continuing high level of accuracy and success in defending the Valuation Roll is evidenced for 2020/21 by Grampian continuing to show the lowest loss in rateable value through revaluation appeal resolution across Scotland<sup>3</sup>.

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<sup>2</sup> Carlton Rock and The Strathglen Trust v Grampian Assessor and Grampian Assessor v Lloyds Register [2021] CSIH 9 XA42/20 <https://www.scotcourts.gov.uk/docs/default-source/cos-general-docs/pdf-docs-for-opinions/2021csih09.pdf?sfvrsn=0>

<sup>3</sup> Non-domestic rates revaluation appeal statistics, 2020-21 Q3, Scottish Government, <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2019/08/non-domestic-rates-revaluation-appeals/documents/2020-21/non-domestic-rates-revaluation-appeals-2020-21q3-bulletin/non-domestic-rates-revaluation-appeals-2020-21q3-bulletin/govscot%3Adocument/RVAPP%2B2020-21%2BQ3%2B-%2BPublication.pdf>

## MANAGEMENT COMMENTARY (continued)

The pandemic interrupted the independent Valuation Appeal Committees' appeal hearing and disposal programmes across Scotland and the Scottish Government extended the appeal disposal deadline to 31 December 2021 to cater for the delays in hearings. Discussions and negotiations have however continued wherever possible although the opportunity for site survey and inspections has been very limited due to the pandemic-related restrictions and difficulties encountered with appellant agents not being able to access their offices and filed information.

Over 10,000 running roll appeals have been lodged since the onset of the pandemic and whilst Assessors across Scotland have engaged with appellants little progress was possible during 2020/21.

*Maintain a complete and accurate Valuation Roll in terms of the Local Government (Scotland) Act 1975*  
&  
*Maintain a complete and accurate Council Tax Valuation List in terms of the Local Government Finance Act 1992*

The last two priorities use quantitative target based performance indicators rather than qualitative measures and as such can at times be misleading. The key element that has impacted on the organisation's performance in relation to the updating of the Valuation Roll and List during 2020/21 has been the pandemic and the related restrictions on travel and access to properties. The indirect impact of the pandemic in terms of the high volume of appeals lodged as a result of the pandemic and the large volume of Covid-19 business grant enquiries along with the move to home-based working have also impacted on the organisation's headline performance. Performance has also been negatively impacted by difficulties in obtaining information from property occupiers as many businesses have experienced difficulties responding to our enquiries and correspondence during the periods of lockdown.

Commercial activity levels during 2020/21 were significantly constrained by the pandemic and this is reflected in the statistics that show that 1,430 updates to the Valuation Roll were made compared to 1,984 for the year 2019/20. The target performance of making 70% of those updates within 90 days of the event taking place however slipped from 59.3% in 2019/20 to 29.7%. However, as set out above, the service encountered many external barriers to its drive to update the Valuation Roll within the 90 day performance target.

New dwelling completions during 2020/21 also showed a slowdown with 2,212 new dwellings entering the Valuation List during 2020/21. This compares to 3,437 for 2019/20. During 2020/21 61.3% of all new dwellings entered the list within the 90 days of their completion. This compares to 89.9% achieved in 2019/20 against a performance target of 94%.

On taking a fair view and in particular taking account of the unique and extraordinary background to 2020/21, the organisation has performed exceptionally well in fulfilling its statutory requirements to maintain the Valuation Roll and List, albeit with slower turnaround times that were heavily influenced by factors that were external to the organisation.



## **MANAGEMENT COMMENTARY (continued)**

### **Future developments**

The priorities over the next two years have been reassessed as a result of the current pandemic and the government's response to it. The overarching priority is to continue to operate across all three service strands; valuation for rating, council tax and electoral registration, whilst ensuring the safety and well-being of employees and the public.

In relation to the Valuation Roll, the challenges presented by the pandemic and their impact on the courts and tribunals of Scotland has been recognised by the Scottish Government with the deadline for resolution of revaluation and running roll appeals extended by 12 months to 31 December 2021. The high volume of pandemic-related running roll appeals presents a unique challenge and it is clear to all observers that the independent valuation appeal committees would not be able to programme disposal of these appeals within the current timetable. The wider issue is under active consideration across the jurisdictions of the home nations with legislation published for England and Wales that essentially excludes pandemic related issues from valuation considerations between revaluations. The Scottish Government has proposed similar legislation for Scotland. A further complication is that the schedule to replace the independent valuation appeal committees by a new chamber in the Scottish Courts and Tribunal Service from 1 April 2022 has been delayed to January 2023. Progress in terms of policy and legislation in these areas will impact significantly on the demands placed on the organisation.

The Government has postponed the next general revaluation of non-domestic subjects from 1 April 2022 by 12 months to 1 April 2023. This postponement did however include bringing forward the 12 month tone period which was one of the reforms that had been scheduled for implementation with the 2025 Revaluation, meaning that valuations would be based on the levels of value that prevailed one year prior to the revaluation date (the "tone") rather than two years prior.

We are able to be proactive to a degree in our process planning and system upgrades to cater for the NDR reforms, there remain however barriers to final specification and delivery as the detail of the secondary legislation in relation to proposals and appeals to the new Tribunal Service has yet to be confirmed. Operational agility will therefore continue to be a key requirement for success in implementation and delivery of the NDR reforms and the subsequent revaluation in 2023.

Current thinking suggests that there will be no significant changes to the council tax in Scotland in the short term however the organisation needs to be alert to the possibility of reforms being made to domestic local taxation in the medium to long term.

The organisation has been severely tested in relation to Electoral Registration during 2020/21 with the requirement to deliver a reformed canvass, by-elections, a boundary review and a national election whilst in the grip of the pandemic. Further developments are in the pipeline in terms of Voter Identification (ID) and an extension to the overseas elector franchise. The priority for this service is to continue to seek opportunities to use other publicly held data to improve the effectiveness of the registration service and build on the work carried out in 2020/21 to improve access to registration services.

Finally from a governance viewpoint, progress has been challenging during 2020/21 however the major changes in our operational model provide a further opportunity in our process of updating and modernising our governance arrangements to streamline and improve efficiency across the organisation whilst also seeking to ensure that we maximise our effectiveness in terms of costs and service delivery.

## **MANAGEMENT COMMENTARY (continued)**

### **Key performance indicators (KPI)**

The organisation's code of corporate governance established a KPI reporting and three-year review regime. They seek to quantify the effectiveness of the organisation's activities in relation to the Valuation Roll of non-domestic property assessments and the Valuation List of domestic property council tax band allocations. The Assessor & ERO provides performance reports at every meeting of the Board and an annual public performance report is published online.

The Electoral Commission's performance framework for electoral registration officers focuses on both qualitative and quantitative performance monitoring. The Commission has confirmed that we met its 2020/21 performance standards.

### **Financial Performance for 2020/21**

The public sector in Scotland continues to face severe financial pressures. In setting the 2020/21 budget the Board was conscious of the need of the constituent authorities to achieve savings. With employee costs representing 76% of the revenue expenditure budget, there was little scope to make efficiencies without impacting on the level of service.

At the meeting of the Board on the 20 March 2020, the net revenue budget of £4.833m for 2020/21 was approved (2019/20 £4.463m), an 8.3% increase. The requisitions to constituent authorities were set at £4.703m with approved use of reserves of £0.130m. The core budget was set at £4.469m, with an additional £0.364m budgeted for NDR Reform.

The actual net expenditure was £3.979m (2019/20 £4.248m) resulting in an underspend of £0.854m for the year. Of this total, £0.12m was transferred into the General Fund Reserve, the maximum permitted under the Board's Reserves Policy and £0.052m was transferred to the NDR Reserve for committed expenditure. With a total underspend of £0.854m, there was no requirement to utilise the £0.130m from reserves thus giving a net position of £0.724m available for return to the constituent authorities and Scottish Government. An amount of £0.364m was requisitioned from the constituent authorities in 2020/21 for the Barclay Implementation which was allocated to authorities as a redetermination on their general revenue grant. The Assessor & ERO was informed in April 2021 that any 2020/21 underspend was required to be repaid direct to the Scottish Government. Provision for the repayment of £0.247m has been accounted for. The remaining £0.414m of surplus will be returned to constituent authorities.

The Comprehensive Income and Expenditure Statement shows a deficit of £0.272m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.354m, CFCE of £0.049m and depreciation totalling £0.031m, this gives the £0.012m surplus transferred to the General Fund and £0.052m to the NDR Reserve.

Note 7 to the Accounts reconciles the net expenditure charged to the General Fund; the total surplus of £0.064m, to the Net Expenditure charged to the Comprehensive Income and Expenditure Account; the deficit on provision of services of £0.272m.

The table below shows a summary of the figures for the main variances between budget and actual for the year to 31 March 2021. These figures are reported to the Board throughout the year, and exclude IAS19 charges, depreciation and impairment of assets.

