

**2023-24 UNAUDITED ANNUAL ACCOUNTS**

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**1. EXECUTIVE SUMMARY**

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2023-2024 and a summary of the significant movements from 2022-23.
- 1.2 The Comprehensive Income and Expenditure statement shows a surplus on the provision of services of £9.765m, a surplus on the revaluation of Long Term Assets of £10.097m and an actuarial gain on the pension fund assets/liability of £123.880m giving an accounting surplus of £143.742m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £143.744m from £667.070m as at 31 March 2023 to £810.814m as at 31 March 2024. The main reason for this increase is an increase in the pension scheme asset which increased from £139.014m in 2022-23 to £269.216m in 2023-24. Our pension figures are provided by external actuaries and this increase is due to investment returns have been greater than expected leading to positive return on assets.
- 1.4 The balance of unusable reserves has increased by £115.818m from £573.295m as at 31 March 2023 to £689.113m as at 31 March 2024. The main reasons for the increase relates to the increase in the pension fund reserve referenced to above.
- 1.5 The balance of usable reserves has increased by £27.926m from £93.775m as at 31 March 2023 to £121.701m as at 31 March 2024. This is largely due to an increase to the General Fund of £29.385m due to new earmarked reserves as a result of the retrospective Service Concessions adjustment in addition to small increases in the Capital Fund and the Repairs and Renewals Fund.
- 1.6 In respect of the General Fund Balance movement, as mentioned above, there has been an increase of £29.385m from a balance of £86.356m to £115.741m. This was due to the Council applying the Service Concessions flexibility during 2023-24 which gave a one-off saving of £36.038m and an annual saving of £4.821m. There are substantial sums earmarked within the general fund amounting to £107.443m to deliver on Council priorities. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £6.039m. The remaining unallocated balance amounts to £2.259m.
- 1.7 The performance against budget for financial year 2023-24 was an overall underspend of £1.728m (0.55%) after accounting for new earmarking. Social

Work, managed by the Health and Social Care Partnership were overspent by £0.165m and this amount is covered by their creditor balance, held on the balance sheet as money owing to the HSCP by the Council, which created a nil variance on the revenue monitoring position.

- 1.8 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2024.

**2023-24 UNAUDITED ANNUAL ACCOUNTS**

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**2. INTRODUCTION**

- 2.1 This covering report gives an overview of the unaudited annual accounts for 2023-24 and a summary of the significant movements from 2022-23. It also gives information on the revenue outturn for 2023-24 and Council will be asked to approve the Unaudited Annual Accounts for 2023-24 for issue.

**3. RECOMMENDATIONS**

- 3.1 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2024.

**4. DETAIL****Introduction**

- 4.1 The annual accounts set out the financial statements of the Council for the year ended 31 March 2024. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2023-24 accounts have been prepared in accordance with this Code.
- 4.2 There is a statutory requirement to prepare a set of accounts and submit them to the Council and the Controller of Audit. The date set by the Scottish Government for the submission of the unaudited annual accounts is 30 June each year.
- 4.3 It should be noted that the Annual Accounts have still to be audited and therefore figures are subject to change. Once the audit has been completed the Audit and Scrutiny Committee will be advised by the external auditor of any material issues coming to light during the audit and any changes to the Accounts. The timing of this meeting will depend on when the audit is completed. The Audited Accounts, Audit Certificate and Auditors final report will then be submitted to the Council.
- 4.4 Since 2010-11, local authorities have been required to prepare financial statements following International Financial Reporting Standards (IFRS). Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement to include a management commentary in the accounts. The contents of the annual accounts are noted below:
- Management Commentary
  - Statement of Responsibilities for the annual accounts

- Annual Governance Statement
- Remuneration Report
- Statement of Comprehensive Income and Expenditure
- Balance Sheet
- Statement of Movement in Reserves
- Cash Flow Statement
- Notes to the Financial Statements
- Council Tax and Non-Domestic Rate Income Accounts
- Group Accounts

- 4.5 **Management Commentary:** this outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced by the Council.
- 4.6 **Statement of Responsibilities for the annual accounts:** this outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.
- 4.7 **Annual Governance Statement:** this statement states its view on the adequacy of its governance and internal control system. It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council during 2023-24 and that there are no significant weaknesses.
- 4.8 **Remuneration Report:** this report provides details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers in addition to detail on employee exit packages.

#### **Comprehensive Income and Expenditure Statement (CIES):**

- 4.9 This statement shows the accounting cost of providing services rather than the amount to be funded from taxation. The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with The Code. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2024.
- 4.10 The Council ended the year with a surplus of £143.742m for 2023-24. This is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure comprises of a surplus on the provision of services of £9.765m, increased by a surplus on the revaluation of Long Term Assets of £10.097m and an actuarial gain on the pension fund assets/liability of £123.880m.
- 4.11 In 2023-24 the Council adopted the financial flexibility introduced by the Scottish Government relating to two service concession contracts for NPDO and DBFM schools which allowed the debt element of the service concession arrangements to be accounted for over the life of the asset as opposed to the life of the contract. This resulted in a one-off retrospective gain of £36.038m and gain in 2023-24 of £4.831m.
- 4.12 The surplus on the provision of services of £9.765m compares to a deficit of £6.047m for 2022-23. The main factors contributing to this change is a decrease in the Net Cost of

Services of £1.936m, an increase in other operating income and expenditure of £0.202m, a decrease in financing and investment income and expenditure of £5.027m and an increase in the overall funding of £9.051m.

4.13

|   | £000     | £000          |
|---|----------|---------------|
| <b>Surplus/(Deficit) on Provision of Services</b>                         |          | <b>9,765</b>  |
| <i>Remove statutory adjustments that don't feature in budget outturn:</i> |          |               |
| Depreciation  | 25,732   |               |
| Impairment of Assets charged to services                                  | (2,576)  |               |
| Capital Funding   | (23,550) |               |
| CFCR  | (1,616)  |               |
| Pension Adjustment  | (6,322)  |               |
| Statutory Repayment of Debt   | (7,696)  |               |
| Repayment of Finance Leases   | (5,280)  |               |
| Transfers to/from Other Statutory Reserves                                | (77)     |               |
| Service Concessions   | 40,869   |               |
| Other Adjustments   | 136      |               |
|   |          | 19,620        |
| <b>Movement In General Fund Balance</b>                                   |          | <b>29,385</b> |
| <i>Adjust for earmarkings:</i>  |          |               |
| Released sums earmarked to service budgets 2023-24                        | 27,286   |               |
| Supplementary estimates agreed during 2023-24                             | 9        |               |
| Revenue Budget 23-24 - transferred to general fund                        | (19)     |               |
| Contributions to earmarked reserves 2023-24                               | (54,933) |               |
|   |          | (27,657)      |
| <b>Revenue Budget Underspend/(Overspend)</b>                              |          | <b>1,728</b>  |

4.14 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £143.744m from £667.070m as at 31 March 2023 to £810.814m as at 31 March 2024. The major changes are set out in the table below.

