

# Orkney and Shetland Valuation Joint Board



## **Item: 6**

**Orkney and Shetland Valuation Joint Board: 30 September 2025.**

**Annual Accounts 2024/25.**

**Report by Treasurer of the Board.**

---

## **1. Overview**

- 1.1. The Annual Accounts for the year ended 31 March 2025, attached as Appendix 1 to this report, have been prepared in accordance with proper accounting practice as required by section 12 of the Local Government in Scotland Act 2003.
- 1.2. Proper accounting practices include compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee.
- 1.3. The Local Authority Accounts (Scotland) Regulations 2014 require the Board to consider and approve an audited set of accounts, including an annual governance statement, by 30 September each year, and publish the accounts on a website by 31 October.
- 1.4. The management commentary, comprising pages 1 to 8 of the Annual Accounts, attached as Appendix 1 to this report, provides an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2025, with the key facts and figures summarised at section 3.1 of this report.

## **2. Recommendations**

- 2.1. It is recommended that members of the Board:
  - i. Approve the Annual Accounts for financial year 2024/25, incorporating the Annual Governance Statement, attached as Appendix 1 to this report.

## **3. Annual Accounts**

- 3.1. The Management Commentary to the Annual Accounts provides an overview of the most significant matters reported in the annual accounts for the financial year ended 31 March 2025. These issues can be summarised as follows:

- Overall, the activities of the Board returned total comprehensive income statement surplus of £178,400 for the year.
- The main source of this surplus can be attributed to the remeasurement of the net defined benefit liability/asset on pension assets of £161,000.
- The impact of Barclay reforms and the self-catering audit on workloads has impacted performance with several key performance indicators falling from previous year levels.
- The impact of the loss of key members of staff and/or an inability to recruit and/or retain staff to support the functions of the Board remains a significant risk for the Board.

3.2. The Annual Accounts include the following primary financial statements:

- The Comprehensive Income and Expenditure Statement shows comprehensive income for provision of services during the year was £178,400.
- The Balance Sheet shows a net asset position of £162,491 against a net liability position of £340,500 as stated on the balance sheet as at 31 March 2024, predominately because of the remeasurement of the net defined benefit liability/asset.
- The Expenditure and Funding Analysis (Note 1) reconciles the accounting deficit on provision of services back to the funded or budget position. Net expenditure chargeable to the Board of £973,446 represents an underspend of £39,054 or 3.8% relative to the budget of £1,012,500. This under spend is repaid to the constituent local authorities as part of the annual requisition mechanism.

3.3. While the Annual Accounts demonstrate that the Board is reliant on others for the financial resources needed to cover its operating costs, the going concern concept is met by the legal framework surrounding the Board. This obliges the two local authorities to make available the resources that are requisitioned from them by the Board.

**For Further Information please contact:**

Erik Knight, Treasurer to the Board, extension 2127, Email [Erik.Knight@orkney.gov.uk](mailto:Erik.Knight@orkney.gov.uk)

**Implications of Report**

1. **Financial** - Central support services resources are deployed by both councils as part of the annual financial year end closedown process to prepare the annual accounts, and support the audit process, for the Board. The audit fee for the audit of the Board's Financial Statements and other activities was £9,510.

2. **Corporate Governance** – N/A
3. **Human Resources** – N/A
4. **Equalities** – N/A
5. **Island Communities Impact** – N/A
6. **Environmental and Climate Risk** – N/A
7. **Risk** – N/A
8. **Procurement** – N/A
9. **Health and Safety** – N/A

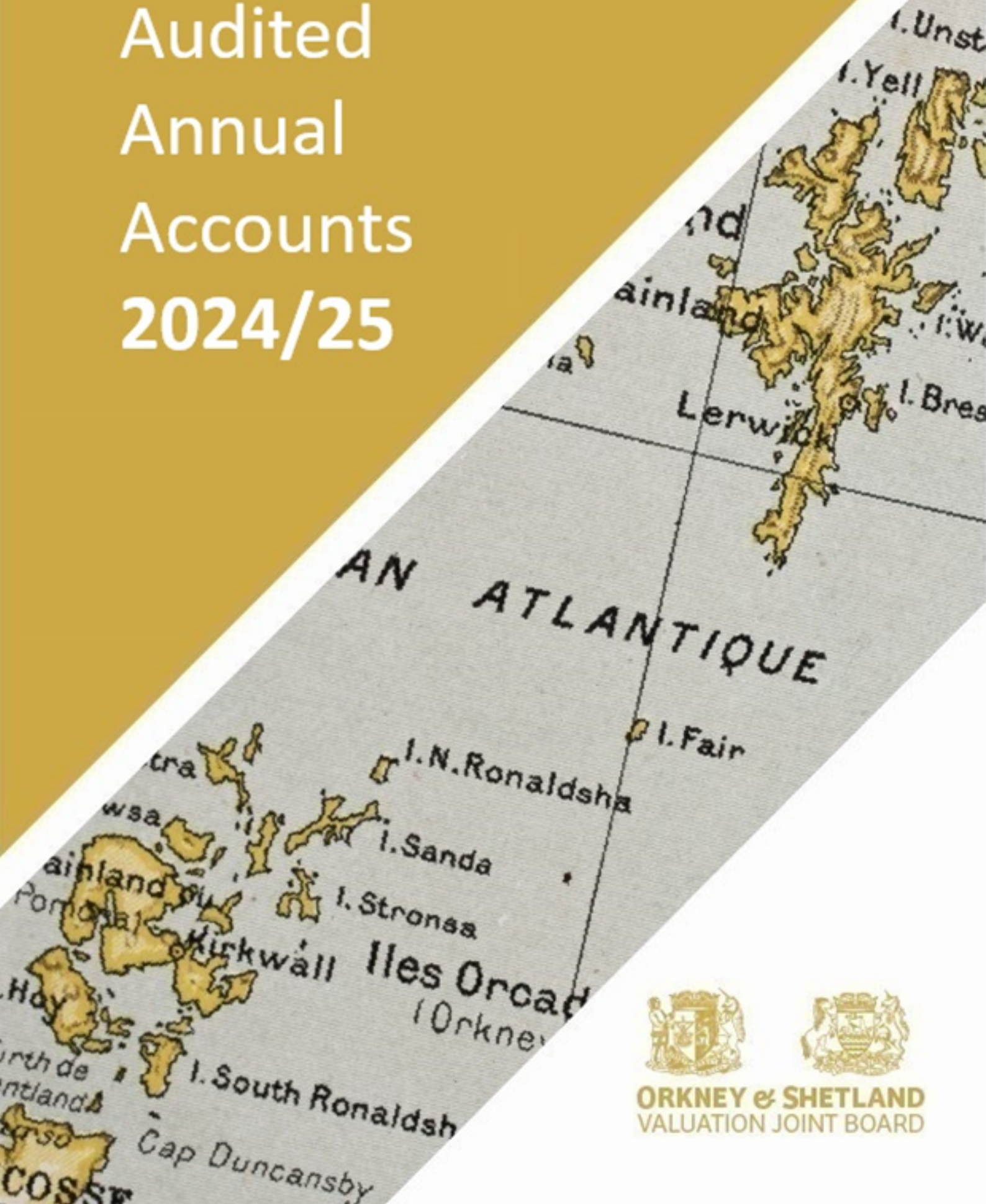
### **List of Background Papers**

Orkney and Shetland Valuation Joint Board, 24 June 2025, Draft Annual Accounts.

### **Appendix**

Appendix 1: Orkney and Shetland Valuation Joint Board Annual Accounts 2024/25.

# Audited Annual Accounts 2024/25



**ORKNEY & SHETLAND**  
VALUATION JOINT BOARD

## Contents

Management Commentary .....	1
Annual Governance Statement.....	9
Remuneration Report .....	17
Statement of Responsibilities for the Annual Accounts .....	21
Independent auditor's report to the members of Orkney and Shetland Valuation Joint Board and the Accounts Commission .....	22
Primary Financial Statements.....	26
Comprehensive Income and Expenditure Statement for the year ended 31 March 2025.....	26
Movement in Reserves Statement.....	27
Balance Sheet as at 31 March 2025.....	28
Notes to the Financial Statements .....	29
Note 1: Expenditure and funding analysis.....	29
Note 2: Accounting Standards issued but not yet adopted.....	30
Note 3: Critical judgements in applying accounting policies .....	30
Note 4: Assumptions made about the future and other major sources of estimation uncertainty.....	30
Note 5: Adjustments between Accounting Basis and Funding Basis under regulations.....	30
Note 6: Specific Grant Income .....	31
Note 7: Short-term Debtors.....	31
Note 8: Short-term Creditors.....	31
Note 9: Unusable Reserves .....	31
Note 10: Nature and Extent of Risks Arising from Financial Instruments .....	33
Note 11: Events after the Reporting Period.....	33
Note 12: External Audit costs.....	33
Note 13: Related Parties.....	33
Note 14: Right of Use Asset Lease.....	34
Note 15: Defined Benefit Pension Schemes .....	35
Note 16: Accounting Policies .....	40



# Management Commentary

The purpose of the Management Commentary is to help all users of the accounts to assess how the Orkney & Shetland Valuation Joint Board (“the Board”) has performed during 2024/25 and understand the year-end financial position as at 31 March 2025. In addition, it provides a narrative on the financial outlook for the Board during financial year 2025/26 and beyond.

## Introduction

The Board exists for the discharge of statutory functions relating to the preparation, publication and maintenance of both the Valuation Roll and Council Tax List (Valuation List).

The role of the Assessor and Electoral Registration Officer is to undertake the duties of Assessor and to provide the electoral registration function on behalf of both island areas.