## MANAGEMENT COMMENTARY (continued)

	2020/21 Budget £000	2020/21 Actual £000	2020/21 Variance £000
Employee Benefit Expenses	3,704	3,053	(651)
Other Service Expenses (including capital financed from current revenue (CFCR))	1,087	1,243	156
Support Service Recharges	57	63	6
Interest and Investment Income	(2)	(1)	1
Government Grants and other Service Income	(13)	(379)	(366)
<b>Net (Under)/Overspend Against Budget</b>	<b>4,833</b>	<b>3,979</b>	<b>(854)</b>
Funded by:			
Requisitions	(4,703)	(4,703)	-
Approved use of Reserves	(130)	-	130
<b>2020/21 Outturn</b>	<b>-</b>	<b>(724)</b>	<b>(724)</b>

Of the £0.651m underspend in Employee expenses, £0.640m relates to vacant posts and £0.011m of training. Other service expenses were over spent by £0.156m; this includes an over spend on Electoral Registration bulk mailing costs of £0.186m and other marginal overspend totalling £0.006m. This was offset by underspends of £0.035m on staff travel costs, £0.026 on printing and stationery costs, £0.63m on IT costs and Valuation Appeals of £0.010m.

Government grants and other service income exceeded budget by £0.366m; various grants were awarded after the budget was approved for household enquiry forms, foreign national voters and increased applications for postal votes in the Scottish Parliament Elections. Sales of electoral registers were on budget. The additional grant income meant the planned use of £0.130m general reserves was not required.

### Principal risks and uncertainties

The organisation maintains and reviews an operational and strategic risk register.

The principal risks and uncertainties relate to a dynamic valuation assessment and registration statutory framework, challenges in terms of financial resources and also securing sufficient expertise to deliver our services. The global pandemic presents an overlay of challenges to operational activities that have a major influence of all decision making within the organisation.

Apart from the normal control measures in terms of financial and operational planning, the former Assessor & ERO sought to mitigate risk and uncertainty through partnership working via the Scottish Assessors Association (SAA) and also external agencies. In his capacity as former President he was a member of the SAA Executive. The former Assessor & ERO was also a member of the Electoral Management Board for Scotland, the RICS rating and local taxation practice group and the Institute of Revenues Rating and Valuation. He also devised the SAA stakeholder consultation framework and since 2014 had been called upon to give evidence to parliamentary committees on many occasions. Through these roles the organisation has had a unique insight, not only into potential developments in the valuation assessment and registration fields, but also into the resilience planning being undertaken by

## **MANAGEMENT COMMENTARY (continued)**

bodies such as the Electoral Management Board. This insight served to assist risk identification and minimise uncertainties in what had become an extremely unpredictable and challenging business environment.

### **Going Concern**

The Balance Sheet at 31 March 2021 shows an excess of assets over liabilities of £0.998m (net liability of £3.333m at 31 March 2020). The North East Scotland Pension Fund is required to carry out actuarial valuations every three years. Future actuarial valuations of the North East Scotland Pension Fund will consider the appropriate employee/employer's rate to meet the commitments of the Fund and the constituent authorities of the Board are required to fund the liabilities of the Board as they fall due. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these Annual Accounts.

Councillor Graham Leadbitter  
Convener

Mark J Adam MRICS AEA (Cert – Scotland)  
Assessor & Electoral Registration Officer

Lorraine Paisey CA  
Treasurer



## **STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS**

### **The Board's Responsibilities**

The Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In the Valuation Joint Board, that officer is the Treasurer to the Board.
- 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 the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021, and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 5 November 2021

Signed on behalf of the Grampian Valuation Joint Board

Councillor Graham Leadbitter  
Convener

5 November 2021

## **STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS (continued)**

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

The Treasurer to the Board is responsible for the preparation of the 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 2020/21 (the Accounting Code).

In preparing these 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);
- 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 financial statements give a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2021.

Lorraine Paisey CA  
Treasurer

5 November 2021

## **ANNUAL GOVERNANCE STATEMENT**

### **Scope of responsibility**

The Board was established in terms of The Valuation Joint Boards (Scotland) Order 1995 and is the valuation authority for Aberdeen City Council, Aberdeenshire Council and Moray Council. The Board is responsible for the provision of valuation assessment services for local taxation purposes. Through an agreement to share services, the Board also provides electoral registration services for the same three constituent authorities.

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Board is considered to be a local authority in terms of the Local Government etc. (Scotland) Act 1994 and has a duty to deliver continuous improvement as set out in the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Board is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its valuation and registration functions. This includes arrangements for the management of risk.

### **Responsibility for delivery - members and officers**

In terms of the above Order, the Board membership comprises 6 members appointed by Aberdeen City Council, 6 members appointed by Aberdeenshire Council and 3 members appointed by Moray Council.

To fulfil its operational role, the Board is responsible for the appointment of an Assessor, and deposes as appropriate, in terms of section 27 of the Local Government etc. (Scotland) Act 1994. In practice the Assessor and deposes manage the provision of valuation assessment and electoral registration services on a day to day basis, with the Board providing resources, a governance framework and a monitoring regime for financial and operational performance.

The Assessor is also appointed as the Electoral Registration Officer (ERO) for the Board's three constituent authorities. This too is a statutory position with the ERO and deposes appointed in terms of section 8 of the Representation of the People Act 1983.

The Board has approved and adopted a local code of corporate governance that is reviewed biennially and is available at [www.grampian-vjb.gov.uk](http://www.grampian-vjb.gov.uk)

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

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled, and the activities used to engage with the community. 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 ERO are met and policies, aims and objectives can be delivered. 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.



## **ANNUAL GOVERNANCE STATEMENT (continued)**

### **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 framework and summarised as follows:

#### **Governance Principle 1 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

The Board's code of conduct provides a clear standard in terms of conduct and behaviour, as does the Board's personnel related policies that deal with mainstreaming equalities into the fabric of the organisation, dignity of the individual, whistleblowing, special leave and personal development. These policies go beyond behavioural matters and reflect the positive approach to workforce development to the extent that career development schemes are in place across all three service strands; non-domestic property valuation assessment, domestic property valuation assessment and electoral registration. As such, career pathways are available to almost all staff.

In order to avoid duplication the Board relies on the registers of interests and gifts maintained by the relevant constituent authorities for elected members. A register of interests has been established for all employees and a register of gifts is also maintained. The Assessor & ERO and deputies are bound by the policies of the Board and also must adhere to the professional standards regime set by the Royal Institution of Chartered Surveyors (RICS).

Issues relating to actions taken or not taken by officials can be addressed internally through the complaints handling procedure. This procedure was updated during 2020/21 following revision of the national Complaints Handling Procedures (CHP) scheme by the Scottish Public Services Ombudsman.

The organisation maintained its commitment to combating fraud during the year by assisting with the National Fraud Initiative. The Assessor & ERO also works closely with the Electoral Commission, the Electoral Management Board and Police Scotland. If necessary, suspected fraudulent registration or absent vote applications are referred to the Police Scotland single point of contact.

#### **Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.**

The Board's decision-making processes are well established with decisions concerning finance, performance and governance being taken by the Board. Standing orders and regulations govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process.

At an operational level, stakeholder involvement falls within the domain of the Assessor & ERO.

The engagement work following the 2017 revaluation has continued with the focus being on appeal resolution and Non Domestic Rating (NDR) reform. The Assessor and ERO's engagement strategy is to maintain a high level of accessibility and visibility in the public domain. Significant changes in the information gathering regime took place during 2020/21 and this was highlighted to all non-domestic property owners, tenants and occupiers by a write-out during November 2020.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

Further moves to encourage stakeholder engagement has been the design, delivery and promotion of a new online landing page that enables service users to quickly reach the service or action that they require. This proved to be highly successful during Spring 2021 in the run up to the Scottish Parliamentary election.

On a wider footing, the former Assessor & ERO completed his period of office as a member of the Scottish Assessors Association Executive that included participation in meetings of the Scottish Ratepayers Forum and Scottish Rating Surveyors Forum, the two principal fora of the national consultation framework established by the Scottish Assessors Association (SAA). The former Assessor and ERO was also a member of the UK and Ireland Harmonisation Steering Committee that works to further understanding and harmonisation of rating practice across the four home nation jurisdictions and Ireland,

The Board's performance management framework is reviewed regularly to drive continuous improvement and ensure effective monitoring of progress and outcomes against stated objectives. Reporting arrangements include regular updates to the Board, the Electoral Commission, the Electoral Management Board, the cabinet Office, the Scottish Government, and online publication of annual performance reports.

Protocols are in place to meet requests made under the Freedom of Information Act and Assessors through the Scottish Assessors' Association have established procedures to improve the response standards where common requests for information are made.

As part of the Equalities mainstreaming regime progress has been made towards capturing service user feedback that will inform future service design and delivery.