|                     | 31/03/2023<br>£000 | 31/03/2024<br>£000 | Change<br>£000 | Main Reason   |
|---------------------|--------------------|--------------------|----------------|---|
| Long Term Assets    | 886,601            | 1,038,702          | 152,101        | Largely due to an increase in pension debtor due to a higher than expected investment return plus revaluation of fixed assets.  |
| Current Assets      | 90,693             | 58,539             | (32,154)       | Reduction in cash balances in comparison to previous year due to the early repayment of long term loans and funding the capital programme through cash balances as opposed to taking out new long term borrowing. |
| Current Liabilities | (68,592)           | (73,853)           | (4,461)        | Small increases in short term creditors and short term borrowing.   |

|                       |                |                |                |   |
|-----------------------|----------------|----------------|----------------|---|
| Long Term Liabilities | (241,632)      | (213,574)      | 28,058         | Reduction in long term borrowing due to the early repayment of loans during the year. |
| <b>Total</b>          | <b>667,070</b> | <b>810,814</b> | <b>143,744</b> |   |

### Statement of Movement in Reserves:

- 4.15 This shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).
- 4.16 The total Council reserves have increased from £667.070m at 31 March 2023 to £810.814m at 31 March 2024, an increase of £143.744m.
- 4.17 The balance of unusable reserves has increased by £115.818m from £573.295m as at 31 March 2023 to £689.113m as at 31 March 2024. The main reason for this is an increase in the pension scheme asset which increased from £139.014m in 2022-23 to £269.216m in 2023-24 and an increase in the revaluation reserve of £5.709m which arises from revaluations of properties.
- 4.18 In respect of the General Fund Balance movement, there has been an increase of £29.385m from a balance of £86.356m to £115.741m and the detail on the movement in the balance is summarised within the table below. There is a decrease in respect of earmarked reserves utilised during the year of £27.286m which are offset by new earmarkings at the end of 2022-23 of £54.933m.
- 4.19 The General Fund balance at 31 March 2024 is £115.741m. The total earmarked balances amount to £107.443m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £6.039m. The remaining General Fund balance (“unallocated balance”) amounts to £2.259m.

|   | <b>£000</b>    |
|---|----------------|
| Balance on General Fund 31 March 2023                             | 86.356         |
| Revenue Budget 2023-24 – transfer to General Fund                 | 19             |
| Supplementary Estimates agreed during 2023-24                     | (9)            |
| Released sums earmarked to service budgets 2023-24                | (27,286)       |
| Contributions to earmarked reserves 2023-24 – Service Concessions | 35,658         |
| Contributions to earmarked reserves 2023-24 - Other               | 19,275         |
| Overall budget underspend as noted above                          | 1,728          |
| <b>Balance on General Fund 31 March 2024</b>                      | <b>115,741</b> |

- 4.20 **Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. This is analysed into Operating, Investing and Financing Activities. The Cash and Cash Equivalents decreased by £10.814m to -£9.991m.
- 4.21 **Notes to the Financial Statement:** The notes section provides further information and explanation on some of key figures included within the Accounts. The notes conform to the guidance issued by CIPFA/LASAAC within the Code of Practice on Local Authority Accounting.
- 4.22 **Council Tax Income Account:** This account shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the CIES. Council Tax rate for Band D was £1,479.20 for 2023-24 which represented a 5% increase from 2022-23 as agreed by Council as part of the budget setting process. The income transferred to the general fund for Council Tax in 2023-24 was £61.909m. This compared to £53.900m in 2022-23.
- 4.23 **Non Domestic Rate Income Account:** This account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. Non Domestic Rate Income amounted to a share of £37.645m for 2023-24 allocated from the national pool. This compares to £33.179m in 2022-23. Our own net income amounted to £44.332m and we made a contribution to the national pool of £6.687m for 2023-24. These figures compared to income of £34.534m and a contribution to the national pool of £1.355m for 2022-23.
- 4.24 **Group Accounts:** Argyll and Bute Council Group comprise the following entities:
- Argyll and Bute Council
  - Dunbartonshire and Argyll and Bute Valuation Joint Board
  - Live Argyll (Leisure Trust).

In addition, the council's Common Good Funds have been fully consolidated into the Group Accounts.

- 4.25 The effect of inclusion of the Associates, Subsidiary and Common Good Funds on the Group Balance Sheet is not yet known as the Group Accounts have still to be completed as we are awaiting draft accounts from Live Argyll and the Joint Valuation Board. These will be finalised prior to the accounts going to full Council on 27<sup>th</sup> June 2024.

## 5. CONCLUSION

- 5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. Overall the financial position of the Council remains stable.

## 6. IMPLICATIONS

- |     |             |   |
|-----|-------------|---|
| 6.1 | Policy –    | None.   |
| 6.2 | Financial - | None, summarises the financial position for 2023-24 |
| 6.3 | Legal -     | None.   |
| 6.4 | HR -        | None.   |

|       |                                 |       |
|-------|---------------------------------|-------|
| 6.5   | Fairer Scotland Duty -          | None. |
| 6.5.1 | Equalities -                    | None  |
| 6.5.2 | Socio-Economic -                | None  |
| 6.5.3 | Islands Duty -                  | None  |
| 6.6   | Climate Change -                | None. |
| 6.7   | Risk -                          | None. |
| 6.8   | Customer Service -              | None. |
| 6.9   | The Rights of the child (UNCRC) | None  |

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**13 June 2024**

**Councillor Ross Moreland, Policy Lead for Finance and Commercial Services**

Appendix 1 – Unaudited Annual Accounts 2023-24

For further information contact Anne Blue, Head of Financial Services  
[anne.blue@argyll-bute.gov.uk](mailto:anne.blue@argyll-bute.gov.uk)