All three documents (Valuation Roll, Valuation List and Electoral Register) are available for public inspection at the Assessor's offices, at the public libraries and offices of the two constituent authorities. In addition, a searchable online facility for the Valuation Roll and Council Tax List is available here:

<https://www.saa.gov.uk/orkneyandshetland/>

Amendments to the Electoral Register can be processed online at: <http://gov.uk/register-to-vote>

There are 14 Assessors in Scotland, of which four are appointed directly by a single Council and the remaining 10 are appointed by Valuation Joint Boards comprising elected members from two or more Councils. Where a Valuation Joint Board exists, as in Orkney and Shetland, the duties, powers and responsibilities of the constituent Councils as Valuation Authorities are delegated to the Board. An Assessor is responsible for the valuation of both domestic and non-domestic properties within one or more Council areas.

Each board appoints an independent Assessor to ensure that valuations are free from political influence or interference. This is essential to the performance of the Assessor's statutory duties, which can involve situations where the interests of the local authority and the ratepayer may conflict.

## Composition of the Board

The Board is a separate public body from the two constituent authorities, being Orkney Islands Council and Shetland Islands Council and draws its membership from them, each nominating five Councillors to serve on the Board. Board members are as follows:

### Members:

Orkney Islands Council
Stephen G Clackson (Depute Convener of the Board)
Lindsay Hall
Kristopher D Leask
John A R Scott
Jean E Stevenson
Shetland Islands Council
Stephen Leask (Convener of the Board)
Allison Duncan
Liz Peterson
Gary Robinson
Arwed Wenger

### Substitute Members:

Orkney Islands Council
James R Moar
Gillian Skuse
Shetland Islands Council
Moraig Lyall
Andrea Manson
Neil Pearson
Bryan Peterson

Copies of board papers and minutes (from September 2020) are available on OIC's website: [Orkney and Shetland Valuation Joint Board – Minutes, Agendas and Papers](#). Older minutes can be found at: [www.orkney-shetland-vjb.co.uk](http://www.orkney-shetland-vjb.co.uk).

## Senior Management Team

Assessor and Electoral Registration Officer:  
Robert Eunson MLE MRICS

Depute Assessor - Vacant

Depute Electoral Registration Officer:  
Ian Leslie AEA (Cert – Scotland)

The following appointed office bearers of the Board are employed on a substantive basis by Orkney Islands Council:

Treasurer:  
Erik Knight FCCA

Clerk:  
Karen Greaves, to 16 March 2025  
Gavin Mitchell, from 16 March 2025

## Background

The functions of the Assessor are different from those of most other Local Government Officers, whose duties are to carry out the policies of local authorities, as determined by elected Councillors. The Assessor is required to balance the interests of individual ratepayers against those of others in terms of valuation levels.

The independence of the Assessor is necessary to ensure that decisions are made on considerations of value, without political pressure. The actions of the Assessor are subject to scrutiny however, through an appeals process.

Further details can be found here:

[The Assessor – Scottish Assessors](#)


## Strategy

### Service Plan

The Board has a three-year service plan covering financial years 2023 to 2026. The Service Plan can be found at:

[OSVJB Service Plan 2023-26 - 2025 Approved.pdf](#)

It sets out the Board's vision as follows:



“To provide a range of valuation and electoral services to the stakeholders of the Valuation Joint Board in accordance with statute and at levels of excellence which meet or exceed their expectations.”

Eleven core strategic aims and objectives have been identified in the service plan, as follows:



The Board's senior management team monitors the plan. Any review or update to the plan is reported to the Board through the 6-monthly Best Value progress report.

The eleven core strategic objectives are always at the forefront of planned activities. While recognising the duty to secure the Best Value, the focus has been on maintaining a core service within statutory requirements, sound governance and supporting employees throughout the period of remote working.

## Performance Information

2024/25 was a challenging year for the Board with employees continuing to deal with Non-Domestic Proposals for the first time. Under Barclay reforms, the former appeal process has been modified so that an initial Proposal stage has been dealt with before a ratepayer can appeal their Valuation Roll entry. The annual audit of self-catering entries to confirm their status on the Valuation Roll continues to be a burden and takes far more resources than was envisaged (see KPI section, below) without funding to match. Adding staff vacancies to all of this meant that the year was

very busy and gave further understanding into workloads in a 3-yearly Revaluation cycle.

The electoral side was also busy with the UK Parliamentary Election taking place at short notice on 4 July 2024. Staff coped extremely well with this busy and challenging period. The annual electoral canvass was carried out as usual, and there was one Local Government By Election in Shetland.

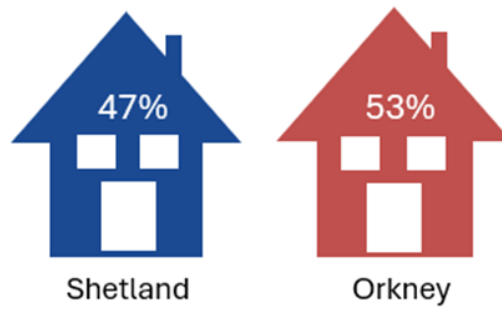
Individual Electoral Registration (IER) continues to be a demand on resources. Funding from the Cabinet Office was last received in 2019/20, however with the introduction of Canvass reform in 2020 no further IER Cabinet Office funding is available.

Work on the rolling programme to update and revalue subjects contained in the asset register, along with insurance valuations on behalf of Orkney Islands Council, continues to be an extra service provided by the Board. While this service is funded, the impact on the statutory functions of the Board is continually monitored. There has been no adverse impact on existing resources in provision of this valuation service.

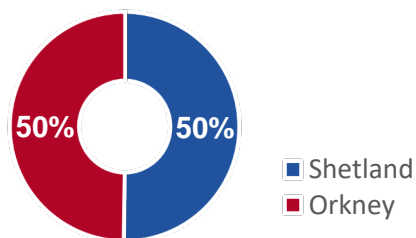


As at 31 March 2025, the Board had:

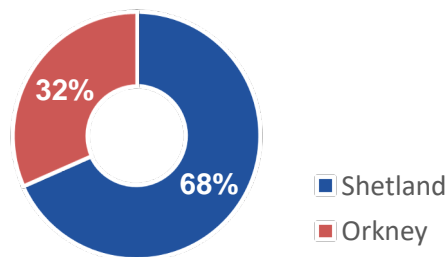
### ENTRIES IN VALUATION ROLL - 5,031



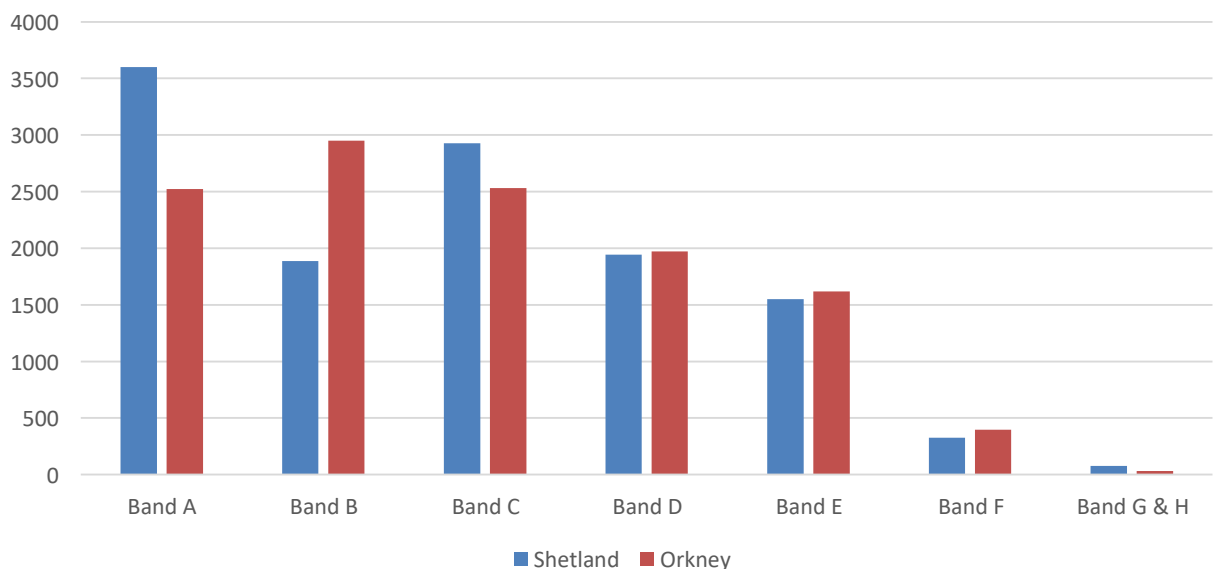
### ELECTORS: 35,556



### RATEABLE VALUE: £104,250,275



### COUNCIL TAX PROPERTIES: 24,337



## Key Performance Indicators

The Board has adopted an agreed range of local non-financial Key Performance Indicators (KPIs) with reference to those published by other VJBs. Performance targets are set annually by the Assessor with consideration of previous achievements, pressures on resources and anticipated workload.

The non-financial KPIs are:

Council Tax List	2024/25		2023/24
	Target %	Actual %	Actual %
% entered in List within 3 months of occupation	85.00	71.69	68.82
% entered in List within 6 months of occupation	95.00	74.61	75.67
% entered in List more than 6 months after occupation	<5.00	25.39	24.33
Valuation Roll	2024/25		2023/24
	Target %	Actual %	Actual %
% entered in Roll within 3 months of effective date	70.00	29.76	41.15
% entered in Roll within 6 months of effective date	90.00	47.56	51.56
% entered in Roll more than 6 months after effective date	<10.00	52.44	48.44
Total Reduction on appeal	<1.00	1.20	0.30

The non-financial targets were reviewed in June 2024.