### **Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.**

The Board, being focussed around delivery of specialised valuation and registration services has a limited role to play in the wider community planning aspects anticipated by the governance framework set out by CIPFA/Solace. The Board is therefore conscious of the need to ensure that its mode of operation and the delivery of the valuation and registration services reflect the responsibilities towards the communities in Grampian in terms of devolved service delivery models that support the sustainability of communities across the whole region and minimise natural resource demands. In terms of the two specialised services the Board delivers, they are foundation stones to local government and democracy at local, national and international levels, as they provide the means to raise local taxation and to conduct elections/referendums.

Operational outcomes for these services are essentially driven by statute and it is pertinent to this governance principle that moves are underway to improve the sustainability and economic and social benefits through reform to local taxation and electoral registration.

The pandemic and the response to the pandemic has been the prime focus for all stakeholders during 2020/21 however local taxation has continued to be the subject of scrutiny during the last year and the former Assessor and ERO, as a member of the government's Barclay Implementation Advisory Group, continued to work with other stakeholders to ensure that Scotland has a more sustainable and effective system for NDR. Work in relation to the information gathering regime and the future shape of the appeal process has continued throughout 2020/21.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

The electoral registration regime has undergone a period of intense change following the introduction of individual electoral registration in 2014 and enfranchisement of 16 and 17 year olds in 2016. The Scottish and UK governments implemented major reforms to the annual canvass which took effect from 1 July 2020. These reforms addressed the concerns over the unsustainable nature of the annual canvass that had been raised by many EROs and the Electoral Commission by allowing EROs to compare Electoral Registers to other trusted data sources to identify and focus canvass resources on those addresses where comparison data suggests that there has been a recent change in household composition. The widening of the franchise in Scotland to include prisoners and non-European Union (EU) and non-Commonwealth foreign nationals also took effect during 2020/21 and as such seek to address social and democratic inequalities.

### **Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.**

As a specialised outcome – orientated organisation; our activities of producing, maintaining and defending Valuation Rolls, Lists and Electoral Registers; essentially drive the organisation's agenda. The Board and the Assessor & ERO recognise the financial challenges they face and through established reporting arrangements ensure that Board members have full detail of resource inputs and performance outputs. Regular and detailed financial reports are made to the Board and the outcomes for the organisation that are essentially driven by statute, are monitored in terms of performance.

The Management Team focus on these outcomes and work closely to innovate and optimise them. Innovation and agility were key requirements to maintain service delivery during 2020/21. The formation of a Covid Crisis Management Team (CCMT) in March 2020 was a key aspect of the organisation's response to the challenges of the pandemic and proved to be an effective intervention that ensured uninterrupted service delivery throughout 2020/21.

### **Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.**

Roles of elected members and officers are clearly defined and constructive working relationships are achieved to ensure clear relationships between the Board, the Assessor and ERO, corporate stakeholders and the public.

Standing orders regulate the form and content of board meetings and the Board's financial regulations provide a framework for financial decisions. Performance reports are made at each board meeting and the Board's key performance indicators are subject to regular periodic review.

As part of its commitment to lifelong learning and to foster a personal development culture and seek to retain personnel the organisation operates an internal recruitment procedure that encourages personal development and ultimately improves leadership capacity.

New employees receive induction training on arrival and in the vast majority of cases are able to participate in a career grade development scheme that seeks to promote personal and professional development. Surveyors, who are members of the Royal Institution of Chartered Surveyors (RICS), are subject to additional compulsory continuing professional development training that is monitored by the RICS.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

The organisation's training officer is responsible for monitoring training provision and recording progress. The training officer is also responsible for identifying appropriate training opportunities.

Functions and roles of statutory posts including the Clerk, Treasurer and Assessor & ERO are clearly defined and the postholders work closely together to achieve the objectives of the organisation.

### **Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.**

The Board's decision-making process is well established with governance, finance and performance issues being reported at board meetings that take place in public (unless exempt under statutory provision) and the board reports are published online and made available to the media. Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. Scrutiny is secured through internal and external audit.

Decisions of the Assessor & ERO are subject to public scrutiny, scrutiny via appeal and complaint processes to the respective judicial bodies and external stakeholders that monitor performance such as the Electoral Commission and the Electoral Management Board for Scotland. In addition the SAA website provides practice notes that provide details on how rateable values are determined and allows individual taxpayers to look up the assessment of every non-domestic and domestic property in Scotland.

The compliance and monitoring regime was strengthened during 2020/21 with a new requirement to report to Ministers on the absent vote processing ahead of the Scottish Parliamentary election. During the last year the Board and Assessor & ERO has updated its complaints handling procedure and reported on performance to the Electoral Management Board, the Electoral Commission, the Cabinet Office, the Scottish Government and the Information Commissioner.

Risk management is a fundamental part of the organisation's decision making process and as such is a standing item on the Assessor & ERO's management team agenda, with the Board reviewing the risk register on an annual basis.

To mitigate against and control risk the Board's system of internal control is based on a framework of financial regulations that are revised and updated periodically and supplemented by regular management information, administrative procedures, management supervision and a code of corporate governance. Establishing and maintaining an effective system of internal control is a management function. The Board, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

Policies to combat fraud, theft, bribery and corruption are in place, not only in order to protect public finance, but also to ensure the veracity of the statutory rolls, lists and registers that the Assessor & ERO is required to provide. The Assessor and ERO works closely with Police Scotland at a local and national level. Moves to increase IT resilience and effectiveness are proposed by entering into a shared services agreement with Aberdeenshire Council.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

A performance management system is in place which calls for reporting of established performance measures to the Board at quarterly intervals throughout the year. An annual Public Performance Report is also published.

The Board's governance arrangements have been developed and maintained to comply with the core functions of various good framework guidelines including Code of Practice on Managing the Risk of Fraud and Corruption, Public Sector Internal Audit Standards (incorporating the principles of the Role of the Head of Internal Audit), Audit Committees: Practical Guidance for Local Authorities and Police, etc.

Strong financial management procedures are secured through the work of the Treasurer appointed in terms of s.95 of the Local Government (Scotland) Act 1973. This officer provides advice to the Board and Assessor & ERO on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

### **Governance Principle 7 – implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

Board business is conducted through an established cycle of quarterly meetings held online in 2020/21. Meeting dates are published in advance. Reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations. Minutes of meetings are prepared and are available via the Board's website.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through to media releases and presentations which may be focussed on specific groups of service users. The organisation's website is frequently updated with news items to ensure that the Grampian community is kept up to date.

Assurance and accountability oversight is a key role for the Board which comprises members of a variety of political backgrounds. The Board receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by the officials of the Board.

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

The review of effectiveness of the governance framework including the system of internal control is pursued throughout the year by various means involving:

- **The Board**

In practice, governance arrangements are monitored over the year with board meetings taking place four times during each year. Every time the Board meets, it considers reports on financial and operational performance. It also considers annual public performance and audit reports along with reports on governance.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

- **The Covid Crisis Management Team (CCMT)**

The CCMT comprised the Assessor & ERO, two deputes, the Principal Admin Officer and the IT Manager. The CCMT was established in March 2020 as an agile executive body to direct resources and ensure business continuity throughout the pandemic. It met on a weekly basis (or more frequently when required) throughout 2020/21.

The CCMT implemented contingency management arrangements based around virtual teams of home-based personnel working across the Grampian area rather than working within traditional divisional and office-based teams.

- **The management team**

The management team which has overall responsibility for good governance arrangements, comprises the Assessor & ERO, two deputes, four assistant assessors and the principal admin officer. The management team is normally scheduled to meet on a quarterly basis but this frequency was reduced to reflect the fact that the CCMT has been established.

- **The Assessor and ERO**

The Assessor & ERO has the statutory responsibility for the Valuation Rolls, Valuation Lists and Electoral Registers. The Assessor is essentially the chief executive for the organisation and has a wide range of financial, personnel, governance and reporting responsibilities.

- **The Treasurer**

The Treasurer has statutory responsibility for the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to the Assessor and ERO and elected members at meetings of the Board and otherwise as required. The Board's financial management arrangements generally conform to the governance requirements of the CIPFA statement on the role of the chief financial officer, and whilst the Treasurer is not a member of the management team, she is actively involved in, and is able to influence, decision-making processes.

The Treasurer is responsible for ensuring that an effective system of internal financial control is maintained. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. The system includes comprehensive budget setting and monitoring arrangements and the preparation of regular financial reports indicating actual expenditure against forecasts that are reported at each board meeting.

- **Internal Audit**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Board on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives.

## **ANNUAL GOVERNANCE STATEMENT (continued)**

It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Manager is accountable on a day-to-day basis to the Treasurer and to the Board. Internal Audit operates in accordance with Public Sector Internal Audit Standards and in line with the requirements of the Standards is subject to periodic external inspection.

Internal audit and the subsequent report by the external auditors in their annual audit letter and in other reports, informs the effectiveness of the financial control environment as an element of the Board's governance arrangements. No fundamental control weaknesses were reported during the period covered by this statement. It is the opinion of the Internal Audit

Manager that reasonable assurance can be placed on the Board's internal financial control systems in place for the year ended 31 March 2021.