# Argyll and Bute Council



**Comhairle Earra Ghàidheal agus Bhòid**



**Unaudited Annual Accounts**  
**For the year ended 31 March 2024**



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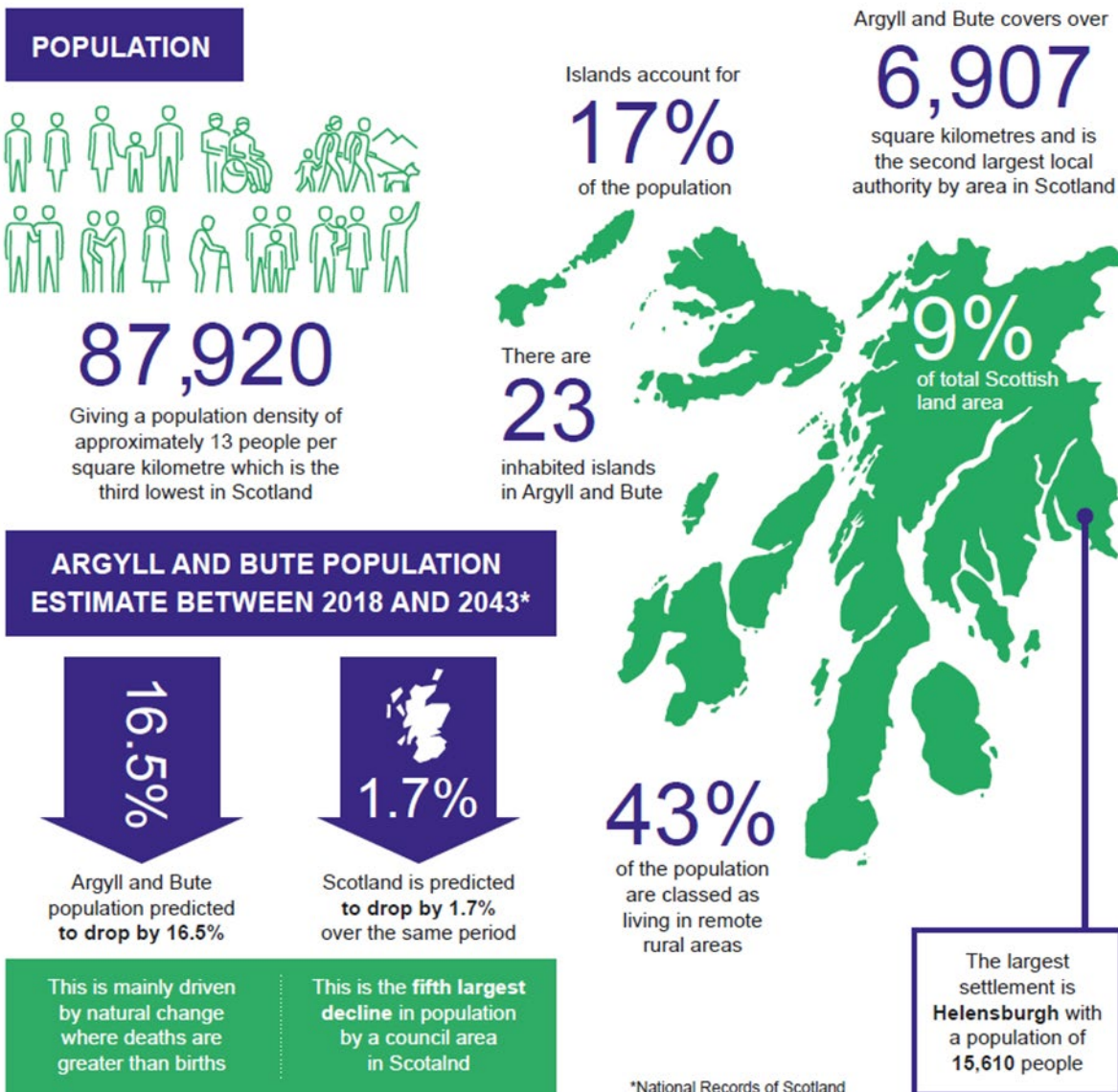
## 1. INTRODUCTION

Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2024. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2023-24 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

## 2. PROFILE OF ARGYLL AND BUTE COUNCIL

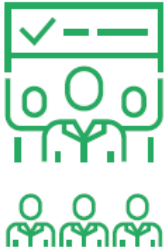
The report starts with outlining some key facts about Argyll and Bute.

### Argyll and Bute Facts – Place



# Argyll and Bute Facts – Our Council

## ELECTED MEMBERS



**36** in total across Argyll and Bute

For every ward there are at least 3 councillors that represent the area you live in.

Argyll and Bute is split into 11 multi-councillor areas or wards

## ELECTORAL WARDS

- Cowal
- Dunoon
- Helensburgh Central
- Helensburgh and Lomond South
- Isle of Bute
- Kintyre and the Islands
- Lomond North
- Mid Argyll
- Oban North and Lorn
- Oban South and the Isles
- South Kintyre

## THE COUNCIL IS A MAJOR EMPLOYER IN ARGYLL AND BUTE

**4,679**

Employed across Argyll and Bute Area (per staffing watch FQ4 2023-24)



There are

**3,911**

full time equivalent employees

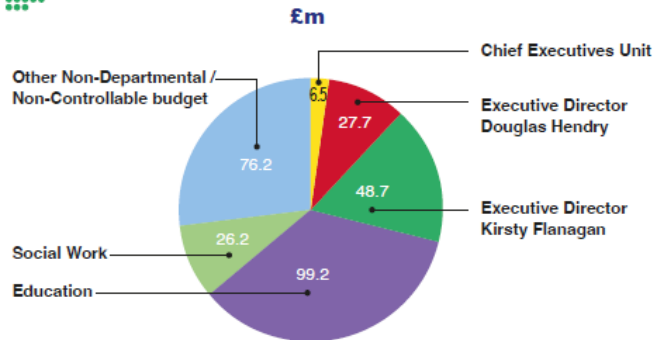


The Council has set the revenue budget for 2023-24 on 23rd February 2023

The total revenue budget is

**284.5M**

Financed by Scottish Government Grant of £223.7m and Council tax of £59.3m and reserves of 1.5m



### 3. VISION AND PRIORITIES

The Council has a new 5 year Corporate Plan for the period 2023-2027 and also an Annual Business Plan. This new document replaces the former annual Service Plans to bring more focus and scrutiny on the delivery and performance of the organisation against its priorities. This delivers on the recommendation in our Best Value Audit to make the link between priorities and performance clearer.

The Council's vision is:

*We have a vision for a successful, vibrant Argyll and Bute with a growing population and a thriving economy. A place where people want to come to live, to work and to do business as a result of action to combat and reverse decline. We see the potential for thriving local economies that support our rich mix*



*of remote, rural and island communities. Communities which also benefit from services that work – where we make the best use of all of our resources so that our core business as a council is as effective as possible.*

*We want Argyll and Bute’s communities to be on a level playing field with others around the country – that is why we will campaign for equity for our communities on issues like fair funding, coping with challenges like the cost of living, and securing digital access and physical access to other opportunities. We will do our utmost to ensure that local voices and needs are taken into account in national decision-making.*

*We recognise that the cost of living crisis will affect countless households in Argyll and Bute. We want to play a part in responding to that and mitigating the impact on our communities’ overall wellbeing and future success.*

*We see our council and our communities working together in playing our part and making our contributions to wider priorities like climate change, economic growth, strong local governance and more – using our strong track record in partnership working, at all levels, to secure the best possible outcomes.*

*Our Priorities for the Council Term 2022 to 2027 are shaped around delivering this vision for Argyll and Bute, our people, our success and our future.*

At the Council meeting on 25 April 2024 there was a change in political management arrangements and therefore a new Corporate Plan for the period 2024-2028 will be prepared and presented to Council with updated priorities during 2024-25. Details on activity, for each financial year, against the Council priorities will be set out in a new Council Annual Business Plan which will also be presented to Council at the same time.