Continuing a trend which started in the last financial year, KPIs for both the Council Tax List and Valuation Roll are well behind target. For Council Tax entries, the poor performance has been caused exclusively by the fact that self-catering subjects have been moved in a significant volume back to the tax base following implementation of new legislation (self-catering audit), and this has to happen retrospectively, i.e. at least one year after the date of entry. For the

Valuation Roll, while this has also affected performance, it has additionally been impacted by staff carrying out the self-catering audit being kept from other tasks, and also a high volume of work caused by the 3-yearly revaluation cycle. Vacancies in the Non-Domestic Valuation staff has also hindered performance.

Financial KPIs:

Financial Management	2024/25	2023/24
Actual net expenditure as a percentage of budgeted net expenditure.	97%	97%

The comparison of the actual outturn to budgeted net expenditure is a measure of the effectiveness of financial management. Quarterly revenue monitoring reports inform this key financial indicator of the Board's performance over the financial year and of the affordability of its ongoing commitments. The Financial Performance section on the following page contains further information.

The performance targets and outcomes for 2024/25 were considered by the Board on 24 June 2025.

## Risks and Uncertainties

The maintenance of a risk register ensures the Board's functions operate effectively under all assessable and identifiable risks. The risk register assesses the likelihood and impact of identifiable risks and provides actions to mitigate or minimise them. A traffic light system is used to show the overall risk rating - green being low risk, amber medium and red high.

Progress against actions are regularly monitored, and the latest report was presented to the Board on 28 November 2024. The risk register identified a total of 70 risks and of these none of the residual risks are red, seven are amber and the remainder are green.

The Board's risks and uncertainties can be summarised as:

- Staffing – in relation to the loss of key members of staff and/or an inability to recruit or retain staff to support the valuation functions of the Board;
- Staffing – an inability to appoint sufficient staff to deliver an electoral registration function;
- Finance – unexpected expenditure leading to cash flow problems; and

- Failure to maintain an up to date Electoral register, through late or non-delivery of household enquiry forms and/or invitations to register.

Full details on the risks identified along with the steps to mitigate these can be found [here](#).

Since the most recent presentation of the risk register in November 2024, the Board has faced no further risks and uncertainties that have not yet been reported.

## Primary Financial Statements

The accounting framework defines local authorities as Councils constituted under Section 2 of the Local Government (Scotland) Act 1994 and the Valuation Joint Boards (Scotland) Order 1995 and those bodies to which Section 106(1) of the Local Government (Scotland) Act 1973 applies (i.e. committees, joint committees and joint boards, the members of which are appointed by local authorities and charities, etc.).

The Annual Accounts summarise the Board's transactions for the year and its year-end position at 31 March 2025. The Annual Accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

A description of the purpose of the Primary Financial Statements has been included immediately prior to each statement: the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement and Balance Sheet. These three statements are accompanied by Notes to the Accounts, which set out the Accounting Policies adopted by the Board and provide more detailed analysis of the figures disclosed on the face of the Primary Financial Statements.

There is no Cashflow Statement because the Board does not have a bank account. All transactions are accounted for through Orkney Islands Council as administering authority.

The Primary Financial Statements and notes to the accounts, including the accounting policies, form the relevant Annual Accounts for the purpose of the auditor's report.

## Financial Performance

The purpose of the Annual Accounts is to present a public statement on the stewardship of funds for the benefit of both members of the Board and the public. The Board meets quarterly, with its budget meeting taking place in February or March. A proposed budget is presented to the Board annually and takes account of any known commitments and costs pressures. This is viewed within the context of the available resources of the constituent authorities before the Board approves the budget for the year.

The Board's budget is its prime annual planning document, and actual expenditure is monitored against it during the year. Any underspend or overspend of budget is reported to the Board in the quarterly revenue monitoring reports and annual requisitions are adjusted accordingly.

The 2024/25 budget was approved by the Board on 7 March 2024 and has been funded by the two constituent authorities.

The Comprehensive Income and Expenditure Statement (CIES) presents the full economic cost of providing the Board's services in 2024/25. This differs from the budgeted outturn position shown in the following table as the CIES includes accounting adjustments required to comply with proper accounting practice. The difference between the CIES and the actual outturn position is purely as a result of necessary accounting adjustments in the former. The Cost of Services of £942k (£930k in 2023/24), which is disclosed on the CIES, has been reconciled to the outturn used for management decision making of £986k (£1,003k in 2023/24), within Note 1: Expenditure and Funding Analysis.

Expenditure (net of income from fees and charges) that is funded from Orkney and Shetland Islands Councils and the Cabinet Office in 2024/25 is summarised in the following table:

	2024/25		
	Budget £	Actual £	Variance £
<b>Expenditure:</b>			
Employee Costs	818,300	752,194	(66,106)
Operating Costs	247,600	322,343	74,743
<b>Income:</b>			
Fees and Charges	(53,400)	(98,841)	(45,441)
Interest and Loans	-	(2,250)	(2,250)
<b>Net Expenditure</b>	<b>1,012,500</b>	<b>973,446</b>	<b>(39,054)</b>

In 2024/25, the Board underspent against its budget. An underspend on employee costs for the year was due in part to the current vacancy of the Depute Assessor. However, operating costs were overspent partially as a result of consultancy fees to cover the vacancy. Moreover, there were increases in Fees & Charges as income from the Department for Levelling Up, Housing & Communities increased from the previous year.

## The Balance Sheet as at 31 March 2025

The Balance Sheet sets out the total net worth of the Board at a snapshot in time. When comparing the net worth of the Board at 31 March 2025 to that of the prior year, an overall decrease in the net liabilities of the organisation of £178k (£266k increase in 2023/24) can be seen.

This has been driven by a decrease in pension liabilities that represent a long-term commitment for the Board and do not require to be met in any single year. The decrease results from updated pension assumptions which interact in complex ways. For example, an increase in the net discount rate has the effect of decreasing pension liabilities, as a lower value is placed on benefits paid in the future. Changes in these assumptions are further discussed in Note 15: Defined Benefit Pension Schemes.

## Material Transactions

### Pension Liability/Asset

In order to comply with International Accounting Standard (IAS) 19 - Employee Benefits, a valuation of the Shetland Islands Council Pension Fund was made by the Fund Actuary as at 31 March 2025. This indicated a net pension liability for the Board of £176k compared to a net pension liability of £310k as at 31 March 2024. The movement in the year is influenced by actuarial assumptions and changes which have acted to decrease the liability in the valuation as at 31 March 2025.

The pension fund is a long-term commitment and is subject to a triennial actuarial valuation; the last valuation at 31 March 2023 recorded a funding level of 120% and determined that the contributions the Board makes to the pension fund should decrease in line with the actuary's valuation and recommendations.

Given the net pension liability is an actuarial estimation, i.e. an attempt to look into the future, which is dependent on complex judgements, its value is subject to a high degree of uncertainty. The actual results could therefore be materially different from estimates however, such effects can be measured. The effects of changes of assumptions are further discussed in Note 15: Defined Benefit Pension Schemes.

Detailed information on the Shetland Islands Council Pension Fund can be found here:

[http://www.shetland.gov.uk/about\\_finances/](http://www.shetland.gov.uk/about_finances/)

## Looking Ahead

### 2025/26 Budget

Looking forward, the Board approved its 2025/26 budget on 27 March 2025. The approved budget has been set at £1,142k, which is an increase of £130k (13%) on the 2024/25 revised budget and principally included an allowance for the pay award and for increases in employers' National Insurance contributions. This will allow the Board to discharge its duties and meet the challenges it faces in response to the impact of more frequent non-domestic revaluations.

The Scottish Government has allocated £74k to each constituent Council in 2025/26 to support the additional costs of implementing the Barclay Review recommendations. This funding is included in the above approved budget of £1,142k.

Further information on the Barclay Review can be found here:

[Barclay Report](#)

[Recommendation - 12 Pont Action Plan](#)

### Beyond 2025

A medium-term financial plan (MTFP), forecasting the Board's income and expenditure requirements over the medium-term was presented to the Board on 27 March 2025. The MTFP aims to allow the Board to demonstrate value for money and improved transparency by setting out how available resources will be deployed going forward, as well as identifying any opportunities where efficiencies may exist. The MTFP identifies a funding gap over the three-year period 2025/26 to 2027/28 of £102k based on a most "Likely Case" scenario. The MTFP will provide a

practical framework within which choices can be identified, debated and approved.

## Acknowledgements

Finally, we would like to acknowledge all the hard work of the officers in Orkney Islands Council and the officers of the Board who have had a role in the preparation of these Annual Accounts and those who have worked diligently throughout the year in the delivery of the Board's objectives.