### **• External Agencies**

In addition to the various internal review processes and the financial audit referred to above, there are a number of bodies that the organisation is required to report to/submit governance arrangement for approval. The Information Commissioner collects data on responses to requests for information and will intervene where it considers enforcement action is required. The Keeper of Records reviewed and approves records management arrangements.

The way the organisation delivers its valuation and registration services is also subject to scrutiny by external agencies, with the valuation assessment aspect reported to the Scottish Government and subject to a case by case scrutiny on appeal; and the Electoral Commission and Electoral Management Board reviewing and reporting on the performance of the ERO.

Ultimately this organisation has possibly one of the largest service communities in the Grampian area providing registration services to 447,000 citizens, and property valuation assessments for 317,000 properties. Such a wide and comprehensive reach throughout the Grampian region also provides a barometer for the success or otherwise of the organisation's service delivery.

### **Significant governance issues**

Securing good governance has been and remains of prime importance to elected members and senior officials of the Board; a considerable task at a time when budgets are under significant pressure and major changes such as NDR and electoral reform are being implemented and operational effectiveness cannot be compromised by the pandemic

In the 2019/20 governance statement, the key challenges facing the organisation for 2020/21 were to:

- Meet all operational demands whilst not compromising employee or public safety during the Covid-19 pandemic.
- Continue to upgrade our operational capacity in terms of workforce, processes and IT systems to meet the challenges of moving to a 3 year revaluation cycle for Revaluation 2022.

## ANNUAL GOVERNANCE STATEMENT (continued)

- Maintain the drive to improve and streamline our governance arrangements progress equalities mainstreaming and performance monitoring and widen our existing customer consultation framework.
- Optimise the new electoral registration system to capitalise upon information sources.
- Continue to manage the resourcing required to ensure that this organisation meets all statutory commitments including the Valuation Appeal Committees' Revaluation 2017 appeal disposal deadline of 31 December 2020.

The requirement to meet all operational demands whilst not compromising employee or public safety during the Covid-19 pandemic has proved to be one of the greatest challenges to face the public and private sectors in post-war times. The organisation re-based all staff to home working and increased its overall workforce on a temporary basis by some 25% to meet the demands for increased absent vote processing capacity ahead of Scottish Parliamentary election in May 2021. In contrast to many public sector bodies' response to the pandemic, the organisation has continued to offer a full range of communication options to service users including telephone, email and post and continued to deliver services across all areas of operational activity with the exception of in-person meetings and site visits which could not take place due to pandemic-related health and safety considerations and/or government restrictions on activity.

Meeting the challenge of service continuity through the pandemic necessitated the diversion of resources and interruption of some development programmes. Mainstream workforce recruitment was largely put on hold until late 2020 however subsequent recruitment drives whilst successful for administrative posts have not succeeded to meet the demand for qualified surveyors. Process re-design and IT developments have continued and some aspects of the response to the pandemic will inform and form part of future process and IT development.

Work to improve and streamline governance arrangements, progress mainstreaming and performance monitoring and widen the customer consultation framework has been to an extent slowed due to the focus on pandemic response. Availability of HR resources has been reduced and this has had an impact on the refresh of governance policies. Progress has however been made towards widening customer consultation but this work will continue into 2021/22 before empirical data will be available for analysis.

The work to optimise the new electoral registration system took a major step forwards during 2020/21 with the introduction of a reformed and data-driven canvass process. There are however further opportunities to investigate and assess the potential benefit of additional information sources.

The organisation has faced unique challenges during 2020/21, not least the delivery of registration services ahead of the Scottish Parliament election in early 2021/22. Mandatory capacity building was supported with additional financial support provided by the Scottish Government. Appeal disposal has also proved to be a unique challenge and the interruption of hearings by the independent Valuation Appeal Committees led to an extension of the Revaluation appeal disposal deadline to 31 December 2021 and also the 2022 revaluation being postponed by 12 months to 1 April 2023. The variation and rescheduling of demands on the organisation do challenge resource management for the organisation however close monitoring and reporting along with a degree of flexibility and close management work ensured that adequate resourcing was in place and all commitments met.



## **ANNUAL GOVERNANCE STATEMENT (continued)**

Looking ahead the key challenges for 2021/22 are:

- Continue to meet all operational demands whilst not compromising employee or public safety during the Covid-19 pandemic.
- Continue to upgrade our operational capacity in terms of workforce, processes and IT systems to meet the challenges of moving to a 3 year revaluation cycle for Revaluation 2023.
- Maintain the drive to improve and streamline our governance arrangements progress equalities mainstreaming and performance monitoring and complete the work to widen our existing customer consultation framework.
- Continue in the work to maximise the effectiveness of the new electoral registration system in order to capitalise upon information sources and build upon the groundwork of the 2020/21 online landing page to streamline voter contact and engagement.
- Continue to manage the resourcing required to ensure that this organisation meets all statutory commitments.

### **Concluding Remarks**

In our respective roles as Convener of the Board and Assessor & ERO, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises current governance arrangements, provides evidence of progress and affirms our commitment to ensuring that the Board's governance framework is responsive to the dynamic and challenging environment in which we serve.

Councillor Graham Leadbitter  
Convener

Mark J Adam MRICS AEA (Cert - Scotland)  
Assessor & Electoral Registration Officer

5 November 2021

## REMUNERATION REPORT

This report has been written to provide details of the Grampian Valuation Joint Board's remuneration arrangements for its senior councillors and senior employees. This is required under the Local Authority Accounts (Scotland) Amendment Regulations 2014.

All information disclosed in the tables 1 to 6 in this Remuneration Report is audited by the external auditors, Audit Scotland. The other sections of the Remuneration Report are reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

### **Remuneration of Councillors, Senior Councillors, Convener and Depute Convener**

The remuneration of councillors is regulated by The Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2018. These regulations set out the amounts a councillor may be paid for being a Convener or Depute Convener of a Joint Board. This is inclusive of any amounts payable to them as either a councillor or senior councillor of their own Local Authority.

The Board consists of 15 members comprising 6 from Aberdeen City Council, 6 from Aberdeenshire Council and 3 from Moray Council. The local authority of which the Convener or Depute Convener is a member pays the remuneration appropriate to the member's work with the Joint Board. Conveners receive a remuneration which when added to their existing remuneration as a Councillor/Senior Councillor equals 75 percent of the Leader of a "Band A" council, i.e. £22,320 per annum. The Depute Convener's remuneration is calculated on the basis of the basic salary plus 75 percent of the difference between the basic salary and the Convener's salary, i.e. £21,204 per annum. These rates are effective for the year ending 31 March 2021.

The Board has an arrangement with each Council which remunerates the Convener and Depute Convener/s to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Depute Convener of the Board.

Councillor Leadbitter is Convener of the Grampian Valuation Joint Board. He receives a Special Responsibility Allowance from Moray Council. This allowance is paid for in full by Moray Council and will be included in their remuneration report. Consequently no additional award is due for undertaking duties for the Valuation Board.

Councillor Cormie has been Depute Convener of the Board since 30 June 2017. The Board pays a Special Responsibility Allowance to the Depute Convener of the Board. Details of his salary are included in the remuneration report for Aberdeen City Council.

All other Councillors' expenses are paid directly by the authority that they serve and will also be included in the individual authority's remuneration report.

## Remuneration of Senior Councillors, Convener and Depute Convener (Table 1)

Councillor Name and Responsibility	Total Remuneration 2019/20	Salary, fees and allowances 2020/21	Total Remuneration 2020/21
	£	£	£
Councillor Cormie Depute Convener	3,358	3,350	3,350
<b>Total</b>	3,358	3,350	3,350

No taxable expenses were paid in 2020/21 or in 2019/20.

## Remuneration of Councillors (Table 2)

Grampian Valuation Joint Board paid the following salaries, allowances and expenses for all councillors (including senior councillors) during the year. It includes expenses met directly by the Board and expenses reimbursed to Councillors.

Type of Remuneration	2019/20	2020/21
	£	£
Salaries	3,358	3,350
Expenses	1,049	-
<b>TOTAL</b>	<b>4,407</b>	<b>3,350</b>

## **Remuneration of Senior Employees**

The Local Authority Accounts (Scotland) Amendment Regulations 2014 require remuneration information to be disclosed for senior employees as defined below:

- i. A person who has responsibility for the management of a local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
- ii. A person 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.
- iii. A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

These regulations apply equally to Joint Boards and remuneration disclosure is therefore required for the Assessor and Electoral Registration Officer (ERO) and two Depute Assessor and Depute Electoral Registration Officers who are deemed to be senior employees for the Grampian Valuation Joint Board. Details are shown on Table 3 below.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the terms and conditions and pay bandings for senior employees but remuneration levels and pay scales are set locally and were last agreed by the Board on 23 January 2004.