The Argyll and Bute Community Planning Partnership (CPP) brings together local public services with communities they service, and provides a focus for partnership working that targets specific local circumstances. Partners work together to improve local services and to ensure that they meet the needs of local people, especially those who need the services most. The Argyll and Bute Outcome Improvement Plan has been in place for the last 10 years and had six key outcomes.

- Our economy is diverse and thriving
- We have an infrastructure that supports sustainable growth
- Education skills and training maximise opportunities for all
- Children and young people have the best possible start
- People live active, healthier and independent lives
- People will live in safe and stronger communities,

The Argyll and Bute CPP has completed its community engagement on identifying the priorities for the next 10 years (2024 – 2034) and these are:

1. Transport Infrastructure,
2. Housing,
3. Community Wellbeing.

Argyll and Bute Council will continue to be a leading partner in the partnership and ensure that the priorities of the CPP and the Council are aligned.

**Some of our achievements, and the challenges we faced, in relation to the Council’s agreed Corporate Outcomes are highlighted below. (Note that this section is incomplete and further detail will be added prior to Council meeting on 27 June)**

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### We have an infrastructure that supports sustainable growth

#### *Developing infrastructure for drones*

In 2023, the Council won the COSLA Excellence Award for innovation due to its work developing infrastructure and service change by using drones. The Council worked with Skyports (an international drone company) to develop a deliverable school meal delivery system using drone technology. This culminated in a successful pilot flight, which delivered school meals from Oban Airport to Lochnell Primary School, enabling proof of concept to be delivered. Argyll and Bute's island and remote schools can often struggle to recruit catering staff and travel times to supply perishable goods can be long using roads and ferries. Drones potentially offer a low carbon and quicker alternative to traditional transport.



Planning permission has now been granted to establish a permanent Oban Drone Facility to enable commercial deliveries in the area, with schools meals continuing to be a pilot test subject. Funding has now been secured to establish this and the project is a component part of development of a new business park at Oban Airport funded by Tax Incremental Financing (TIF) and Rural Growth Deal (RGD). This will be the first permanent Drone Facility in the UK. This ensures that it is a sustainable delivery mechanism for the school meals and other service in the future. The Council has also been awarded £250K from the Regulator's Pioneer Fund for the development of the UAV logistics hub, based at Oban Airport, to serve the islands, building on the pilot approach.

#### *Weather Incident*

During October 2023 Argyll and Bute suffered extensive storm damage and a major incident was declared within the Council area. The flooding resulted in substantial damage to bridges and a number of landslides which disrupted the roads network and cut off some areas altogether. Transport connections in and out of Argyll and Bute were severely compromised and for a period of time all of the trunk roads and many of the local roads were impassible. A number of helicopter evacuations took place and reception centres were set up in the immediate aftermath.

This incident was unprecedented and every effort was made to re-open roads when safe to do so however some routes required more considerable remedial action. Works carried out were extensive with dozens of locations requiring attention from simple cleansing of a small drain to significant landslides requiring temporary roads to be created and full bridge replacements. Furthermore, to ensure all children in the impacted areas were able to attend school transport via boat was arranged.



### *Road Safety Improvements*

During 2023-24 the Councils Network and Standards team secured £0.270m of funding from the National Road Safety Improvement Fund. This has allowed a number of safety improvements to our roads and footways including:

- Village gateways at Clynder, Kilcreggan, Rosneath and Garelochhead including coloured surfacing at access points and speed roundels.
- Two new sections of footway at School Street, Bowmore with improved drainage, road markings and street lighting.
- Carriageway widening and footway construction at Millpark Road, Oban including improvements to drainage, road markings and street lighting.
- Provision of new footway in Taynuilt resulting in a safe route for school children to utilise.





## 4. FINANCIAL PERFORMANCE 2023-24



The Council has a robust financial reporting framework in place and a comprehensive monitoring pack is prepared and presented to every Policy and Resources Committee. This includes reports on the revenue budget, capital plan, financial risks, treasury monitoring, reserves and balances and delivery of any previously agreed savings. The financial framework is shown on the left.

### Revenue: Outturn against Budget

The performance against budget for financial year 2023-24, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £1.728m, 0.55% as summarised in the table below. (The corresponding position for 2022-23 was an underspend of £3.326m, 1.07%.)

#### 2023-24 Final Revenue Budget Outturn

|  | Actuals        | Budget                             | Variance               | Percentage     |
|--|----------------|------------------------------------|------------------------|----------------|
|  |                | Adjusted for Automatic Earmarkings | (Overspend) Underspend |                |
|  | £000           | £000                               | £000                   | %              |
| Chief Executive's Unit   | 1,155          | 1,161                              | 6                      | 0.53%          |
| Executive Director (Douglas Hendry)                            | 139,308        | 139,999                            | 691                    | 0.49%          |
| Executive Director (Kirsty Flanagan)                           | 58,610         | 57,258                             | (1,352)                | (2.36%)        |
| Weather related incident costs (not covered by Bellwin Scheme) | 839            | 0                                  | (839)                  | 0.0%           |
| Joint Boards   | 1,319          | 1,396                              | 77                     | 5.56%          |
| Other  | 11,584         | 11,584                             | 0                      | 0.0%           |
| Service Concessions  | (40,869)       | (40,489)                           | 380                    | (0.94%)        |
| Social Work  | 77,605         | 77,605                             | 0                      | 0.0%           |
| <b>Net Expenditure</b>   | <b>249,551</b> | <b>248,514</b>                     | <b>(1,037)</b>         | <b>(0.42%)</b> |
| Total Funding  | 314,827        | 314,794                            | 33                     | 0.01%          |
| <b>OVERSPEND PRIOR TO LOANS FUND</b>                           |                |                                    | <b>(1,004)</b>         | <b>(0.32%)</b> |
| Loans Fund   | 8,615          | 14,547                             | 5,932                  | 40.78%         |
| <b>UNDERSPEND BEFORE EARMARKINGS</b>                           |                |                                    | <b>4,928</b>           | <b>1.57%</b>   |
| Proposed Unspent Budget Earmarking Proposals                   |                |                                    | (3,200)                |                |
| <b>UNDERSPEND AFTER PROPOSED EARMARKINGS</b>                   |                |                                    | <b>1,728</b>           | <b>0.55%</b>   |

Within the Chief Executive's Unit (Community Planning) there was a small underspend resulting within travel codes due to staff travel costs coming in under budget due to increased digital working and less face to face meetings.

Within the remit of Executive Director Douglas Hendry (Education, Legal and Regulatory Services and Commercial Services), there was an overall underspend due to:

- Receipt of one-off historic water rate refunds.
- Staffing underspends due to delays in recruitment and staffing underspends within Cleaning, Early Learning and Childcare and Legal and Regulatory Support.
- Underspends within the Scheme of Devolved School Management where previous carry forwards were not fully utilised.