.....  
Erik Knight FCCA  
Treasurer  
Orkney & Shetland Valuation Joint Board

.....  
Robert Eunson MLE MRICS  
Assessor and Electoral Registration  
Officer  
Orkney & Shetland Valuation Joint Board

.....  
Stephen Leask  
Convener  
Orkney & Shetland Valuation Joint Board

## Annual Governance Statement

### Scope of Responsibility

The Orkney and Shetland Valuation Joint Board's responsibilities are to:

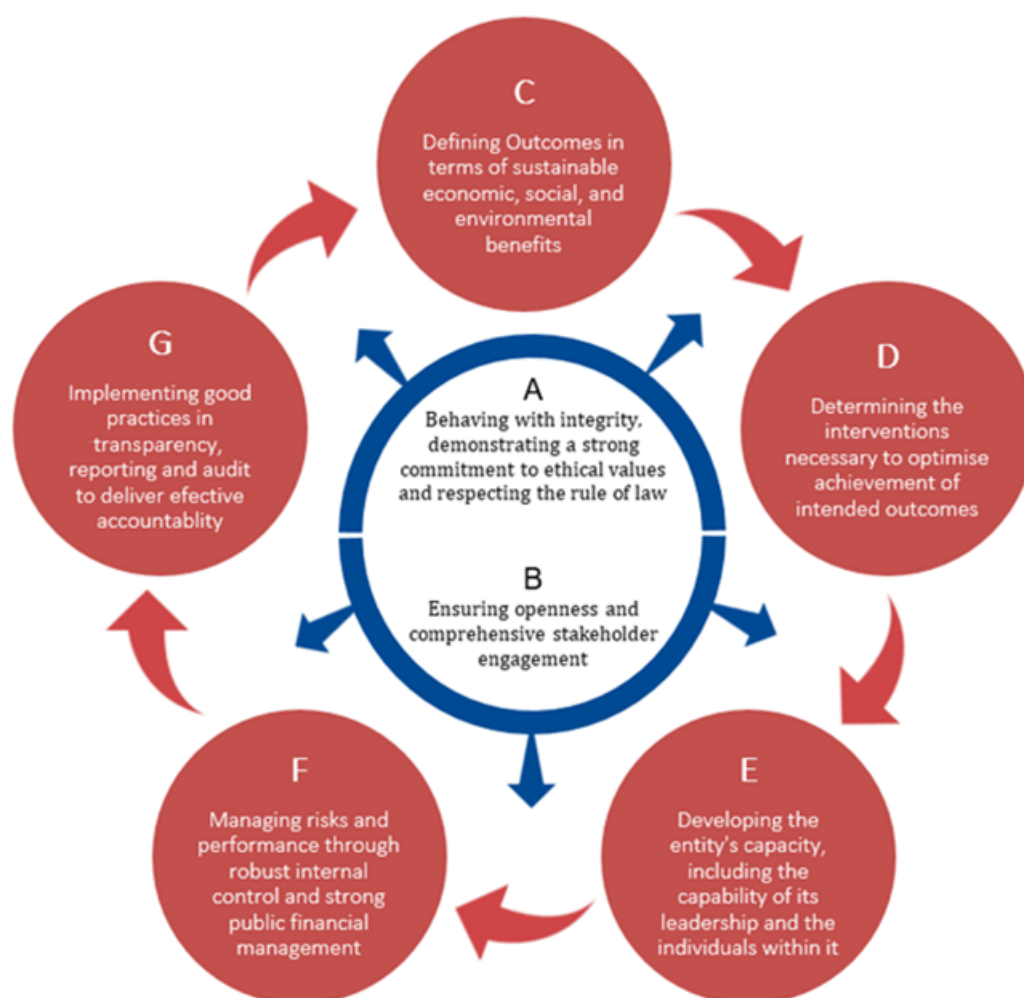
- Ensure its business is conducted in accordance with the law and proper standards;
- Safeguard and properly account for public money; and
- Use public money economically, efficiently and effectively.

To discharge the Board's responsibilities, the Board must put in place proper arrangements for the governance of its affairs, to facilitate the effective exercise of its functions which includes arrangements for the management of risk.

## The Governance Framework

The Board is committed to the pursuit of proper corporate governance throughout the services it delivers and to establishing the principles and practices by which this can be achieved. The governance framework is the system by which the Board leads, directs and controls its functions and relates to the community and other stakeholders. It includes the systems, processes, cultures and values through which the Board strives to adhere to the principles of good governance of openness, inclusivity, integrity and accountability.



The Board's governance environment is consistent with the seven core principles of the revised 2016 CIPFA/SOLACE framework pictured below, which shows each of the seven principles and their interactions.






In the diagram above, Principles A and B contain the overarching principles of good governance which percolate down through the remaining principles.



The table below summarises the Board's compliance with the CIPFA/SOLACE framework and the CIPFA Financial Management Code and gives examples where the Board demonstrates adherence.

Principle	Compliance	Comment
<b>A – Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law</b>		<p>Elected members and officers from both constituent authorities are expected to abide by their respective codes of conduct. In order to avoid duplication, the Board relies on the register of interests and gifts maintained by the relevant constituent authorities for elected members. These can be found at:</p> <ul style="list-style-type: none"> <li>• <a href="#">Orkney Islands Council - Register of Interests &amp; Gifts</a></li> <li>• <a href="#">Shetland Islands Council - Register of Interests &amp; Gifts</a></li> </ul> <p>The Assessor is bound by the policies of the Board and also must adhere to the professional standards and ethics regime set by the RICS.</p> <p>There were no recorded breaches of codes of conduct by officers or members during the 2024/25.</p> <p>Standing Orders regulate the form and content of Board meetings.</p> <p>Financial Regulations and Contract Standing Orders were approved by the Board on 20 June 2024. These can be found here:</p> <ul style="list-style-type: none"> <li>• <a href="#">OSVJB Financial Regulations</a></li> <li>• <a href="#">OSVJB Contract Standing Orders</a></li> </ul> <p>The Board reviewed its Standing Orders on 30 June 2022. The Scheme of Delegation for Officers was reviewed and approved by the Board on 26 September 2024.</p> <p>On 2 March 2023 a programme of Training and Seminars for Board Members was approved:  <a href="#">item-09-seminars-and-training-for-board-members.pdf</a></p> <p>On 2 March 2023 training was provided on the Barclay Review and on the 2023 Revaluation.</p> <p>On 27 September 2024 training was provided on Good Decision-making and Non-domestic rates.</p>
<b>B – Ensuring openness and comprehensive stakeholder engagement</b>		<p>The Assessor's annual public performance report and the annual accounts are available on the Board's website:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.orkney-shetland-vjb.co.uk/THE%20BOARD.html">http://www.orkney-shetland-vjb.co.uk/THE%20BOARD.html</a></li> <li>• <a href="http://www.orkney-shetland-vjb.co.uk/KPIWeb06.html">http://www.orkney-shetland-vjb.co.uk/KPIWeb06.html</a></li> </ul> <p>The Assessor also makes significant use of media to communicate relevant items of news. For example, to publicise the annual electoral canvass the Assessor pre-recorded a broadcast on local radio.</p> <p>Procedures are in place to meet requests made under the Freedom of Information (Scotland) Act 2002.</p> <p>Community engagement is driven by the priorities of the particular aspect of the service under consideration. This is particularly evident during the lead up to elections when the information supplied and personal engagement through the media, gives timely information to the</p>

Principle	Compliance	Comment
		<p>voting public of timescales to meet and the value to be gained, for example, by maximising absent voting options.</p> <p>The financial management arrangements conform to the governance requirements in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), which will ensure the Board's financial management arrangements are sound and robust.</p> <p>The Board further engages stakeholders and demonstrates continuous improvement in its journey of increasing openness and transparency, in live-streaming Board meetings following its decision to do so at its meeting on 3 March 2022.</p>
<b>C – Defining outcomes in terms of sustainable, economic, social and environmental benefits</b>	✓	<p>Progress and performance reports are presented to Board meetings on a regular basis. Records of decision-making, meeting agendas, reports (and any supplementary appendices) and minutes of Board meetings are published timeously with effect from 5 November 2020 on Orkney Islands Council's website: <a href="#">Orkney and Shetland Valuation Joint Board – Minutes, Agendas and Papers</a>. Prior to this date this information is held on Shetland Islands Council's website: <a href="#">Council Meetings – Shetland Islands Council</a>.</p>
<b>D – Determining the interventions necessary to optimise the achievement of intended outcomes</b>	✓	<p>Key performance indicators have been established for the service and performance against these indicators are reported through the Assessor's annual report.</p> <p>Standing Orders provide a framework for decision making, with Financial Regulations providing a scheme of delegation for financial decisions. The Scheme of Delegation for Officers was reviewed and approved by the Board on 26 September 2024.</p> <p>A new Service Plan 2023-2026 was approved by the Board on 2 March 2023. This was reviewed and updated by the Board on 27 March 2025.</p> <p>A new Risk Management Policy and Strategy 2023-2026 was approved by the Board on 2 March 2023.</p> <p>The annual budget complies with obligations on the budget setting process.</p> <p>A medium-term financial plan (MTFP) aims to demonstrate value for money and improved transparency by setting out how available resources will be deployed by the Board over the short to medium term, as well as identifying any opportunities where efficiencies may exist. The plan has linkages to the Board's Service Plan and the Workforce Plan. The principal focus of the MTFP is on maintaining the provision of effective valuation and electoral registration services for the Orkney and Shetland Islands areas. The MTFP also aims to provide some certainty to both constituent authorities with regards to resource requirements in future years. The Board duly approved a MTFP for the period 2025/26 to 2027/28 on 27 March 2025.</p>

Principle	Compliance	Comment
<b>E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b>		<p>Functions and roles of statutory posts including the Assessor, Clerk, Electoral Registration Officer (ERO) and Treasurer have clearly defined job descriptions.</p> <p>Standing Orders provide a framework for decision making, with Financial Regulations providing a scheme of delegation for financial decisions. The Scheme of Delegation for Officers was reviewed and approved by the Board on 26 September 2024.</p> <p>On 8 December 2022, an informal seminar took place with Board Members which covered:</p> <ul style="list-style-type: none"> <li>the Lessons Learned from the 2020/21 External Audit.</li> <li>Skills Analysis for members and a training plan identified.</li> </ul> <p>A training plan, approved by the Board on 2 March 2023, is in place for Board Members and will be updated each year. Member development plans are in place for elected members in Orkney Islands Council and Shetland Islands Council, which are refreshed each year. Additionally, elected members have access to the Improvement Service’s CPD framework for elected members.</p> <p>Officers are supported in achieving their continuous professional development obligations to remain professionally competent.</p>
<b>F – Managing risks and performance through robust internal control and strong public financial management</b>		<p>The Board reviews and approves the Annual Governance Statement.</p> <p>Scrutiny is secured through internal and external audit.</p> <p>Valuation decisions of the Assessor are subject to public scrutiny and scrutiny via an appeal and complaint process to the respective judicial bodies, while ERO decisions are scrutinised by external stakeholders that monitor performance, such as the Electoral Commission and the Electoral Management Board for Scotland.</p> <p>The provision of objective advice that supports evidenced-based decision making, in terms of policy or strategic direction, is an important element in how the Board demonstrates it manages its risks effectively. The proper officer roles of Clerk and Treasurer to the Board act to strengthen the internal control environment.</p> <p>On 2 March 2023, the Board approved a new Risk Management Policy and Strategy 2023-2026.</p>
<b>G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>		<p>The Board maintains a website where users can find further information about the Board’s performance and the financial accounts, including feedback from external audit in the form of the external audit report and action plan.</p> <p>The Board has adopted the Scottish Information Commissioner’s “Model Publication Scheme” and has published on its website a guide to information. This was revised on 30 April 2024 and is valid for 3 years effective from that date. Information published include the Board’s data protection policy, data retention policy and privacy notices.</p>