### **Remuneration of Senior Employees of the Board (Table 3)**

<b>Name and Post Title</b>	<b>Total Remuneration 2019/20</b>	<b>Salary, fees and allowances 2020/21</b>	<b>Taxable Expenses 2020/21</b>	<b>Total Remuneration 2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ian Milton Assessor & ERO	116,300	115,244	822	116,066
Gavin Oag Depute Assessor & ERO	88,753	90,239	822	91,061
Mark Adam Depute Assessor & ERO	86,876	81,682	822	82,504
<b>TOTAL</b>	<b>291,929</b>	<b>287,165</b>	<b>2,466</b>	<b>289,631</b>

The Treasurer and the Clerk to the Board do not receive remuneration from the Valuation Joint Board. The duties of the posts are covered by the post holders' substantive posts in Moray Council. Details of their salaries are included in the remuneration report for Moray Council.

## **Pension Benefits**

Pension benefits for Councillors and Local Government employees are provided through the North East Scotland Pension Fund, a Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. For benefits earned up to 31 March 2021, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day in the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the year of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

The Board pay a contribution to the Pension Fund for the Convener and Depute Convener's pensions if they are members of the scheme and this is based on a percentage of the cost of the Special Responsibility Allowance. Details are shown on Table 4 below.

For local government employees, up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on 'career average'. The scheme's normal retirement age for both councillors and employees is 65 for benefits up to 31 March 2015 and the State Pension Age for benefits built up after 1 April 2015.

The Scottish Public Pension Authority has issued a new look up table for the amended 2020/21 employee contribution rates. These new rates are to be used from 1st April 2020, using the member's actual take home pay as at 1st April 2020. Prior to this, from 1 April 2009, a five tier contribution system was used, with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

A LGPS member's contribution depends upon his or her full time equivalent pay. The tables of rates for 2019/20 and 2020/21 are shown below.

## **Pension Benefits (continued)**

### **Tiered Contribution Pay Rates**

<b>Whole time pay 2019-20</b>	<b>Contribution rate 2019/20</b>	<b>Whole time pay 2020-21</b>	<b>Contribution rate 2020/21</b>
On earnings up to and including £22,441	5.50%	On earnings up to and including £22,852	5.50%
On earnings above £22,442 and up to £29,193	Between 5.6% - 6.0%	On earnings above £22,853 and up to £29,683	Between 5.6% - 6.0%
On earnings above £29,194 and up to £36,652	Between 6.1% - 6.5%	On earnings above £29,684 and up to £37,262	Between 6.1% - 6.5%
On earnings above £36,653 and up to £51,713	Between 6.6% - 7.5%	On earnings above £37,263 and up to £52,567	Between 6.6% - 7.5%
On earnings above £51,714 and up to £58,259	Between 7.6% - 8.0%	On earnings above £52,568 and up to £59,221	Between 7.6% - 8.0%
On earnings above £58,260 and up to £78,008	Between 8.1% - 9.0%	On earnings above £59,222 and up to £79,296	Between 8.1% - 9.0%
On earnings above £78,009 and up to £118,012	Between 9.1% - 10.0%	On earnings above £79,297 and up to £119,961	Between 9.1% - 10.0%
On earnings above £118,013	10.1% and over	On earnings above £119,962	10.1% and over

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) some pension for a lump sum up to the limit set by the Finance Act 2004. Up until 31 March 2015, the accrual rate guarantees a pension based on 1/60<sup>th</sup> of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of the final pensionable salary and years of pensionable service). From 1 April 2015, the accrual rate guarantees a pension of 1/49<sup>th</sup> of pensionable pay for each year. At the end of each year the benefits are revalued and increased by inflation.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

#### Senior Councillors (Table 4)

	In-year pension contributions	
	For the year to 31 March 2020	For the year to 31 March 2021
	£	£
Councillor Cormie Depute Convener	648	647
<b>Total</b>	<b>648</b>	<b>647</b>

The above amounts show the in-year contributions relating to the Special Responsibility Allowance shown in Table 1. The total pension benefits relating to Councillor Cormie are detailed in the remuneration report of Aberdeen City Council.

#### Senior Employees (Table 5)

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

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2020	For the year to 31 March 2021		As at 31 March 2021	Difference from March 2020
	£	£		£	£
Ian Milton Assessor and ERO	21,570	22,217	Pension	61,107	3,790
			Lump Sum	106,666	3,107
Gavin Oag Depute Assessor & ERO	16,884	17,391	Pension	41,688	2,788
			Lump Sum	65,128	1,897
Mark Adam Depute Assessor & ERO	15,279	15,737	Pension	41,853	2,645
			Lump Sum	71,551	2,084
<b>Total</b>	<b>53,733</b>	<b>55,345</b>		<b>387,993</b>	<b>16,311</b>

All senior employees shown in the tables above are members of the North East Scotland Pension Fund. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

### **General Disclosure by Pay Band**

The Regulations require information to be provided for the number of persons whose remuneration is £50,000 or more. This information is disclosed in bands of £5,000 and is shown below.

### **General Disclosure by Pay Band (Table 6)**

The Table includes the remuneration of the senior employees detailed in Table 3.

<b>Remuneration Band</b>	<b>Number of Employees</b>	
	<b>2019-20</b>	<b>2020-21</b>
£50,000 - £54,999	5	8
£55,000 - £59,999	5	1
£60,000 - £64,999	-	3
£80,000 - £84,999	-	1
£85,000 - £89,999	2	-
£90,000 - £94,999	-	1
£115,000 - £119,999	1	1
	<b>13</b>	<b>15</b>

Councillor Graham Leadbitter  
Convener

Mark J Adam MRICS AEA (Cert - Scotland)  
Assessor & Electoral Registration Officer





## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This differs from the expenditure to be funded from the requisitions raised by the Board from the three constituent Local Authorities in accordance with statute. The effect on the General Fund is shown in the Movement in Reserves Statement and Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations.

			2019/20				2020/21
£000	£000	£000			£000	£000	£000
Expenditure	Income	Net		Note	Expenditure	Income	Net
4,952	(166)	4,786	Rating and Council Tax Valuation and Electoral Registration		4,598	(379)	4,219
<b>4,952</b>	<b>(166)</b>	<b>4,786</b>	<b>Cost Of Services</b>		<b>4,598</b>	<b>(379)</b>	<b>4,219</b>
115	(5)	110	Financing and Investment Income and Expenditure	10	96	(1)	95
		(4,347)	Requisitions and Non-Specific Grant Income	20			(4,042)
		<b>549</b>	<b>Deficit on Provision of Services</b>	8			<b>272</b>
		(1,389)	Remeasurement of the Net Defined Benefit Liability	23			(4,603)
		<b>(1,389)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(4,603)</b>
		<b>(840)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(4,331)</b>



## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

This Statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (those that can be applied to fund expenditure) and unusable reserves. The Statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable against requisitions for the year. The Increase or Decrease line shows the statutory General Fund movements in the year.

<b>2019/20</b>	<b>General Fund £000</b>	<b>Capital Fund £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves (Note 17) £000</b>	<b>Total Board Reserves £000</b>
<b>Balance at 31 March 2019</b>	<b>215</b>	<b>-</b>	<b>215</b>	<b>(4,388)</b>	<b>(4,173)</b>
Total Comprehensive Income and Expenditure	(549)	-	(549)	1,389	840
Adjustments between accounting basis & funding basis under regulations (Note 7)	648	-	648	(648)	-
<b>Increase / (Decrease) in Year</b>	<b>99</b>	<b>-</b>	<b>99</b>	<b>741</b>	<b>840</b>
<b>Balance at 31 March 2020</b>	<b>314</b>	<b>-</b>	<b>314</b>	<b>(3,647)</b>	<b>(3,333)</b>
<b>2020/21</b>					
<b>Balance at 31 March 2020</b>	<b>314</b>	<b>-</b>	<b>314</b>	<b>(3,647)</b>	<b>(3,333)</b>
Total Comprehensive Income and Expenditure	(272)	-	(272)	4,603	4,331
Adjustments to usable reserves permitted by accounting standards	5	-	5	(5)	-
Adjustments between accounting basis & funding basis under regulations (Note 7)	331	-	331	(331)	-
<b>Increase / (Decrease) in Year</b>	<b>64</b>	<b>-</b>	<b>64</b>	<b>4,267</b>	<b>4,331</b>
<b>Balance at 31 March 2021</b>	<b>378</b>	<b>-</b>	<b>378</b>	<b>620</b>	<b>998</b>



## BALANCE SHEET AS AT 31 MARCH 2021

The Balance Sheet shows the value as at the Balance Sheet date of 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.