Within the remit of Executive Director Kirsty Flanagan (Roads and Infrastructure, Development and Economic Growth, Customer Support Services and Financial Services) there was an overall overspend due to:

- Reduction in income within Piers and Harbours
- Additional fleet costs across the service
- Increased staff costs for Pupil Transport
- An unrealised Depot saving
- Increased electricity costs for street lighting
- Additional Car Parking maintenance costs
- Reduction in TRO income in Roads.

There were also costs relating to a significant weather incident that occurred during 2023-24 that could not be claimed through the Scottish Government's Bellwin scheme which resulted in an overspend.

Social Work, managed by the Health and Social Care Partnership, reported an overspend of £0.165m as a result of ongoing demand for older people care services, both residential and non-residential. Per CIPFA/LASAAC Guidance in prior years an earmarking relating to the HSCP was recognised as a creditor on the Council's balance sheet making the funds available to Social Work to spend in future years, therefore this over spend has been drawn down from the creditor balance.

There is a favourable year-end position in relation to Council Tax of which was due to Council Tax debt recovery after court summons being higher than anticipated.

There was an underspend within the Loans Fund due to a number of reasons but largely as a result of effective Treasury Management which saw increased levels of interest received on investments combined with reduced borrowing costs which resulted in an improved position in excess of £3m compared to previous year. Significant slippage in the capital programme in 2022-23 resulted in lower principal repayments in 2023-24 than anticipated and there was also a one-off gain of £0.870m as a result of a discount received on the early repayment of loans.

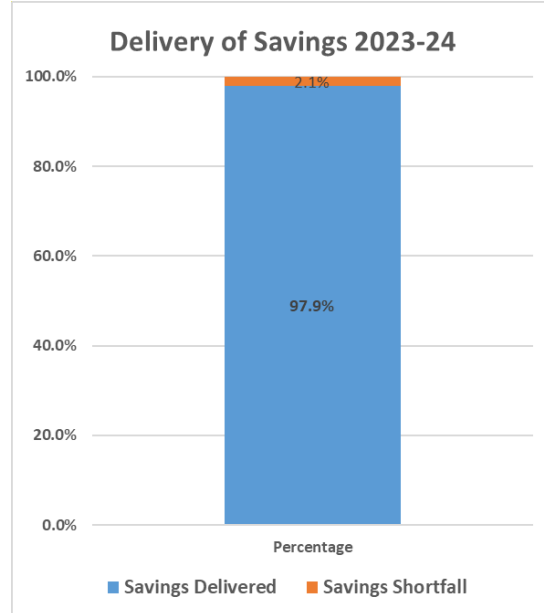
In 2023-24 the Council adopted the financial flexibility introduced by the Scottish Government relating to two service concession contracts for NPDO and DBFM schools which allowed the associated borrowing to be accounted for over the life of the asset as opposed to the life of the contract (see note 6.1 for further detail). This resulted in a one-off retrospective gain of £36.038m and gain in 2023-24 of £4.831m. As part of the 2024-25 budget setting process Council agreed to transfer £0.380m from the Service Concessions gain to the General Fund hence there is an underspend in 2023-24 relating to this that will increase the General Fund.

The overall favourable position for Departmental and Central Expenditure Budgets due to the underspend within the Loans Fund has provided the opportunity to earmark unspent budget for specific purposes aligned to the objectives, priorities and targets of the Council.

### Delivery of 2023-24 Agreed Savings

The Council has been required to make significant budget savings for a number of years in order to ensure it responds to continued funding reductions, rising cost pressures and complies with its statutory requirement to set a balanced budget whilst meeting the needs of local residents.

Budget savings of £9.348m (20 saving options) were agreed for 2023-24. These, and savings agreed in previous years which had to be delivered in 2023-24 totalling £0.031m (3 saving options), were monitored throughout the year. The chart on the right shows the overall delivery of savings and any shortfall was absorbed within departmental resources as is evidenced from the overall departmental underspends. Some of these saving options were non-recurring in nature (£2.581m).



### Capital: Outturn against Budget

The net 2023-24 capital expenditure was £37.860m compared to an annual budget of £33.166m, (adjusted during the year for previously agreed slippages, accelerations and virements) giving rise to a year end overspend of £4.694m (14.15%). There are a number of under and (overspends) within the outturn position, the most significant are noted below:

| Project                       | (Over)/Under Spend (£m) | Explanation   |
|-------------------------------|-------------------------|---|
| Roads Reconstruction          | 0.507                   | Funding received late in 2023-24 so carried forward into 2024-25 when spend will be incurred.   |
| Oban High School Replacement  | 0.406                   | Ongoing negotiations with contractor have delayed final payments and retention invoices which are outstanding.  |
| Shared Offices                | 0.372                   | Delays in expenditure as only minor works have been carried out to offices during 2023-24 due to office rationalisation project.  |
| Town Centre Funds             | (0.350)                 | External funding will not be received until works are complete. Overall the project is within budget.   |
| Harbour Investment Programme  | (0.408)                 | Reversal of previous slippage - consultancy work at Fionnphort and Port Askaig concluded earlier than previously anticipated. Overall the project is within budget.                                   |
| Kilmory Business Park         | (0.432)                 | Delays in invoicing due to legal requirements resulting in delays in receiving external funding. Overall the project is within budget.  |
| Environmental Projects Income | (0.500)                 | External funding will not be received until works are complete which creates an in year variance. Overall the project is within budget.   |
| CHORD – Rothesay Income       | (1.435)                 | External funding will not be received until works are complete which creates an in year variance. Overall the project is within budget.   |
| Dunoon STEM Hub Income        | (2.050)                 | Project has been delayed due ongoing discussions regarding the location of the STEM Hub and budgeted income will not be received until the project is complete. Overall the project is within budget. |
| Helensburgh Waterfront Income | (2.369)                 | Timing of receipt of funding causing 2023-24 variance which will be received in 2024-25. Overall the project is within budget.  |

After accounting for previously agreed slippages, the total slippage in the capital programme in 2023-24 was £23.143m. In 2023-24 capital expenditure across Scotland’s councils continues to be impacted by increased inflation rates and shortages in construction materials, affecting both cost and delivery plans. There are also elements of slippage that can be attributed to incorrect profiling of spend at the start of the financial year as opposed to delays in the programme.

There are 169 projects within the Capital Plan: 143 of the projects are complete or on track and 26 are off track but recoverable as a result of the slippage mentioned previously within the capital programme. There are no projects off track that are not recoverable.

### Health and Social Care Partnership (HSCP)

The Argyll and Bute Integration Joint Board (IJB) with responsibility for Social Work and a range of health services was established and came into effect on 1 April 2016. The Council approved the 2023-24 budget on 23 February 2023 and the amount approved for Social Work services transferring to the Integration Joint Board for 2023-24 was £76.253m. The budget figures quoted in the previous outturn table include in-year adjustments.

In terms of the outturn position, the HSCP has reported an underspend for 2023-24 of £2.889m and there is no debt outstanding to the Council. The Council has a creditor totalling £3.389m on its balance sheet in relation to earmarked reserves which the Council holds on behalf of the HSCP. The earmarked balance comprises £0.791m of Scottish Government funding for a range of specific Scottish Government Initiatives, £0.630m of general reserves and £1.968m for service transformation and infrastructure investment.