Principle	Compliance	Comment
		<p>The administering authority function transferred to Orkney Islands Council during 2020, with the provision of financial services effective from 1 April 2021.</p> <p>Audit recommendations and action points are now routinely reported to and monitored by the Board.</p> <p>The Board further engages stakeholders and demonstrates continuous improvement in its journey of increasing openness and transparency, in continuing to live-stream Board meetings as agreed at its meeting on 3 March 2022.</p> <p>In order to deliver effective accountability, the Board has participated in training and seminars and considered reports to drive improvements for example, with implementation of specific Internal Audits of the work of the Board. In addition, the Board has approved new or revised:</p> <ul style="list-style-type: none"> <li>• Standing Orders</li> <li>• Scheme of Delegation</li> <li>• Service Plan</li> <li>• Risk Management Policy and Strategy</li> <li>• Seminar and Training Programme for Board Members</li> <li>• Contract Standing Orders</li> <li>• Financial Regulations</li> </ul> <p>An Internal Audit Annual Report and Opinion was considered by the Board on 24 June 2025. The Internal Audit Annual Plan was approved by the Board on 27 March 2025.</p> <p>During 2024/25, Internal Audits have been completed and reported to the Board, with recommendations on:</p> <ul style="list-style-type: none"> <li>• Non-Domestic Rates</li> <li>• Council Tax</li> <li>• Budget Setting and Budgetary Controls</li> <li>• Performance Reporting</li> </ul>

## Review of Effectiveness

The Board has a responsibility for ensuring the continuing effectiveness of the governance framework and systems of internal control. The review of effectiveness is informed by:

- Progress towards key strategic and service objectives, as demonstrated through regular performance reporting on targets and key performance indicators;
- Financial and budget monitoring;
- Internal audit reviews on the systems of the Board;
- The work of managers within the Board;
- The Annual Accounts; and
- External audits.

The internal audit function is provided by Orkney Islands Council following a decision by the Board on 3 March 2022. Strategic planning, professional management and reporting for the internal audit function of Orkney Islands Council is provided by the Council's Chief Internal Auditor. An Internal Audit Strategy and Plan for 2024/25 was considered by the Board on 27 March 2025.

The Chief Internal Auditor provides an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. It is the opinion of the Chief Internal Auditor, on the basis of the audit work performed in 2024/25, that the Board has a framework of controls in place that provides substantial assurance regarding the organisation's governance framework, related internal controls, and the management of key risks. The actions identified during the audit work carried out did not impact on the overall governance arrangements of the Board.

## Significant Governance Issues

The system of governance can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded, material errors or irregularities are either prevented or would be detected within a timely period and all the significant risks impacting on the achievement of our objectives have been mitigated.

No new significant governance issues were identified during financial year 2024/25.

## Update on Significant Governance Issues previously reported

The following table details the actions taken to address the significant governance issues previously reported in the Annual Governance Statement.

Prior Years Significant Governance Issues	Responsible Officer(s)	Agreed Action	Progress
Unsuccessful recruitment of the Depute Assessor post.	Assessor and Electoral Registration Officer	A successful recruitment process was undertaken late 2024.	The successful candidate started in post on 30 June 2025. Issue concluded.
The Board should review its internal governance documents, ensuring that its Constitution is appropriately tailored and up to date, and supported by VJB-specific Financial Regulations, Contract Standing Orders and other governance documents as appropriate.	Clerk to the Board	The Board will review its internal governance documents.	The VJB specific Financial Regulations and Contract Standing Orders were approved by the Board on 20 June 2024. This completes the suite of governance documents required by the Board. These documents will be reviewed as appropriate. Issue concluded.



## Conclusion

The Governance Framework has been in place for the financial year ended 31 March 2025 and up to the date of approval of the annual accounts. Effective governance arrangements remain a key priority for the Board.

Overall, we consider that the governance arrangements and internal control environment operating throughout financial year 2024/25 provide reasonable and objective assurance that significant risks impacting on the achievement of our principal objectives will be identified at an early stage, and that this should allow for appropriate and timeous actions to be taken to avoid or mitigate their impact.

.....  
Stephen Leask  
Convener  
Orkney & Shetland Valuation Joint Board

.....  
Robert Eunson MLE MRICS  
Assessor and Electoral Registration Officer  
Orkney & Shetland Valuation Joint Board

# Remuneration Report

## Introduction

The Remuneration Report is set out in accordance with the Local Authority (Scotland) Regulations 2014 (SSI 2014/200). These regulations require various disclosures on the remuneration and pension benefits of senior Councillors and employees.

All disclosures in the tables below in relation to remuneration, pay bands, exit packages and pension benefit are audited by KPMG. The other sections of the Remuneration Report are reviewed by KPMG to ensure that they are consistent with the Financial Statements.

## Remuneration arrangements of Senior Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) SSI No. 2018/38 and the (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for

the grading of Councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Convener of the Council, Senior Councillors and Councillors. 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 amount payable to them as either a Councillor or Senior Councillor. The Convener and Depute Convener are the only two Senior Councillor positions recognised by the Board.

The Board has an arrangement with each constituent authority to reimburse that Council for the additional costs of the Councillor arising from them being Convener or Depute Convener of the Board. The disclosures made in this report are limited to the amounts paid to the Councils by the Board for remuneration and do not reflect the full value of the remuneration that may be paid to the Councillor.

The Convener and Depute Convener of the Board are remunerated by the Council of which they are an elected member. The regulations permit remuneration of Senior Councillors to one position held.

## Disclosure of remuneration for Senior Councillors

Name	Designation	2024/25			2023/24
		Salary, fees and allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Stephen Leask	Convener	5,341	-	5,341	5,029
Stephen Clackson	Depute-Convener	4,094	-	4,094	3,672

## Remuneration of Senior Employees

The employees of the Board are employed on terms and conditions of a stand alone pay and grading model which was agreed by the Board in 2021. Senior employees are defined as having responsibility for the management of the Board to the extent that they can direct or control the major activities of the Board.

## Disclosure of remuneration for Senior Employees

Name	Designation	2024/25			2023/24
		Salary, fees and allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
	Registration Officer	107,948	-	107,948	110,064
	tration Officer	64,537	-	64,537	62,225

## Remuneration of Officers

The number of officers who received remuneration (excluding pension contributions) in excess of £50k, disclosed in bands of £5k, for the financial year is shown below:

Remuneration Bands	Number of Employees	
	2024/25	2023/24
£50,000 - £54,999	-	1
£55,000 - £59,999	-	-
£60,000 - £64,999	1	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
<b>Total Employees</b>	<b>2</b>	<b>3</b>

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

## Exit Packages

The Regulations require the Board to disclose in bands the number of exit packages agreed and the cost of those packages to the Board in the financial year in rising bands of £20k up to £100k, and bands of £50k thereafter.

The Regulations also require disclosure of the number of compulsory redundancies and other agreed departures.

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

No exit packages were agreed by the Board during 2024/25 or during the previous year.

## Pension details of Senior Councillors

The pension disclosure for Joint Boards for a Convener or Depute Convener is limited to the contribution the Board has been asked to make to that person's pension by the Council of which the Convener or Depute Convener is a member. No accrued pension benefit needs to be disclosed. Local Government Finance Circular 8/2011 (revised) details the disclosure requirements for Senior Councillors of Joint Boards.

## Pension employer contributions – Senior Councillors

Name	Designation	In-Year Employer Pension Contributions	
		Year ending 31 March 2025 £	Year ending 31 March 2024 £
Stephen Leask	Convener	1,015	1,106
Stephen Clackson	Depute Convener	614	4,037

Stephen Clackson is a member of the Orkney Islands Council Pension Fund and Stephen Leask is a member of the Shetland Islands Council Pension Fund.

## Pension details of Senior Employees

Pension benefits for local government employees are provided through the Local Government Pension Scheme (LGPS). The LGPS is a funded pension scheme, consisting of contributions received from members of the scheme as well as from employers.

From 1 April 2015, the LGPS moved away from a final salary pension scheme to a career average revalued earnings scheme (CARE). This means that pension benefits from 1 April 2015 onwards, are worked out using career average revalued earnings rather than final salary.

The scheme's normal retirement age for employees is now linked to their state pension age, with the minimum age of 65.

From 1 April 2009, a tiered contribution system was introduced, with contributions from scheme members ranging from a minimum contribution of 5.5% to a maximum contribution of 12%.

This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions were set at a fixed rate of 6% for all non-manual employees.

If a person works part-time, their contribution rate is worked out on their actual pay for the job. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum of up to 25% of their pension value at retirement. The accrual rate guarantees a pension based on 1/49th of actual pay (prior to 1 April 2015 the actual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The tiered contribution rates are as follows:	2024/25
On earnings up to and including £27,000	5.50%
On earnings above £27,001 and up to £33,000	7.25%
On earnings above £33,001 and up to £45,300	8.50%
On earnings above £45,301 and up to £60,400	9.50%
On earnings above £60,401	12.00%

## Pension benefits – Senior Employees

The accrued pension benefits have been calculated to 31 March 2025. These are standard benefits, 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.