31 March 2020		31 March 2021
£000	Note	£000
730 Property, Plant & Equipment	11	748
- Other Long Term Assets	23	8
<b>730 Long Term Assets</b>		<b>756</b>
39 Short Term Debtors	12	39
651 Cash and Cash Equivalents	13	1,367
<b>690 Current Assets</b>		<b>1,406</b>
(476) Short Term Creditors	14	(1,164)
<b>(476) Current Liabilities</b>		<b>(1,164)</b>
(4,277) Other Long Term Liabilities	23	-
<b>(4,277) Long Term Liabilities</b>		<b>-</b>
<b>(3,333) Net Assets/(Liabilities)</b>		<b>998</b>
Usable reserves	16	
314 General Fund		378
<b>314 Total</b>		<b>378</b>
Unusable Reserves	17	
257 Revaluation Reserve		252
472 Capital Adjustment Account		495
(4,277) Pensions Reserve		8
(99) Employee Statutory Adjustment Account		(135)
<b>(3,647) Total</b>		<b>620</b>
<b>(3,333) Total Reserves</b>		<b>998</b>

The notes on Pages 39 to 66 form part of the Financial Statements. The unaudited Annual Accounts were issued on 18 June 2021 and the audited Annual Accounts were authorised for issue on 5 November 2021 by Lorraine Paisey, Treasurer. Any events that would affect the Balance Sheet at 31 March 2021 have been considered up to this date.

**Lorraine Paisey CA**  
**Treasurer**

**5 November 2021**



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

The Cash Flow statement shows the changes in cash and cash equivalents of the Board during the financial year. 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 requisition and grant income 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, i.e. assets.

31 March 2020		31 March 2021
£000		£000
(549)	Net deficit on the provision of services	(272)
587	Adjust net deficit on the provision of services for non cash movements (Note 19)	1,036
38	Net cash flows from Operating Activities	764
-	Investing Activities	(48)
38	Net increase/(decrease) in cash and cash equivalents	716
613	Cash and cash equivalents at the beginning of the financial year	651
651	<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,367</b>





## **NOTES TO THE ACCOUNTS**

### **Note 1 Accounting Policies**

#### **1 General Principles**

The Annual Accounts summarise the Board's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The principal accounting policies have been applied consistently throughout the year. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of property, plant and equipment.

#### **2 Accruals of Income and Expenditure**

Income and expenditure are accounted for in the year in which they take place, not simply when cash payments are made or received. Where income and expenditure has 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 the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **3 Charges to Revenue for Non-Current Assets**

The service is charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

#### **4 Requisitions and Contributions**

Requisitions and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Board has not satisfied.

#### **5 Cash and Cash Equivalents**

The Board uses Moray Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund. This balance is repayable on demand and therefore treated as a cash equivalent and is included in the Balance Sheet at amortised cost, which equates to the actual cash value at 31 March 2021.

## **Note 1 (continued)**

### **6 Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Board. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

### **7 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement at the earlier of when the Board can no longer withdraw the offer of those benefits or when the Board recognises costs for a restructuring.

### **8 Going Concern**

The Pension Fund overall liability demonstrates the Board's commitment to pay retirement benefits in the long term. As a consequence there is a significant impact on the net worth of the Board as recorded on the Balance Sheet, which shows a net liability. Statutory arrangements for the funding of the deficit mean that the financial position of the Board remains assured. On the basis of this funding arrangement, the Board considers it appropriate that the Annual Accounts should follow the going concern basis of accounting.

### **9 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). 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.

### **10 Value Added Tax**

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors.

### **11 Reserves**

The Board sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against requisitions for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Board.

## **Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Code requires the Board to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

This applies to the adoption of the following new or amended standards within the 2020/21 Code:

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

The Code requires implementation from 1 April 2021 and there is, therefore, no impact on the 2020/21 Financial Statements.

The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements.

## **Note 3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Treasurer 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:

- Assets held at current value are revalued on a five year basis as set out in the accounting policy for Property, Plant and Equipment. Moray Council's Estates Manager, who undertakes valuations on behalf on the Board and is a qualified RICS valuer, asserts that the carrying amount does not materially differ from that which would be determined using current value.

## **Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Annual Accounts contains 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 balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Board's Balance Sheet at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

**Note 4 (continued)**

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured and are detailed in Note 23.

**Note 5 Material Items of Income and Expenditure**

Where material items of income and expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. The following items are regarded as material:

	2019/20	2020/21
<b>Nature</b>	<b>£000</b>	<b>£000</b>
Grant income from the UK Government for Individual Electoral Registration (IER)	152	232
Grant income from the Scottish Government	-	134
Barclay Implementation Funding (included in requisitions)	99	117

The grant received for Individual Electoral Registration (IER) is intended to fund the additional costs incurred by the Board. Grant income from the Scottish Government was additional funding to support the expected increase in postal voting ahead of the 2021 Scottish Parliament elections. The Barclay Implementation Funding was paid to the three local authorities, and requisitioned in full by the Board, to implement the recommendations from the Barclay review of Non Domestic Rates.

**Note 6 Events After The Reporting Period**

The unaudited Annual Accounts were issued on 18 June 2021 and the audited Annual Accounts were authorised for issue on 5 November by Lorraine Paisey, Treasurer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# **Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisitions and government grants) by the Board in comparison with those resources consumed by the Board in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making.

Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

31 March 2020			31 March 2021			
Net Expenditure chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure chargeable to General Fund £000	Adjustments between Funding and Accounting Basis £000	Adjustments to usable reserves permitted by accounting standards	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
4,253	533	4,786	3,979	235	5	4,219
4,253	533	4,786	3,979	235	5	4,219
(4,352)	115	(4,237)	(4,043)	96	-	(3,947)
(99)	648	549	(64)	331	5	272
(215)			(314)			
(99)			(64)			
(314)			(378)			

**Note 7 (continued)**

**Adjustments between the Funding and Accounting Basis**

**2019/20**

	<b>Adjustment for Capital Purposes £000</b>	<b>Net Change for Pensions Adjustments £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Rating and CT valuation & Electoral Registration	23	528	(18)	533
Net Cost of Services	23	528	(18)	533
Other Income and Expenditure	-	115	-	115
<b>Difference between the General Fund Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>23</b>	<b>643</b>	<b>(18)</b>	<b>648</b>

**2020/21**

	<b>Adjustment for Capital Purposes £000</b>	<b>Net Change for Pensions Adjustments £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Rating and CT valuation & Electoral Registration	(23)	222	36	235
Net Cost of Services	(23)	222	36	235
Other Income and Expenditure	-	96	-	96
<b>Difference between the General Fund Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>(23)</b>	<b>318</b>	<b>36</b>	<b>331</b>

## **Note 7 (continued)**

### **a) Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line.

### **b) Net Change for the Pensions Adjustments**

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

For the service this reflects the removal of the employer pension contributions made by the Board as allowed by statute and the replacement with current service costs and past service costs.

### **c) Other Differences**

This column adjusts for differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

For the service this reconciles the impact of accruals for accumulating compensated absences e.g. holiday pay as required by IAS19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute.



## Note 8 Expenditure and Income Analysed by Nature

The Board's expenditure and income is analysed as follows:

### Expenditure and Income

	2019/20 £000	2020/21 £000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Employee benefit expenses	3,803	3,311
Other service expenses	1,069	1,194
Support service recharges	57	63
Depreciation, amortisation and impairment	23	30
Interest payments	115	96
<b>Total Expenditure</b>	<b>5,067</b>	<b>4,694</b>
Requisitions	(4,347)	(4,042)
Government grants and other service income	(166)	(379)
Interest and investment income	(5)	(1)
<b>Total Income</b>	<b>(4,518)</b>	<b>(4,422)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>549</b>	<b>272</b>

## Note 9 Earmarked Portions of the General Fund

Portions of the General Fund are earmarked for specific purposes as described below. Underspends or overspends against budget for these activities are transferred in or out of the earmarked funds at the year end.

	General Services £000	NDR Reform £000	Total £000
Balance at 31 March 2020	223	91	314
Increase/(Decrease) 2020/21	12	52	64
<b>Balance at 31 March 2021</b>	<b>235</b>	<b>143</b>	<b>378</b>

### NDR Reform

The purpose of this fund is to ring-fence funding received from constituent authorities to implement reforms from the Barclay Report which followed a review into the non-domestic rates system in Scotland. The Non-Domestic Rates (Scotland) Bill took effect from 1 April 2020.

## Note 10 Financing and Investment Income and Expenditure

	2019/20 £000	2020/21 £000
Pensions interest cost and expected return on pensions assets	115	96
Interest receivable and similar income	(5)	(1)
	<b>110</b>	<b>95</b>

## Note 11 Property, Plant and Equipment

### Recognition

All expenditure on the acquisition, creation, enhancement or replacement of an asset or part of an asset is capitalised, providing the asset yields benefit for more than one year to the Board and the services it provides and the cost can be reliably measured.

Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

### Measurement

New assets are measured at cost. Cost includes the original purchase of the asset and the costs attributable to bringing the assets to its working condition for its intended use.