**5. FINANCIAL STATEMENTS**

**Expenditure and Funding Analysis Statement**

The Expenditure and Funding Analysis Statement shows how the Council funding is spent across services. It also compares to the expenditure shown in the Statement of Comprehensive Income and Expenditure and details the differences between the two. The differences are a result of accounting statutory adjustments that are required within the Statement of Comprehensive Income and Expenditure, for example, depreciation, pension adjustments etc.

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

The CIES shows the accounting cost of providing services rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2023-24. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2024. Internal income also requires to be removed between segments within the CIES.

**Reconciliation of CIES to Revenue Budget Outturn**

A reconciliation of the Surplus on the Provision of Services of £9.765m as noted in the CIES to the revenue budget outturn of £1.728m underspend is shown below.

**Reconciliation of CIES to Revenue Budget Outturn**

|   | £000     | £000          |
|---|----------|---------------|
| <b>Surplus/(Deficit) on Provision of Services</b>                         |          | <b>9,765</b>  |
| <i>Remove statutory adjustments that don't feature in budget outturn:</i> |          |               |
| Depreciation  | 25,732   |               |
| Impairment of Assets charged to services                                  | (2,576)  |               |
| Capital Funding   | (23,550) |               |
| CFCR  | (1,616)  |               |
| Pension Adjustment  | (6,322)  |               |
| Statutory Repayment of Debt   | (7,696)  |               |
| Repayment of Finance Leases   | (5,280)  |               |
| Transfers to/from Other Statutory Reserves                                | (77)     |               |
| Service Concessions   | 40,869   |               |
| Other Adjustments   | 136      |               |
|   |          | 19,620        |
| <b>Movement In General Fund Balance</b>                                   |          | <b>29,385</b> |
| <i>Adjust for earmarkings:</i>  |          |               |
| Released sums earmarked to service budgets 2023-24                        | 27,286   |               |
| Supplementary estimates agreed during 2023-24                             | 9        |               |
| Revenue Budget 23-24 – transferred to General Fund                        | (19)     |               |
| Contributions to earmarked reserves 2023-24                               | (54,933) |               |
|   |          | (27,657)      |
| <b>Revenue Budget Underspend/(Overspend)</b>                              |          | <b>1,728</b>  |



## Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2024 and explanatory notes are provided. The net worth of the Council has increased by £143.744m from £667.070m as at 31 March 2023 to £810.813m as at 31 March 2024. The major changes are set out in the table below.

### Main Balance Sheet Changes

|                       | 31/03/2023<br>£000 | 31/03/2024<br>£000 | Change<br>£000 | Main Reason   |
|-----------------------|--------------------|--------------------|----------------|---|
| Long Term Assets      | 886,601            | 1,038,702          | 152,101        | Largely due to an increase in pension debtor due to a higher than expected investment return plus revaluation of fixed assets.  |
| Current Assets        | 90,693             | 58,539             | (32,154)       | Reduction in cash balances in comparison to previous year due to the early repayment of long term loans and funding the capital programme through cash balances as opposed to taking out new long term borrowing. |
| Current Liabilities   | (68,592)           | (72,853)           | (4,261)        | Small increases in short term creditors and short term borrowing.   |
| Long Term Liabilities | (241,632)          | (213,574)          | 28,058         | Reduction in long term borrowing due to the early repayment of loans during the year.   |
| <b>Total</b>          | <b>667,070</b>     | <b>810,814</b>     | <b>143,744</b> |   |

## Provisions

The Council has provisions totalling £4.520m on the Balance Sheet as detailed in Note 29 to the Accounts. The larger provisions, those £0.250m or over, are summarised below.

- £2.740m for landfill sites. A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council at Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.
- £1.025m for NPDO and Hub DBFM Payments. This provision is held in relation to disputed performance deductions and unbilled utility costs.

## Pension Asset

The Council is required to account for its share of the Strathclyde Pension Fund assets and liabilities. The information included in the Accounts is provided by the Pension Fund actuaries following the annual valuation of the Fund.

The Council's share of the assets of the Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels etc. The asset relates to benefits earned by existing or previous employees up to 31 March 2024.

There has been an increase in the pension valuation asset from £139.014m in 2022-23 to £269.216m in 2023-24. This is as a result of higher than expected investment return on the pension asset.

The pension liability or asset can fluctuate significantly year on year. The table below shows the pension liability or asset over the last three years. Further detail on the pension estimates are included within Note 31.

## ***Pension (Liability)/Asset at the end of the financial year***

|                           | <b>2021-22<br/>£000</b> | <b>2022-23<br/>£000</b> | <b>2023-24<br/>£000</b> |
|---------------------------|-------------------------|-------------------------|-------------------------|
| Pension (Liability)/Asset | 4,634                   | 139,014                 | 269,216                 |

## **Borrowing**

During 2022-23 the Council's external borrowing reduced by £23.037m from £143.973m as at 31 March 2023 to £120.936m as at 31 March 2024. The reduction was due to the early repayment of long term loans during the year in order to receive a discount and achieve an overall treasury gain.

The Council was under borrowed by £68m at 31 March 2024. This was due to the early repayment of loans, minimal new long term borrowing taken out and slippage within the capital programme.

The Council's 2023-24 'Treasury Management Strategy and Annual Investment Strategy' was approved at the full Council meeting on 23 February 2023 and outlines the Council's capital prudential and treasury indicators.

## **Statement of Movement in Reserves**

This Statement shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).

The balance of unusable reserves has increased by £115.818m from £573.295m as at 31 March 2023 to £689.113m as at 31 March 2024. The main reason for this movement is the increase in the pensions reserve noted earlier in this commentary plus smaller accounting adjustments required through the Capital adjustment account and revaluation reserve.

The balance of usable reserves has increased by £27.926m from £93.775m as at 31 March 2023 to £121.701m as at 31 March 2024. This is due to an increase in the General Fund of £29.385m offset by smaller reductions in the Capital Fund outlined in Note 34.1 and the Repairs and Renewals Fund outlined in Note 34.2.

In respect of the General Fund Balance movement, there has been an increase of £29.385m from a balance of £86.356m to £115.741m and the detail on the movement in the balance is summarised within the table below.