Name and Designation	In-Year Employer Pension Contributions			Accrued Pension Benefits		
	Year ending 31 March 2025 £	Year ending 31 March 2024 £		As at 31 March 2025 £	As at 31 March 2024 £	Increase / (Decrease) £
Robert Eunson - Assessor & Electoral Registration Officer	29,894	39,623	Pension Lump Sum	14,631 -	7,978 -	6,653 -
Ian Leslie - Depute Electoral Registration Officer	17,877	22,401	Pension Lump Sum	34,782 51,632	32,002 49,782	2,780 1,850

.....  
 Stephen Leask  
 Convener  
 Orkney & Shetland Valuation Joint Board

.....  
 Robert Eunson MLE MRICS  
 Assessor and Electoral Registration Officer  
 Orkney & Shetland Valuation Joint Board

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

I confirm that these audited Annual Accounts were approved for signature by the Board at its meeting on 30 September 2025.

Signed on behalf of the Orkney & Shetland Valuation Joint Board.

.....  
Robert Eunson MLE MRICS  
Assessor and Electoral Registration Officer  
Orkney & Shetland Valuation Joint Board

## The Treasurer's responsibilities

The Treasurer, or Proper Officer for Finance, 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.

In preparing these Annual Accounts, the Proper Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the Code (as far as it is compatible with legislation).

The Treasurer/Proper Officer for Finance has also:

- Kept adequate accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Orkney & Shetland Valuation Joint Board at the reporting date and the transactions of the Board for the year ended 31 March 2025.

.....  
Erik Knight FCCA  
Treasurer  
Orkney & Shetland Valuation Joint Board



# Independent auditor's report to the members of Orkney and Shetland Valuation Joint Board and the Accounts Commission

## Reporting on the audit of the financial statements

### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Orkney and Shetland Valuation Joint Board for the year ended 31 March 2025 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, and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

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

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

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

## Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## Responsibilities of the Treasurer and Orkney and Shetland Valuation Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The Orkney and Shetland Valuation Joint Board is responsible for overseeing the financial reporting process.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Treasurer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Reporting on other requirements

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

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

### Other information

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our 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 we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

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

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Primary Financial Statements

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2025

The CIES shows the accounting cost in the year of providing the service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation by way of central government grant-in-aid and amounts requisitioned from Orkney and Shetland Islands Councils. Where accounting costs are different from those to be funded from taxation in the year (e.g. pension costs) the difference is shown in the Movement in Reserves Statement.

2023/24 £	Note	Orkney Islands Council £	Shetland Islands Council £	2024/25 £
693,531	Employee Costs	360,397	360,397	720,794
48,712	Property Costs	14,664	13,338	28,002
180,527	Supplies and Services	83,370	86,299	169,669
12,074	Transport Costs	6,906	6,921	13,827
46,894	Administration Costs	35,572	33,073	68,645
2,485	Payments to Other Bodies	21,100	21,100	42,200
(52,907)	Sales, Fees and Charges	(27,087)	(27,113)	(54,200)
(1,054)	Interest and Loans	(1,125)	(1,125)	(2,250)
0	Specific Grant Income	(22,321)	(22,320)	(44,641)
930,262	<b>Cost of Services</b>	<b>471,476</b>	<b>470,570</b>	<b>942,046</b>
0	<b>Financing and Investment Income and Expenditure</b>			
0	Pension Interest Cost and Expected Return on Pension Assets			14,000
0	Right of Use Asset Depreciation and Interest			13,591
(1,003,262)	Taxation and non-specific grant income			
	Requisitions from Member Authorities	(500,426)	(486,220)	(986,646)
(73,000)	<b>Surplus on the Provision of Services</b>			<b>(17,009)</b>
0	<b>Items that will not be reclassified to the (surplus) or</b>			
0	Capital Adjustment Account			(391)
339,000	Remeasurement of the net defined benefit liability/(asset)			<b>(161,000)</b>
339,000	<b>Other Comprehensive Income and Expenditure</b>			<b>(161,391)</b>
266,000	<b>Total Comprehensive Income and Expenditure</b>			<b>(178,400)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other unusable reserves. The Board has no usable reserves.

2024/25	Usable Reserve £	Capital Adjustment Account £	Pension Reserve £	Employee Benefits Reserve £	Total Unusable Reserves £	Total Reserves £
Balance at 1 April 2024	-	-	310,000	30,500	340,500	340,500
<b>Movement in reserves during the year</b>						
Total comprehensive income and expenditure	(17,400)		(161,000)	-	(161,000)	(178,400)
Adjustments between accounting basis & funding basis per regulations (Note 5)	17,400	391	(22,000)	4,600	(17,009)	391
<b>(Decrease)/Increase in year</b>	-	391	(183,000)	4,600	(178,009)	(178,009)
Balance at 31 March 2025	-	391	127,000	35,100	162,491	162,491
<b>Comparative movements in 2023/24</b>						
Balance at 1 April 2023	-	-	43,000	31,500	74,500	74,500
<b>Movement in reserves during the year</b>						
Total comprehensive income and expenditure	(73,000)	-	339,000	-	339,000	266,000
Adjustments between accounting basis & funding basis per regulations (Note 5)	73,000	-	(72,000)	(1,000)	(73,000)	-
<b>Decrease in year</b>	-	-	267,000	(1,000)	266,000	266,000
Balance at 31 March 2024	-	-	310,000	30,500	340,500	340,500



## Balance Sheet as at 31 March 2025

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board.

As at 31 March 2024 £		Note	As at 31 March 2025 £
-	Property, plant and equipment	14	14,655
-	<b>Other Long-term Debtors</b>		-
-	<b>Long-Term Assets</b>		<b>14,655</b>
48,037	Short-term Debtors	7	46,782
-	Cash in hand		-
<b>48,037</b>	<b>Current Assets</b>		<b>46,782</b>
(78,537)	Short-term Creditors	8	(81,882)
-	Property Lease Liability < 1 year	14	(13,200)
<b>(78,537)</b>	<b>Current Liabilities</b>		<b>(95,082)</b>
-	Property Lease Liability > 1 year	14	(1,846)
(310,000)	Pension Liability	15	(127,000)
<b>(310,000)</b>	<b>Long-Term Liabilities</b>		<b>(128,846)</b>
<b>(340,500)</b>	<b>Net Liabilities</b>		<b>(162,491)</b>
-	Capital Adjustment Account	9	(391)
(30,500)	Employee Benefits Reserve	9	(35,100)
(310,000)	Pension Reserve	9	(127,000)
<b>(340,500)</b>	<b>Total Reserves</b>		<b>(162,491)</b>

The audited financial Statements were issued on 30 September 2025.

.....  
Erik Knight FCCA  
Treasurer  
Orkney & Shetland Valuation Joint Board

## Notes to the Financial Statements

### Note 1: Expenditure and funding analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Board for the year has been used in providing services in comparison with those resources consumed or earned in accordance with accounting practices.

2024/25	Net Expenditure chargeable to VJB £	Adjustments for pensions net change £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	752,194	(36,000)	4,600	720,794
Property Costs	28,002	-	-	28,002
Supplies and Services	169,669	-	-	169,669
Transport Costs	13,827	-	-	13,827
Administration Costs	68,645	-	-	68,645
Payments to Other Bodies	42,200	-	-	42,200
Sales, Fees and Charges	(54,200)	-	-	(54,200)
Interest and Loans	(2,250)	-	-	(2,250)
Specific Grant Income	(44,641)	-	-	(44,641)
<b>Net Cost of Services</b>	<b>973,446</b>	<b>(36,000)</b>	<b>4,600</b>	<b>942,046</b>
<b>Other Income and Expenditure:</b>				
Requisitions from Member Authorities	(986,646)	-	-	(986,646)
Right of Use Asset Lease Liability	13,591	-	-	13,591
Net Interest Expense	-	14,000	-	14,000
<b>(Surplus)/Deficit</b>	<b>391</b>	<b>(22,000)</b>	<b>4,600</b>	<b>(17,009)</b>

2023/24	Net Expenditure chargeable to VJB £	Adjustments for pensions net change £	Other adjustments £	Net Expenditure in the CIES £
Employee Costs	766,531	(72,000)	(1,000)	693,531
Property Costs	48,712	-	-	48,712
Supplies and Services	121,027	-	-	121,027
Transport Costs	12,074	-	-	12,074
Administration Costs	46,894	-	-	46,894
Apportioned Costs	59,500	-	-	59,500
Payments to Other Bodies	2,485	-	-	2,485
Sales, Fees and Charges	(52,907)	-	-	(52,907)
Interest and Loans	(1,054)	-	-	(1,054)
Specific Grant Income	-	-	-	-
<b>Net Cost of Services</b>	<b>1,003,262</b>	<b>(72,000)</b>	<b>(1,000)</b>	<b>930,262</b>
<b>Other Income and Expenditure:</b>				
Requisitions from Member Authorities	(1,003,262)	-	-	(1,003,262)
Right of Use Asset Lease Liability	-	-	-	-
Net Interest Expense	-	-	-	-
<b>(Surplus)/Deficit</b>	<b>-</b>	<b>(72,000)</b>	<b>(1,000)</b>	<b>(73,000)</b>

## Note 2: Accounting Standards issued but not yet adopted

Standards, amendments and interpretations issued but not adopted this year.

At the date of authorisation of these Financial Statements, the Board has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS S1: General requirements for Disclosure of Sustainability related financial information. Not yet endorsed for use in the UK and will not be endorsed for use in the EU;
- IFRS S2: Climate related financial disclosures. Not yet endorsed for use in the UK and will not be endorsed for use in the EU.

## Note 3: Critical judgements in applying accounting policies

In applying the accounting policies, The Board is obliged to highlight whether it has had to make certain judgements about complex transactions or those involving uncertainty about future events. Critical judgements required in the Annual Accounts relate to assumptions related to defined benefit obligation. Further details are included in Note 15 to the Annual Accounts.