Assets are measured at current value which is Existing Use Value for Land and Buildings and Depreciated Historic Cost for Equipment and Furniture which is used as a proxy for current value.

### Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when an asset is disposed of or when no future economic benefits or service potential are expected from its use. The value of the asset in the Balance Sheet and any receipt is written to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Requisitions, as the cost of non current assets is fully provided for under separate arrangements for Capital Financing. The carrying amount of the non current asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Fund and reported in the Movement in Reserves Statement.

## **Note 11 (continued)**

### **Depreciation**

Depreciation is provided for on all items of property, plant and equipment with a finite useful life by the systematic allocation of their depreciable amount over their useful lives. An exception is made for land where it can be demonstrated that it has an unlimited useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets. In the year of disposal, no depreciation is charged.

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land & Buildings - 35-60 years, land is not depreciated

Vehicles, Plant, Furniture & Equipment - 10 years

### **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Revaluations**

The Board carries out a valuation programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The last revaluation of Land and Buildings was done with effect from 1 April 2018 and the next revaluation is scheduled during 2023/24. All valuations were carried out by Moray Council's Head of Estates in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current values.

**Note 11 (continued)**

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>			
At 1 April 2019	696	290	986
At 31 March 2020	<b>696</b>	<b>290</b>	<b>986</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2019	14	219	233
Depreciation charge at 31 March 2020	14	9	23
	<b>28</b>	<b>228</b>	<b>256</b>
<b>Net Book Value</b>			
at 31 March 2019	682	71	753
at 31 March 2020	668	62	730
<b>Cost or valuation</b>			
At 1 April 2020	696	290	986
Additions	-	49	49
<b>At 31 March 2021</b>	<b>696</b>	<b>339</b>	<b>1,035</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2020	28	228	256
Depreciation charge at 31 March 2021	15	16	31
	<b>43</b>	<b>244</b>	<b>287</b>
<b>Net Book Value</b>			
at 31 March 2020	668	62	730
at 31 March 2021	653	95	748

**Note 12 Short Term Debtors**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Prepayments	39	39
	<b>39</b>	<b>39</b>

**Note 13 Cash and Cash Equivalents**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Temporary Investment in the Moray Council Loans Fund	651	1,367

**Note 14 Short Term Creditors**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Trade Payables	147	221
Other Payables	329	943
	<b>476</b>	<b>1,164</b>

## Note 15 Financial Instruments

### Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Board and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Board.

The majority of the Board's financial liabilities held during the year are measured at amortised cost and comprised:

- Creditors for requisitions due to be returned to constituent authorities
- Trade payables for goods and services received

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Board that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Board. The financial assets held by the Board during the year are accounted for under the following classification:

- Amortised cost (where cash flows are solely payments of principal and interest and the business model is to collect those cash flows) comprising:
  - temporary investment in the Moray Council Loans Fund
  - trade receivables for goods and services provided

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Board.

### Financial Instruments – Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	<b>Restated</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Short Term Creditors - Amortised Cost	249	630

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	<b>Restated</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Temporary Investment in the Moray Council Loans Fund	651	1,367

## Note 16 Usable Reserves

### General Fund

The creation of a General Fund was agreed by the Board at its meeting on 28 January 2011. This was introduced to provide the Assessor with some flexibility to investigate any spend-to-save projects which would require one-off expenditure in order to deliver future budget savings. The reserve also acts as a contingency for any unexpected costs in future years. Transfers are restricted to 3% of revenue budget in any one year subject to the reserve having a cumulative balance not exceeding 5% of revenue budget.

Funding to cover the cost of implementing changes from the Barclay Review has been included within the local government settlement since 2019/20 and requisitioned by the Board. It was agreed by the Board at its meeting on 7 February 2020 to create an earmarked reserve, allocating unspent budget on NDR reform to cover the implementation of the reform in future years.

	2019/20 £000	2020/21 £000
<b>Usable Reserves</b>		
General Fund	223	235
Earmarked NDR Reform Reserve	91	143
	<b>314</b>	<b>378</b>

## Note 17 Unusable Reserves

	2019/20 £000	2020/21 £000
Revaluation Reserve	257	252
Employee Statutory Adjustment Account	(99)	(135)
Capital Adjustment Account	472	495
Pension Reserve	(4,277)	8
	<b>(3,647)</b>	<b>620</b>

## Note 17 (continued)

### Revaluation Reserve

The Revaluation Reserve contains gains made by the Board arising from increases in the value of its Property, Plant and Equipment.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	262	257
Revaluations		
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	(5)	(5)
<b>Balance at 31 March</b>	<b>257</b>	<b>252</b>

### Employee Statutory Adjustment Account

The Employee Statutory Adjustment 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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	(117)	(99)
Settlement or cancellation of accrual made at the end of the preceding year	117	99
Amounts accrued at the end of the current year	(99)	(135)
<b>Balance at 31 March</b>	<b>(99)</b>	<b>(135)</b>



## Note 17 (continued)

### Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>490</b>	<b>472</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(23)	(25)
Adjusting amounts written out of the Revaluation Reserve	5	-
Net written out amount of the cost of non-current assets consumed in the year	(18)	(25)
Capital financing in the year:		
Use of government grant to finance new capital expenditure	-	29
Capital Expenditure charged against the General Fund	-	19
<b>Balance 31 March</b>	<b>472</b>	<b>495</b>

## Note 17 (continued)

### Pensions Reserve

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

	<b>2019/20</b> <b>£000</b>	<b>2020/21</b> <b>£000</b>
<b>Balance at 1 April</b>	(5,023)	(4,277)
Remeasurements of the net defined benefit liability/asset	1,389	4,603
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	(1,130)	(774)
Employer's pensions contributions and direct payments to pensioners payable in the year	487	456
<b>Balance at 31 March</b>	<b>(4,277)</b>	<b>8</b>

## **Note 18 External Audit Costs**

The agreed external audit fee for 2020/21 was £0.008m for work undertaken in accordance with the Code of Audit Practice (2019/20 £0.007m).

## **Note 19 Cashflow – Analysis of Net Deficit on the provision of services for non cash movements**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Depreciation/Impairment charges	(23)	(30)
Pension Liability	(643)	(318)
Increase/(Decrease) in Debtors	(3)	-
Decrease/(Increase) in Creditors	82	(688)
	<u>(587)</u>	<u>(1,036)</u>

## Note 20 Requisition and Grant Income

The Board credited the following requisitions to the Comprehensive Income and Expenditure Statement. The requisitions are based on population.

	2019/20 £000	2020/21 £000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,741	1,831
Requisition from Aberdeenshire Council	1,993	2,104
Requisition from Moray Council	729	768
	<hr/> 4,463	<hr/> 4,703
Returned to constituent authorities:		
Aberdeen City Council	(45)	(161)
Aberdeenshire Council	(52)	(185)
Moray Council	(19)	(68)
	<hr/> (116)	<hr/> (414)
Returned to Scottish Government (NDR)	<hr/> -	<hr/> (247)
Total Requisition & Grant Income	4,347	4,042

## Note 21 Leases

### Operating Leases – Board as Lessee

Operating lease payments are reflected in the Cost of Services heading in the Comprehensive Income and Expenditure Statement, as the rentals become payable. The Board does not have any finance leases.

The Board pays Aberdeenshire Council for the rental of their offices within Woodhill House under the terms of an operating lease. The amount paid under these terms in 2020/21 was £0.125m (£0.125m in 2019/20).

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

**Note 21 (continued)**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	125	125
Later than one year and not later than five years	500	500
More than five years	250	125
	<b>875</b>	<b>750</b>

**Note 22 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.

**Constituent Authorities**

The constituent authorities have the potential to control or influence the Board as they provide the majority of the Board's funding. Details are shown in Note 20. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Aberdeen City Council	82	78
Aberdeenshire Council	209	208
Moray Council	91	90

The amounts owed to the constituent authorities for requisitions and normal business activities at 31 March were:

Aberdeen City Council	50	162
Aberdeenshire Council	52	194
Moray Council	94	144

**Members**

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

## **Note 23 Defined Benefit Pension Scheme**

### Participation in Pension Scheme

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 the employees retire, the Board has a commitment to make the payments for those benefits and must disclose them at the time that employees earn their future entitlement.

The Board participates in the North East Scotland Pension Fund (NESPF), a Local Government Pension Scheme, which is administered by Aberdeen City Council. Up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on career average salary. The Scheme is a funded defined benefit scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

There are also arrangements in place for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of nine elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations. Following the introduction of The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Pension Fund took the opportunity to review its governance arrangements. To comply with these regulations, the Pension Fund implemented a Pension Board with representation from Unions and Employers from the 1 April 2015. With the introduction of the Pension Board, the Joint Investment Advisory Committee was disbanded.

The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policy note.