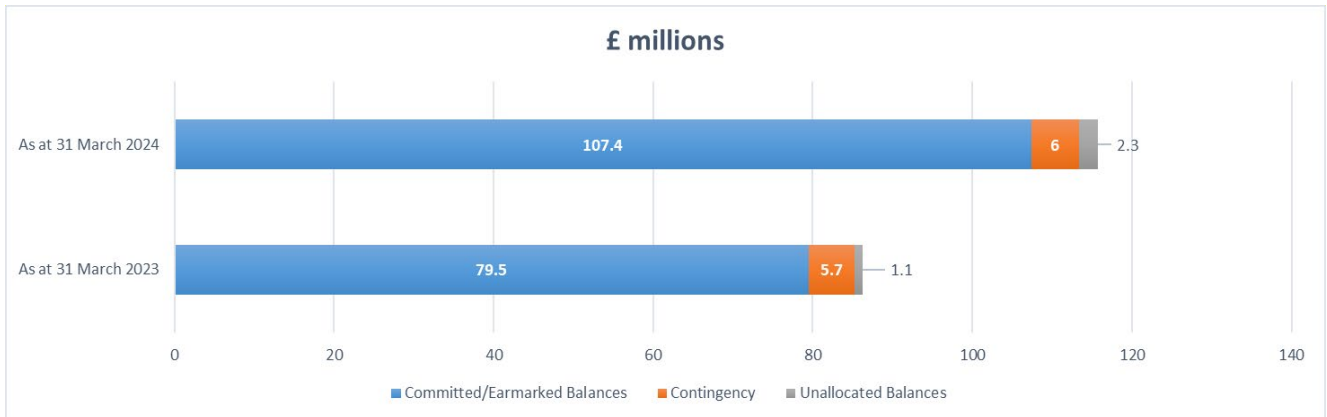
## ***Movement on General Fund Balance***

|   | <b>£000</b>    |
|---|----------------|
| Balance on General Fund 31 March 2023                             | 86,356         |
| Revenue Budget 2023-24 – transfer to General Fund                 | 19             |
| Released sums earmarked to service budgets 2023-24                | (27,286)       |
| Contributions to earmarked reserves 2023-24 – Service Concessions | 35,658         |
| Contributions to earmarked reserves 2023-24 - Other               | 19,275         |
| Supplementary Estimate  | (8)            |
| Overall budget underspend as noted above                          | 1,728          |
| Rounding  | (1)            |
| <b>Balance on General Fund 31 March 2024</b>                      | <b>115,741</b> |

**General Fund Balance**

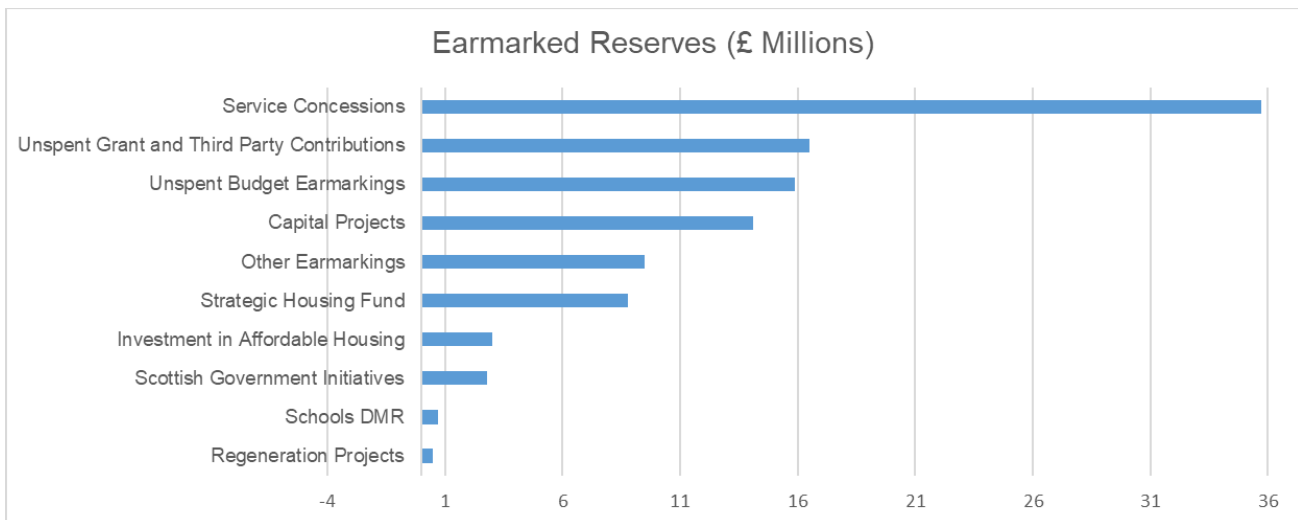
The chart below shows what is included within the General Balance as at 31 March 2024 with a comparison to the position as at 31 March 2023.

**General Fund Balances as at 31 March 2023 and 31 March 2024**



An analysis of the earmarked balances are shown in the chart below.

**Earmarked Balances held in the General Fund as at 31 March 2024**



**Group Accounts (SOME INFORMATION NOT YET AVAILABLE UNTIL RECEIPT OF LIVE ARGYLL/VJB ACCOUNTS ALLOWS US TO COMPLETE THE GROUP ACCOUNTS)**

The Group accounts include Dunbartonshire and Argyll & Bute Valuation Joint Board as an Associate, as the Council have “significant influence” over their financial and operating policies. Live Argyll is a wholly owned subsidiary of Argyll and Bute Council and is consolidated within the group accounts on a line by line basis.

In addition, the Council's Common Good Funds have been fully consolidated into the Group Accounts and Note 37 gives further details on the Council's Common Good Funds.

The effect of inclusion of the Associates, Subsidiary and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £XXXm. This gives an overall net asset position for the Group of £XXXm, an increase of £XXXm from the previous year. The most significant increase is in the pension position of £XXXm in addition to an increase in non-current assets as a result of revaluations.

The Argyll and Bute Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the strategic planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. Argyll and Bute Council contributed £77.605m towards the Argyll and Bute Integration Joint Board in the 2023-24 financial year. All transactions are accounted for and shown within the single entity statements and the IJB are treated as a Joint Venture within the Group Accounts therefore a share of their overall surplus and net assets have been recognised in the Group Statements.

## 6. KEY FINANCIAL INDICATORS

The financial indicators outlined below have been developed to assist the reader in assessing the performance by the Council over the last financial year and the affordability of its ongoing commitments.

### Key Financial Indicators

| Financial Indicator   | 2022-23          | 2023-24          | Comment  |
|---|------------------|------------------|--|
| Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure | 2.44%            | 2.75%            | Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. The 2023-24 position is slightly more than 2022-23 which confirms there are sufficient reserves to meet any unplanned expenditure.           |
| Movement in the Unallocated General Fund Balance  | (£0.6m)          | £1.06m           | Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). An increase in the 2023-24 balance to offset the reduction in the previous year and provide a degree of stability in the Council's financial position. |
| In-year Council Tax collection rate   | 96.82%           | 96.34%           | Reflects the Council's effectiveness in collecting Council Tax debt compared to a target of 96%. The target continues to be exceeded.  |
| Ratio of Council Tax Income to Overall Level of Funding   | 17.76%           | 19.9%            | Reflects the capacity of the Council to vary expenditure by raising Council Tax income.  |
| Actual Outturn compared to budgeted expenditure   | £3.273m<br>1.06% | £1.728m<br>0.55% | A measure of how the final outturn compares to the budgeted position. The surplus is a reflection of the effectiveness of the Council's financial management particularly the Loans Fund.  |
| Capital Financing Requirement (CFR) for the current year  | £291.782m        | £332.394m        | Measurement of requirement to borrow for capital purposes. The increase in 2023-24 reflects writing back the overpayment of the debt element of Service Concession arrangements in prior years.  |

