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Appendix 2

Section	Previous wording	Proposed wording	Reason
1 Accounting Policies	In accordance with the direction issued by Scottish Ministers under Section 25 of The National Parks (Scotland) Act 2000 and accounts direction issued by Scottish Ministers, these accounts have been prepared in compliance with the principles and disclosure requirements of the HM Treasury Financial Reporting Manual (FReM), which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) **as adopted by the European Union** and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context.	In accordance with the direction issued by Scottish Ministers under Section 25 of The National Parks (Scotland) Act 2000 and Accounts Direction issued by Scottish Ministers, these accounts have been prepared in compliance with the principles and disclosure requirements of the HM Treasury Financial Reporting Manual (FReM), which follows generally accepted accounting practice (GAAP) as defined in International Financial Reporting Standards (IFRS) **applicable in the UK** and the Companies Act 2006 ,to the extent that it is meaningful and appropriate in the public sector context.	Withdrawal of UK from EU
1.2 Accounting period	The accounting period commenced on 1 April 2020 and ended on 31 March 2021	The accounting period commenced on **1 April 2021** and ended on 31 **March 2022**	Dates updated
1.3 Non-Current Assets: Property, Plant and Equipment	Operational land and buildings are valued at current value in existing use. Assets are subject to formal revaluation with sufficient frequency to ensure that the carrying value is not materially different than if a full revaluation were to be undertaken.	Operational land and buildings are valued at current value in existing use, which is interpreted as market value in existing use defined in the RICS Red Book as Existing Use Value (EUV). For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Depreciated Replacement Cost (DRC) is considered the most appropriate measure of current value in existing use	Update on valuation policy specialised assets, surplus assets and assets held for re-sale.

		for operational specialised assets. Assets not held for their service potential and held for sale are valued in accordance with IFRS 5 (Non-current Assets held for sale). Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and is not held for sale or investment, the asset is considered as surplus and is valued at fair value using IFRS 13 Fair Value Measurement.	
1.3 Non-Current Assets: Property, Plant and Equipment	N/A	Non-Current Assets Classified as Held For Sale The Authority classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the asset is actively being marketed, it is available for immediate sale in its present condition, the sale is considered to be highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held	New category of asset – policy to be confirmed with external audit

		for sale and their fair value less costs to sell. Depreciation or amortisation for such assets is not charged from the date they are classified as an asset held for sale	
1.6 VAT	Irrecoverable VAT is included with the relevant cost and charged to the Statement of Comprehensive Net Expenditure in the period in which it is incurred.	Irrecoverable VAT is included with the relevant cost and charged to the Statement of Comprehensive Net Expenditure in the period in which it is incurred. In the limited circumstances where VAT is recoverable, VAT is excluded. The net amount of VAT recoverable from, or payable to, HMRC is included as part of receivables or payables in the Statement of Financial Position.	Clearer description of treatment of VAT within the SOCNE and Statement of Financial Position
1.8 Scottish Government Departmental Expenditure Limit	The Authority receives a budget from the Scottish Government, known as Departmental Expenditure Limit or DEL, to finance the cash costs of capital and operating expenditure, net of other income sources and depreciation. In accordance with financial reporting guidance, the DEL cash allocation is credited to the General Reserve in the Statement of Changes on Taxpayers' Equity and net expenditure on activities funded by the DEL cash	The Authority receives Grant in Aid from the Scottish Government, known as Departmental Expenditure Limit (DEL), to finance net expenditure. The DEL cash allocation is credited to the General Reserve in the Statement of Changes on Taxpayers' Equity. The net expenditure on activities funded by the DEL cash allocation is charged to this fund.	Simplification of wording