## Note 4: Assumptions made about the future and other major sources of estimation uncertainty

The Financial Statements contain estimated figures that were based on assumptions made by the Board about the future or that which is 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 assumptions and estimates.

## Note 5: Adjustments between Accounting Basis and Funding Basis under regulations

This note, as disclosed in the tables below, details the adjustments that are made to the total CIES, recognised by the Board in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Board to meet future expenditure. Such adjustments involve the Pension Reserve and Employee Benefits Reserve by amounts charged for holiday pay to the CIES that are different from the cost of settlements chargeable in the year in accordance with statutory requirements.

2024/25	Usable reserves £	Unusable reserves £
<b>Adjustments involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 15)	(127,000)	127,000
Employer's pension contributions and direct payments to pensioners payable in the year	149,000	(149,000)
<b>Adjustment to Capital Adjustment Account</b>	(391)	391
<b>Adjustments involving the Employee Benefits Reserve:</b>		
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4,600)	4,600
<b>Total Adjustments</b>	<b>17,009</b>	<b>(17,009)</b>

2023/24	Usable reserves £	Unusable reserves £
<b>Adjustments involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the CIES (Note 15)	(113,000)	113,000
Employer's pension contributions and direct payments to pensioners payable in the year	185,000	(185,000)
<b>Adjustment to Capital Adjustment Account</b>	-	-
<b>Adjustments involving the Employee Benefits Reserve:</b>		
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,000	(1,000)
<b>Total Adjustments</b>	<b>73,000</b>	<b>(73,000)</b>

## Note 6: Specific Grant Income

2023/24 £		2024/25 £
-	<b>Scottish Government - Electoral Registration</b>	44,641
-	<b>Total</b>	<b>44,641</b>

## Note 7: Short-term Debtors

As at 31 March 2024 £		As at 31 March 2025 £
48,037	Other Local Authorities	42,366
-	Other Entities and Individuals	4,416
<b>48,037</b>	<b>Total</b>	<b>46,782</b>

At the end of 2024/25, £42.4k was owed to the Board from Orkney Islands Council (£48.0k in 2023/24), £0k was owed to the Board from Shetland Islands Council (£0k in 2023/24).

## Note 8: Short-term Creditors

As at 31 March 2024 £		As at 31 March 2025 £
(41,472)	Other Local Authorities	(40,442)
(30,500)	Other Entities and Individuals	(35,100)
(6,565)	Public Corporations and Trading Funds	(6,340)
<b>(78,537)</b>	<b>Total</b>	<b>(81,882)</b>

At the end of 2024/25, the Board owed Shetland Islands Council £39.4k (£36.5k in 2023/24) and owed Orkney Islands Council £1k (£5k in 2023/24).

## Note 9: Unusable Reserves

As at 31 March 2024 £		As at 31 March 2025 £
(310,000)	Pension Reserve	(127,000)
(30,500)	Employee Benefits Reserve	(35,100)
-	Capital Adjustment Account	(391)
<b>(340,500)</b>	<b>Total</b>	<b>(162,491)</b>

## Pension Reserve

The Pension 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 CIES 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 debit balance on the Pension Reserve therefore shows a substantial shortfall in the resources set aside by the Board to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24 £		2024/25 £
43,000	Balance at 1 April	310,000
339,000	Actuarial (gains)/losses on pensions assets and liabilities	(640,000)
113,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	127,000
(185,000)	Employer's pensions contributions and direct payments to pensioners payable in the year	(149,000)
-	Asset Ceiling Adjustment	479,000
310,000	Balance at 31 March	127,000

The Pension Reserve total of £310k included in the Board's statutory accounts for the year ending 31 March 2024 was determined using the approach set out in IFRIC 14. In setting the Pensions Reserve balance it was assumed that the fund would run in perpetuity, using the Projected Current Service Costs, current contribution rates payable by the Council and a net Discount Factor of the Discount Rate less the assumed future Salary Increase Rate. All figures coming from the IAS19 Report provided by Hymans as at 31 March 2024.

The Board has applied a consistent approach to the prior year, recognising the surplus only to the extent that it can be recovered through economic value from potential future reduced contributions. Over the course of the year, an increase in the Discount Rate has diminished this economic value.

Under the asset ceiling test, an asset can only be recognised to the extent that it is recoverable — for example, through future contribution reductions. In this period, the projected future service cost (i.e., the cost of pension benefits accruing for current employees) is lower than the estimated level of future employer contributions. This implies that no contribution holiday is available to the employer, and therefore no economic benefit can be realised from the surplus. As a result of these changes, no pension surplus can be recognised as of 31 March 2025.

The asset ceiling adjustment of £479k is made up of a surplus restriction of £387k, plus a further £92k of additional liabilities arising from unfunded secondary contributions, as required under IFRIC14.

## Employee Benefits Reserve

The accrual is charged to Surplus or Deficit on the Provision of Services, then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

2023/24 £		2024/25 £
(31,500)	<b>Balance at 1 April</b>	(30,500)
31,500	Settlement or cancellation of accrual made at the end of the preceding year	30,500
	<b>Amounts accrued at the end of the current year:</b>	
(30,500)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(35,100)
(30,500)	<b>Balance at 31 March</b>	(35,100)

## Note 10: Nature and Extent of Risks Arising from Financial Instruments

A variety of financial risks may be faced by the Board in holding financial instruments. An assessment on their impact on the Annual Accounts is detailed below:

### Credit risk

The possibility that other parties might fail to pay amounts due to the Board. This is considered immaterial on the basis of past experience and the fact that most debt payable to the Board is due from other public bodies.

### Liquidity risk

The possibility that the Board might not have funds available to meet its commitments to make payments. Given the Board's statutory responsibility to have a balanced budget and its constituent authorities' obligations to fund its activities, this risk is considered immaterial.

### Interest rate risk

The possibility that the Board might be exposed to interest rate movements on borrowing and investments. The Board is not exposed to significant interest rate risk from borrowings or investments as at 31 March 2025.

### Price risk

The possibility that fluctuations in equity prices have a significant impact on the value of financial instruments held by the Board. The Board does not currently invest in equity shares.

### Foreign Exchange risk

The possibility that fluctuations in exchange rates could result in losses to the Board. The Board conducts all its transactions in £ Sterling.

## Note 11: Events after the Reporting Period

The draft Annual Accounts were authorised for issue on 24 June 2025. Events taking place after this date are not reflected in the Financial Statements or notes.

Where events took place before this date, providing information about conditions existing at 31 March 2025, then the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events after the reporting date to disclosed.

## Note 12: External Audit costs

2023/24 £		2024/25 £
9,330	<b>Fees payable with regard to external audit services carried out by the appointed auditor</b>	9,510
9,330	<b>Total</b>	9,510

## Note 13: Related Parties

The Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Board, or to be controlled or significantly influenced by the Board. The Board is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where



control exists, irrespective of whether there have been transactions between the related parties.

To enable the Board to carry out its objectives, the member authorities of the Board have contributed requisitions in the following proportions:

- Orkney Islands Council: 50.7% (£500k)
- Shetland Islands Council: 49.3% (£486k)

The Board pays the member authorities for services.

2023/24 £		2024/25 £
	<b>Shetland Islands Council:</b>	
10,898	Support Services	8,590
11,000	Property Services	11,000
9,740	IT Services	11,076
	<b>Orkney Islands Council:</b>	
60,680	Support Services	42,200
13,200	Property Services	15,978
7,548	IT Services	4,548
<b>113,066</b>	<b>Total</b>	<b>93,392</b>

The Board in turn provides services to the member authorities:

2023/24 £		2024/25 £
	<b>Orkney Islands Council:</b>	
(40,000)	Valuation Services	(50,000)
<b>(40,000)</b>	<b>Total</b>	<b>(50,000)</b>

## Note 14: Right of Use Asset Lease

The Board leases a property in Orkney from Orkney Islands Council, as listed below. The lease covers a five-year period and is due to expire in June 2026. Following adoption of IFRS16 for 2024/25, this lease is accounted for as a Right of Use Asset Lease. Prior to the adoption of IFRS16 for 2024/25, the Board's lease was accounted for as an operating lease and under the provisions for adoption, there is no requirement to restate the prior year figure.

The Council used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Lease liabilities are measured at the present value of the remaining lease payments at 1

April 2024, discounted by the Council's incremental borrowing rate at that date.

The weighted average of the incremental borrowing rates used to discount liabilities was 5.5%.

Property, Plant and Equipment:

2023/24 £		2024/25 £
	<b>Cost or Valuation</b>	
-	At 1 April	26,774
-	Additions	-
-	<b>At 31 March</b>	<b>26,774</b>
	<b>Accumulated Depreciation</b>	
-	At 1 April	-
-	Depreciation	12,119
-	<b>At 31 March</b>	<b>12,119</b>
-	<b>Net Book Value at 31 March</b>	<b>14,655</b>

The expenditure charged to the CIES during the year in relation to this lease was:

2023/24 £		2024/25 £
-	Right of Use Asset depreciation	12,119
-	Lease liability interest	1,472
-	<b>Capital Adjustment</b>	<b>(391)</b>
<b>13,200</b>	Minimum lease payments	-
<b>13,200</b>	<b>Total</b>	<b>13,200</b>

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

2023/24 £		2024/25 £
13,200	Not later than one year	13,200
16,021	Later than one year and less than five years	1,846
<b>29,221</b>	<b>Total</b>	<b>15,046</b>

Shetland premises are provided by Shetland Islands Council. There is no formal lease agreement. The Board's only obligation is to fund the actual running costs of its share of the building, which was £11k for 2024/25 (£11k for 2023/24).



## Note 15: Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Board participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Shetland Islands Council, is a funded defined benefit career average related earnings 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; and
- Arrangements 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 pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The Shetland Islands Council Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of Shetland Islands Council. The Committee comprises elected members of Shetland Islands Council.