### Transactions relating to Post-employment Benefits

In relation to the North East Scotland Pension Fund, 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 required to be made against requisitions is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

**Note 23 (continued)**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Cost of Services:</b>		
Past Service Cost	138	-
Current Service Cost and administration expenses	877	678
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	115	96
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,130	774
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.</b>		
Remeasurement of the Net Defined Benefit Liability comprising:		
Expected return on pension fund assets	1,508	(8,457)
Remeasurements (liabilities)	(2,897)	3,854
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.</b>	<b>(1,389)</b>	<b>(4,603)</b>
<b>MOVEMENT IN RESERVES STATEMENT</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	1,130	774
<b>Actual amount charged against requisitions for pensions in the year</b>	<b>487</b>	<b>456</b>

## Note 23 (continued)

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The change in the net pensions asset is analysed into the following components:

**Current Service Cost:** The increase in liabilities as a result of years of service earned this year.

**Net Interest on the Net Defined Benefit Liability:** The change during the year in the net defined benefit liability that arises from the passage of time – charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

**Remeasurements:** This comprises the Return on Plan Assets (excluding amounts included in the Net Interest on the Net Defined Benefit Liability) and Actuarial Gains and Losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

**Contributions Paid to the Pension Fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The amount included in the Balance Sheet arising from the Board's obligation in respect of its defined benefit plan is as follows:

	31 March 2020	31 March 2021
	£000	£000
Present value of the defined benefit obligation	(36,369)	(40,846)
Fair value of plan assets	32,092	40,854
<b>Net (liability)/asset arising from defined benefit obligation</b>	<b>(4,277)</b>	<b>8</b>



**Note 23 (continued)**

The reconciliation of the Board's share of the present value of the North East Scotland Pension Fund's defined benefit liability is as follows:

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	(38,218)	(36,369)
Current Service Cost	(867)	(669)
Interest on pension liabilities	(907)	(861)
Remeasurements:		
Experience gain/(loss)	93	1,657
Gain/(Loss) on financial assumptions	601	(5,611)
Gain/(Loss) on demographic assumptions	2,203	100
Contributions by scheme participants	(166)	(157)
Benefits Paid	1,030	1,064
Past Service Cost	(138)	-
<b>31 March</b>	<b>(36,369)</b>	<b>(40,846)</b>

The reconciliation of the movements in the Board's share of the fair value of the North East Pension Fund's assets is as follows:

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	33,195	32,092
Interest on plan assets	792	765
Remeasurements (assets)	(1,508)	8,457
Administration expenses	(10)	(9)
Employer Contributions	487	456
Contributions by scheme participants	166	157
Benefits Paid	(1,030)	(1,064)
<b>31 March</b>	<b>32,092</b>	<b>40,854</b>

## Note 23 (continued)

The Board's share of the Pension Fund's assets is:

	31 March 2020		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000
U.K. Equities	8,956	-	8,956
Overseas Equities	8,789	-	8,789
U.K Government Bonds	1,390	-	1,390
Other Government Bonds	716	-	716
Other U.K. Bonds	32	-	32
Other non U.K. Bonds	590	-	590
Property	-	2,344	2,344
Private Equity	-	1,668	1,668
Private Debt	-	461	461
Private Equity Infrastructure	-	579	579
Infrastructure Pooled fund	687	-	687
Private Equity Real Estate	-	395	395
Multi Asset Credit	-	2,695	2,695
Diversified Growth Funds	-	2,152	2,152
Cash Instruments	-	638	638
<b>Total Assets</b>	<b>21,160</b>	<b>10,932</b>	<b>32,092</b>

  

	31 March 2021		
	£000	£000	£000
U.K. Equities	10,383		10,383
Overseas Equities	13,780		13,780
U.K Government Bonds	1,635		1,635
Other Government Bonds	417		417
Other U.K. Bonds	20		20
Other non U.K. Bonds	364		364
Property		2,325	2,325
Private Equity		2,169	2,169
Private Debt		985	985
Private Equity Infrastructure		797	797
Infrastructure Pooled fund	756		756
Private Equity Real Estate		519	519
Multi Asset Credit		3,089	3,089
Diversified Growth Funds		2,410	2,410
Cash Instruments		1,205	1,205
<b>Total Assets</b>	<b>27,355</b>	<b>13,499</b>	<b>40,854</b>

## Note 23 (continued)

### Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2020 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund, in order to assess the liabilities of the Fund as at 31 March 2021. 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 principal assumptions used by the actuary have been:

	31 March 2020	31 March 2021
Financial assumptions:		
Discount rate	2.40%	2.10%
Rate of increase in salaries	3.60%	4.20%
Rate of increase in pensions	2.20%	2.80%
Rate of CPI inflation	2.10%	2.70%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.5
Women	24.2	24.2
Longevity at 65 for future pensioners:		
Men	23.1	23.1
Women	26.3	26.3

### Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The effects of a 0.1% increase/decrease in the rate for discounting scheme liabilities, the rate of inflation, and the rate of increase in salaries, a 1 year increase/decrease in life expectancy, and a +/-1% change in the 2020/21 investment returns, are shown in the table below:

**Note 23 (continued)**

Sensitivity Analysis as at 31 March 2021

	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. pay growth	1 year increase in life expectancy	+1% change in 2020/21 investment returns	-1% change in 2020/21 investment returns
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Liabilities	40,846	40,209	41,494	40,953	42,101	40,846	40,846
Assets	(40,854)	(40,854)	(40,854)	(40,854)	(40,854)	(41,260)	(40,448)
Fund Deficit	(8)	(645)	640	99	1,247	(414)	398

## **Note 23 (continued)**

### Funding Strategy Statement (FSS)

The FSS sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions, and prudence in the funding basis.

The Pension Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2020 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date. Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular year. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets.

The asset proportions of the Fund at 31 March 2021, with March 2020 in brackets were: equities, including alternatives 85.4% (82.2%), bonds 6.0% (8.5%), property 5.7% (7.3%) and cash 2.9% (2.0%). This is based on the Board's proportion of assets held as supplied by the actuary, rather than the proportions held by the fund as a whole.

### Impact on the Board's Cash Flows

While the Fund's main objective is to ensure solvency of the NESPF they also aim to keep employers' contributions at as constant a rate as possible. Following the 2020 valuation the Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average surplus spread period of 24 years and have maintained an employer contribution rate requirement of 19.3% for local authorities across the scheme. During the valuation process employer rates are set for a period of three years with the next triennial valuation due as at 31 March 2023 to determine a funding level and set the rates for 2021/22 onwards.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2022 is £0.434m.

The weighted average duration of the liabilities for scheme members at the 31 March 2020 valuation is 16 years.

## **GLOSSARY OF TERMS**

### **EXPENDITURE**

#### **Employee Benefit Expenses**

Includes direct and indirect employee expenses.

Direct expenses include salaries and overtime, employer's national insurance and superannuation contributions.

Indirect employee expenses include relocation cost, interview expenses, training and staff advertising.

#### **Other Service Expenses**

Includes

- rent, rates, repairs and maintenance and premises-related expenditure at the area offices in Banff, Elgin and Woodhill House headquarters.
- all costs associated with the hire or use of transport, including staff travel allowances and public transport and
- the cost of purchasing equipment, furniture and materials used in the operation or administration of the service, including printing and stationery, canvass expenses and valuation appeal panel costs.

#### **Support Services**

This is a charge from Moray Council for services that support the Board in its provision of services to the public. These include Legal Services, Financial Services, Internal Audit and Human Resources.

#### **Depreciation**

Depreciation is a charge to the Comprehensive Income and Expenditure Statement, reflecting the decline in value of assets as a result of their usage or ageing.

#### **Impairment**

Impairment is a charge to the Comprehensive Income and Expenditure Statement, reflecting that the recoverable amount of an asset is less than its carrying amount.

### **INCOME**

#### **Requisitions**

Funding received from the constituent authorities for which the Board provides a service.

## **GLOSSARY OF TERMS (continued)**

### **OTHER TERMS**

#### **CIPFA**

The Chartered Institute of Public Finance and Accountancy

#### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

#### **IFRS**

International Financial Reporting Standard

#### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom

#### **SeRCOP**

Service Reporting Code of Practice

#### **Fair Value**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

#### **Current Value**

For operational land and buildings, current value is the amount that would be paid for the asset in its existing use.

#### **Economic Cost**

The total cost of performing an activity or following a decision or course of action.

## Independent Auditor's Report

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

In my opinion the accompanying financial statements:

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

##### Basis for opinion

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 under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is five years. I am independent of the body 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 body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant



doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### **Risks of material misstatement**

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

### **Responsibilities of the Treasurer and Grampian 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 body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The board is responsible for overseeing the financial reporting process.

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- 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 Grampian 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.

### **Reporting on other requirements**

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

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

#### **Statutory other information**

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

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in 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 statutory 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 statutory 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 Management Commentary and Annual Governance Statement**

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 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.

Maggie Bruce  
Senior Audit Manager  
Audit Scotland  
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The Green House  
Beechwood Business Park North  
Inverness  
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5 November 2021