	allocation is charged to the General Fund in the Statement of Changes on Taxpayers' Equity.		
1.12 Short-term Employee Benefits	A liability and expense are recognised for holiday days and flexitime when employees render service that increase their entitlement to these benefits. As a result an accrual has been made for actual holidays and flexitime earned but not yet taken or paid at 31 March 2021.	A liability and expense are recognised for accrued but unused annual leave and flexi leave balances at the 31 March, in accordance with the underlying policy.	Simplification of wording
1.21 Critical Judgements and Estimates Judgements	(a)Valuation of Land and Buildings Valuations are also carried out on initial recognition of new land and buildings and where there is a risk around material movement in property valuations. The quinquennial valuation was carried out as at 31 March 2019. Ryden LLP provide the Authority's property valuations and are a Royal Institute of Chartered Surveyors (RICS) Regulated firm. In 2019/20 the Authority commissioned professional revaluations for land and buildings where construction works were completed at 31 March 2020 and on land and buildings where there was an indication of impairment. In addition, at 31 March 2020 the Authority applied indexation to other	(a)Valuation of Land and Buildings Valuations are also carried out on initial recognition of new land and buildings and where there is a risk around material movement in property valuations. Ryden LLP provide the Authority's property valuations and are a Royal Institute of Chartered Surveyors (RICS) Regulated firm. Ryden LLP must ensure that all processes and valuations are fully compliant with the RICS Valuation – Global Standards 2021 (The Red Book), with the latest edition having taken effect from 31 January 2021. Assets are valued on the basis of either market value in existing use or Depreciated Replacement Cost, except for when assets are	Update following material uncertainty at 31/3/20 and revaluation of property portfolio at 31/3/21. Policy condensed in line with removal of material uncertainty in the property market at 31/3/22. Update for change in valuation basis for 2 properties.

	buildings held at Depreciated Replacement Cost using the UK Tender Price Index. Indexation was applied to the buildings from their previous valuation at 31 March 2019. At 31 March 2020, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards (‘Red Book’), a material uncertainty was declared in the valuation report. This was due to market uncertainties caused by COVID-19. The Red Book defines material uncertainty as ‘*where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted*.’ Although the valuer declared a material valuation uncertainty at 31 March 2020, the valuer continued to exercise professional judgement in preparing the valuation which reflected all evidence available at the time it was carried out and could be relied upon. However, in making judgements on the measurement of assets at 31 March 2021, the Authority recognised that there may be greater uncertainty in markets on which the valuation for assets formally valued at 31	considered as surplus or held for sale (Note 1.3). The last full property portfolio re-valuation was carried out as at 31 March 2021, following the material uncertainty on property valuation at 31 March 2020 due to market uncertainties caused by COVID-19. As at 31 March 2022, the normal cycle of valuation has re-commenced, since there is considered to be no material uncertainty in the property market at the balance sheet date. The value of specialised assets held on a depreciated replacement cost (DRC) basis and valued at 31 March 2021 is supplemented by annual indexation as at 31 March 2022 using published indices. The valuation basis of two properties has changed as at 31 March 2022. One property, which was valued on a Depreciated Replacement Cost basis at 31 March 2021 is considered a surplus property at 31 March 2022. The building is leased by the Authority and is vacant, awaiting the termination of the sub-lease. There is no clear plan to bring the asset back into future use as an operational asset. The	

	March 2020 and at 31 March 2019 were based. Given this uncertainty, a full revaluation of the property portfolio was conducted at 31 March 2021. Although the next quinquennial valuation was not due until 31 March 2024 under the accounting policy, it was decided that the entire portfolio should be subject to formal revaluation to ensure that the carrying value was not materially different than if a full revaluation had been undertaken. The valuer has recommended that a review of the valuations is undertaken in the next 12 months and that the Authority considers the economy and market to ascertain if there is some uncertainty in the market at 31 March 2022. The Board and Accountable Officer do not consider there to be any other critical accounting judgements requiring disclosure beyond the full revaluation of the property portfolio at 31 March 2021 and the application of the accounting policies above.	asset is therefore assessed as being surplus and valued under IFRS 13 Fair Value Measurement. Given the head lease in place, the fair value of the property has been assessed as nil and the asset has been fully impaired. The second property was previously valued on a Depreciated Replacement Cost basis as a specialised asset. At 31 March 2022, the decision had been taken to sell the property and the asset has been valued on a fair value basis in line with IFRS 5 Non-current Assets Held for Sale. The Board and Accountable Officer do not consider there to be any other critical accounting judgements requiring disclosure at 31 March 2022.	
1.21 Critical Judgements and Estimates	(a) Valuation of Land and Buildings	(a)Valuation of Land and Buildings	Policy condensed in line with removal of