Policy is determined in accordance with the Pensions Fund Regulations. Management of the Fund's investments is carried out by Shetland Islands Council, which receives recommendations from the Pension Fund Committee. Shetland Islands Council selects and appoints a number of external investment managers/partners and periodically monitors their investment performance.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-

scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the contributing authorities the amounts required by statute as described in Note 16: Accounting Policies.

### Impact of McCloud judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling apply to the LGPS.

LGPS benefits accrued from 2015 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation.

In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

An allowance for the estimated impact of the McCloud judgement was included within the March 2020 funding valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement).

## Impact of Virgin Media judgement

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023

decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The impact of the case is currently being looked into and no known issues have been flagged at this stage.

## Transactions Relating to Post-employment Benefits

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

The following transactions have been made in the CIES via the Movement in Reserves Statement during the year:

2023/24 £	Local Government Pension Scheme	2024/25 £
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services:</b>	
113,000	Current service cost	113,000
-	- Past service cost (including curtailments)	-
	<b>Financing and Investment Income and Expenditure:</b>	
-	- Net interest expense	14,000
<b>113,000</b>	<b>Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>127,000</b>
	<b>Other Post-Employment Benefit Charged to the CIES</b>	
(458,000)	Return on assets (excluding the amount included in the net interest expense)	122,000
(4,000)	Actuarial (gains) and losses arising on changes in demographic assumptions	(8,000)
(180,000)	Actuarial (gains) and losses arising on changes in financial assumptions	<b>(716,000)</b>
981,000	Actuarial (gains) and losses arising from other experience	(38,000)
-	- Asset Ceiling Adjustment	479,000
<b>452,000</b>	<b>Total Post-Employment Benefit Charged to the CIES</b>	<b>(34,000)</b>
	<b>Movement in Reserves Statement</b>	
113,000	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	127,000
	<b>Actual amount charged against the General Fund balance for pensions in the year:</b>	
185,000	Employers' contributions payable to scheme	149,000

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2023/24 £		2024/25 £
(4,607,000)	Present value of the defined benefit obligation	(4,010,000)
4,297,000	Fair value of assets in the Local Government Pension Scheme	4,362,000
	- Asset Ceiling Adjustment	(479,000)
<b>(310,000)</b>	<b>Net liability arising from Defined Benefit Obligation</b>	<b>(127,000)</b>
(271,000)	Local Government Pension Scheme	(92,000)
(39,000)	Unfunded liabilities for Pension Fund	(35,000)
<b>(310,000)</b>	<b>Total Pension Reserve</b>	<b>(127,000)</b>

## Reconciliation of the Movements in Fair Value of the Scheme (Plan) Assets

2023/24 £		2024/25 £
<b>4,475,000</b>	<b>Opening balance at 1 April</b>	<b>4,297,000</b>
213,000	Interest income	206,000
	<b>Re-measurement gains and (losses):</b>	
<b>(921,000)</b>	Other Experience	-
458,000	Return on assets (excluding amounts included in net interest expense)	(122,000)
185,000	Employer contributions	149,000
35,000	Contributions by scheme participants	35,000
<b>(148,000)</b>	Benefits paid	(203,000)
<b>4,297,000</b>	<b>Closing balance at 31 March</b>	<b>4,362,000</b>

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2023/24 £		2024/25 £
<b>4,518,000</b>	<b>Opening balance at 1 April</b>	<b>4,607,000</b>
113,000	Current service cost	113,000
213,000	Interest cost	220,000
35,000	Contributions by scheme participants	35,000
	<b>Remeasurement (gains) and losses:</b>	
(4,000)	Actuarial (gains) and losses from changes in demographic assumptions	(8,000)
(180,000)	Actuarial (gains) and losses from changes in financial assumptions	<b>(716,000)</b>
<b>60,000</b>	Actuarial (gains) and losses from other experience	(38,000)
	- Past service cost (including curtailments)	-
<b>(148,000)</b>	Benefits paid	(203,000)
<b>4,607,000</b>	<b>Closing balance at 31 March</b>	<b>4,010,000</b>

2023/24 £		2024/25 £
-	<b>Opening balance at 1 April</b>	-
-	Interest of asset ceiling	-
-	Actuarial gain / (loss)	479,000
-	<b>Closing balance at 31 March</b>	<b>479,000</b>

## Analysis of Pension Fund's Assets

The Board's share of the Pension Fund's assets at 31 March 2025 comprised:

2023/24 £		2024/25 £
	<b>Quoted prices in active markets:</b>	
<b>38,900</b>	Cash and Cash Equivalents (Liquidity Fund)	<b>55,700</b>
	<b>Quoted prices not in active markets:</b>	
	<i>Property:</i>	
330,900	UK Property	302,700
-	Overseas Property	-
<b>330,900</b>	<b>Sub-total Property</b>	<b>302,700</b>
	<i>Debt Securities:</i>	
<b>191,600</b>	Other	<b>232,900</b>
	<i>Investment Funds and Unit Trusts:</i>	
3,359,300	Equities	3,386,300
-	Bonds	-
-	Other	-
376,300	Infrastructure	384,400
<b>3,735,600</b>	<b>Sub-total Investment Funds and Unit Trusts</b>	<b>3,770,700</b>
<b>4,297,000</b>	<b>Total Assets</b>	<b>4,362,000</b>

## Basis for Estimating Assets & Liabilities

The Board's share of the liabilities of Shetland Islands Council Pension Fund 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 upon assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and estimates are based on the latest full valuation of the Pension Fund at 31 March 2024, projected forward to 31 March 2025. The significant assumptions used by the actuary were:

2023/24		2024/25
	<b>Long-term expected rate of return on assets in the Scheme:</b>	
4.96%	Investment Funds and Unit Trusts	<b>4.72%</b>
	<b>Mortality Assumptions:</b>	
	<i>Longevity at 65 for current pensioners (in years):</i>	
23.0	Men	22.9
24.8	Women	24.8
	<i>Longevity at 65 for future pensioners (in years):</i>	
22.6	Men	22.5
25.2	Women	25.1
3.10%	Rate of inflation (RPI)	3.05%
2.80%	Rate of increase in salaries	2.80%
2.80%	Rate of increase in pensions (CPI)	2.80%
4.80%	Rate for discounting scheme liabilities	5.80%
50.00%	Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50.00%
50.00%	Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	50.00%

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 assumes for each change that the analysed assumption changes, while all the other assumptions remain constant. 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.

Change in assumptions as at 31 March 2025	Approximate increase to employer liability %	Approximate monetary amount £
0.1% decrease in Real Discount Rate	2%	69
1 year increase in member life expectancy	4%	160
0.1% increase in the Salary Increase Rate	0%	5
0.1% increase in the Pension Increase Rate (CPI)	2%	65

The Pension Funds do not have an asset and liability matching strategy.

## Impact on the Board's Cash Flows

The objectives of the scheme are to keep the employers' contributions rate as constant as possible. The Pension Funds have agreed a strategy with the scheme's actuary to achieve a funding level of 100% in the longer term. The Fund takes account of national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to the CARE scheme for future accruals.

Employer's contributions have been set at 36% for 2024/25. The three years set out in the latest triennial valuation as at 31 March 2021 are as follows:

Year	Employer contributions
2022/23	32.50%
2023/24	36.00%
2024/25	36.00%

The total contributions expected to be made by the Board to the Pension Fund in the year to 31 March 2026 is £0.143m.

The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2024/25 (17 years for 2023/24).

## Note 16: Accounting Policies

### A General principles

The Financial Statements summarise the Board's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Board is required to prepare an annual Statement of 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, under Section 21 of the 2003 Act, primarily comprise the Code, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the valuation of pension assets and liabilities where appropriate. The Financial Statements have been prepared on a going concern basis.

### B Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

## C Employee benefits

### Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end, such as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) 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 (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to the Surplus or Deficit on the Provision of Services, then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### 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 CIES 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.

### Post-employment benefits

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

Current employees of the Board are members of the Shetland Islands Council Local Government Pension Scheme, which is administered locally, as are all current pensioners except two who are members of



the Orkney Islands Local Government Pension Scheme.

The Local Government Pension Scheme is accounted for as a defined benefits plan.

The liabilities of the Shetland Islands Council's Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment to the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate derived from a corporate bond yield curve constructed from yields on high quality bonds and recognising the weighted average duration of the benefit obligation determined at the most recent actuarial valuation.

The pension fund assets attributable to the Board are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pension liability is analysed into the following components:

- **Current service cost** – the increase in defined benefit obligation as a result of employee service in the current period;
- **Past service cost** – the change in defined benefit obligation arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;
- **Net interest cost on the defined benefit liability, i.e. net interest expense of the Board** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during

the period as a result of contribution and benefit payments;

- **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the CIES;
- **Actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. Actuarial gains and losses are charged to the CIES; and
- **Contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the amount payable by the Board to be the amount paid directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the CIES.

In the Movement in Reserves Statement this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the Board of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

## Discretionary benefits

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

## D Overheads and support services

Whereby, under agreement with the Board, the constituent authorities place their own staff at the disposal of the Board, the Board pays to that authority such amounts as may be agreed for such services in accordance with the Board's arrangements for accountability and reporting financial performance. Certain support service costs are provided under a



Service Level Agreement between the Board and the service provider.

## E Leases

In 2024/25, the Board applied International Financial Reporting Standard 16 (IFRS 16) Leases as adopted by the Code of Accounting Practice. As a result arrangements previously accounted for as operating leases must now show a right-of-use asset and a lease liability on the balance sheet from 1 April 2024.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

As a lessee, the Board previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Board.

## F Government grants and other contributions

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

- The Board will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Board are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the Specific Grant Income line in the CIES.

## G Events After the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the statement of accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period, whereby the Financial Statements are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period, whereby the Financial Statements are not adjusted to reflect such events; where a category or events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

## H Value Added Tax

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