Estimates	The valuation report provided at 31 March 2021 highlights that there has been a degree of uncertainty due to COVID-19, however the valuer's opinion is that there is enough evidence to provide robust valuations which are accurate and based on current market activity. In this regard, they do not believe that there is an overriding sense of material uncertainty as at 31 March 2021 and the valuation has sufficient information to provide accurate valuations. While there remains some uncertainty at 31 March 2021, the valuer has concluded that there is no material variation uncertainty in the current year. Ryden LLP must ensure that all processes and valuations are fully compliant with the RICS Valuation – Global Standards 2021 (The Red Book), with the latest edition having taken effect from 31 January 2021. Assets are on the basis of either market value in existing use or Depreciated Replacement Cost. A variance of 10% in the revaluation of land and buildings carried out as at	At 31 March 2022 the Authority applied indexation to buildings held at Depreciated Replacement Cost using the UK Tender Price Index. A variance of 10% in the indexation of land and buildings carried out as at 31 March 2022 would total £Xk [to be updated].	material uncertainty in the property market at 31/3/22. Update for indexation. Estimate range to be updated following completion of indexation calculations.

	31 March 2021 would total £101k.		
	(a) Pension Valuations The balance sheet position as at 31 March 2021 and the projected cost for 2021/22 are based on the roll forward from the valuation at 31 March 2020. In preparing the valuation, no allowance is made for the effect of changes in membership since the last formal valuation date. The roll forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period. The assets are valued at bid value as required by IAS 19 and the projected unit credit method of valuation is used. Investment returns on the Fund is based on actual Fund returns for the year to 31 March 2021.The pension liabilities are valued on an actuarial basis, using the actuary's standard assumptions, appropriate for the Authority's liability profile. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:	(a) Pension Valuations The balance sheet position as at **31 March 2022** and the projected cost for **2022/23** are based on the roll forward from the valuation at 31 March 2020. In preparing the valuation, no allowance is made for the effect of changes in membership since the last formal valuation date. The roll forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period. The assets are valued at bid value as required by IAS 19 and the projected unit credit method of valuation is used. Investment returns on the Fund is based on actual Fund returns for the year to **31 March 2022**.The pension liabilities are valued on an actuarial basis, using the actuary's standard assumptions, appropriate for the Authority's liability profile. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below: [Table to be updated]	Update of dates Table of actuarial sensitivities to be updated Removal of reference to court cases

	The actuary has allowed for the impact of recent court cases around GMP equalisation and the McCloud judgement (i.e. any active member who was a participant of the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement) in the funding valuation position at 31 March 2020. As such these allowances are automatically included within the valuation at 31 March 2021. No allowances have been made for the impact of other recent legal judgements.		
1.22 Changes in Accounting Standards	Standards, amendments and interpretations effective in 2020/21 IFRS 16 Leases will be relevant to the Authority has been issued but is not yet effective for the Authority. IFRS 16 Leases was published by the International Accounting Standards Board in January 2016. The standard requires lessees to recognise leases on the Statement of Financial Position as an asset which reflects the right to use the underlying asset and a liability which represents the obligation to make lease payments. This has not been adopted for the 2020/21 FReM. Following	Standards, amendments and interpretations effective in 2021/22 IFRS 16 Leases – the implementation date for the public sector was deferred from accounting periods beginning on or after 1 April 2021 to those beginning 1 April 2022. Adoption of this standard in 2022/23 will necessitate recognising a right of use asset category within property, plant and equipment representing the Authority's right to use the underlying leased asset and a lease liability representing the Authority's obligation to make lease payments for the asset at 1 April 2022. This will result in changes to the accounting treatment	

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	the COVID-19 pandemic, the implementation of this standard has been delayed by another year and it is now applicable for accounting periods beginning on or after 1 January 2022 for public bodies. For the Authority, the standard will be effective from 1 April 2022.	and disclosures relating to lease agreements. The impact of the application of this standard has not yet been quantified in full.	