| Financial Indicator                            | 2022-23   | 2023-24   | Comment  |
|--|-----------|-----------|--|
| External Debt Levels for the current year      | £142.536m | £119.407m | Actual borrowing for capital investment levels. Reduction in 2023-24 due to the early repayment of long term loans at a discounted rate to achieve a treasury gain and minimal need to borrow due to slippage in the capital programme and cash balances.  |
| Ratio of financing costs to net revenue stream | 6.26%     | 2.74%     | Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less that is available to meet other revenue expenditure. The ratio has dropped in 2023-24 as we have repaid long term borrowing during the year, used cash balances to fund the capital programme and delayed taking any new borrowing where possible while interest rates were high. There will be a need to increase borrowing again in the future and this ratio will rise again. |

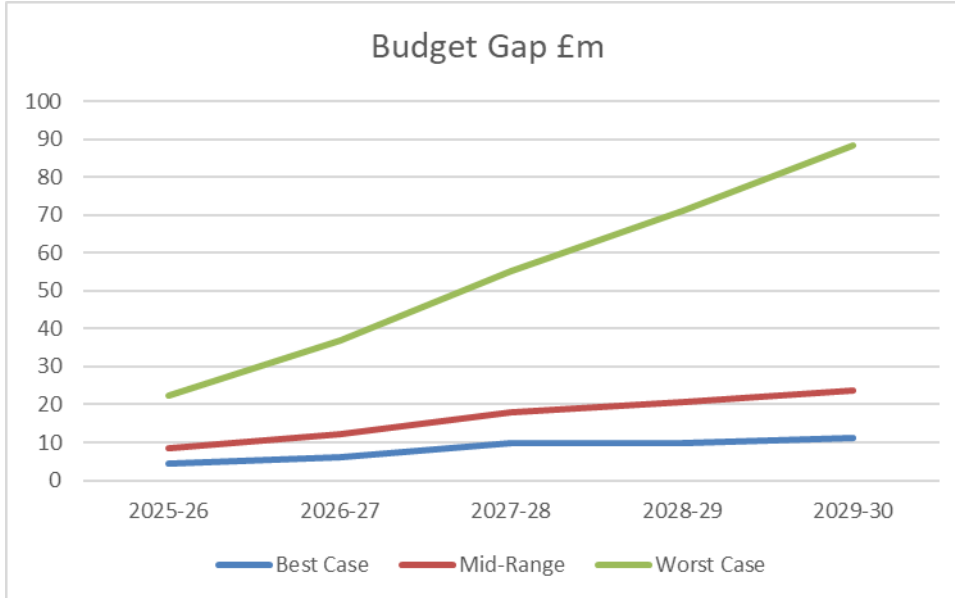
## 7. OUTLOOK

A five year financial outlook informing Council of the estimated budget gap covering the period 2024-25 to 2028-29 using best case, worse case and mid-range scenarios was kept up to date during 2023-24 and presented to the Policy and Resources Committee in May, August, October and December 2023.

Preparing any forward looking financial outlook is challenging due to the levels of uncertainty, for example the level of Scottish Government Grant, the impact of rising inflation and the uncertainty of pay awards being agreed before the budget setting process. The assumptions used to inform the outlook are reviewed, updated and reported regularly. The Council has a strong track record in financial management as recognised by previous years annual external audit reports and the Council’s Best Value

report issued in May 2020. The chart below shows the cumulative budget gap over the next five years as reported to the Policy and Resources Committee on 9 May 2024.

### **Cumulative Budget Gap 2025-26 to 2029-30 as reported on 9 May 2024**



### **Budget Strategy**

A Budget Approach report was presented to Policy and Resources Committee on 11 May 2023 where it was agreed that a cross party Budget Working Group (BWG) be established comprising six elected members from the administration, three elected members from the opposition and two Trade Union representatives. The BWG's role was to engage with officers and provide a sounding board to assist in the development and identification of savings options.

During 2023-24 the Council sought the views of the Community on high level priorities for the budget via a budget simulator. A report outlining the feedback from this consultation was presented to Policy and Resources Committee on 12 October 2023. This exercise allowed Elected Members to take into account the views of the Community when considering and preparing the budget for 2024-25.

A further budget update report was presented to Policy and Resources Committee on 7 December 2023 which set out the latest financial position, initial savings options and other pressures that may have to be considered as part of the budget setting process.

The BWG met on 18 September 2023, 9 November 2023 and 18 January 2024. During these meetings Members were presented with the findings from the consultation, updates on the financial position and savings options identified by officers.

The Council continues to be committed to developing multi-year savings proposals with a focus on longer term planning. As part of the 2023-24 budget setting process savings that required more detailed work that could be considered in future years were also identified and these are already being explored as part of a pipeline of savings for future years. These include detailed reviews of the Roads and Infrastructure and Education Services.

Preparation is already well underway for the 2025-26 budget setting process and a report on the proposed approach will be presented to Council on 27 June 2024. This includes a proposal to once again [www.argyll-bute.gov.uk](http://www.argyll-bute.gov.uk)

create a cross party BWG. There is no doubt that bridging the budget gap both in 2025-26 and future years will be extremely challenging. The budget gap is calculated using a number of assumptions and there are three areas where a change to the assumptions could have the biggest impact on the estimates:

1. Scottish Government Grant – within the mid-range scenario, a 0.5% decrease has been assumed which is similar to the reduction in 2024-25. Every 1% change is circa £1.4m.
2. Council Tax – within the mid-range scenario, a 5% increase has been assumed on the basis that the majority of Councils increased their Council Tax by at least 5% in 2023-24 prior to the freeze in 2024-25. This is an officer assumption, as this is a matter for Council to agree. Every 1% change is circa £600k.
3. Pay Award – within the mid-range scenario, a 2% increase has been assumed. Every 1% change is circa £1.7m.

As previously noted, the budget outlook is extremely challenging and this is made more so by the ring-fenced and directed spend by Scottish Government resulting in the budget where the Council is able to exercise any control being a lot smaller. It is hoped that the Verity House agreement may bring opportunities for the un-ring-fencing of some areas of budget.

Furthermore, in April 2024 a new Provost and Leader of the Council were appointed which was followed by changes in Members of the administration. The new administration are currently considering their priorities which could have an impact on decisions made as part of the budget setting process.

### Cost of Living Crisis

The 'cost of living crisis' refers to the fall in 'real' disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021. It is being caused predominantly by high inflation outstripping wage and benefit increases.

Despite some stabilisation efforts, the persistent economic pressures are affecting both individuals and Council services significantly. The Council continues to see significant increases in all areas of supplies, but specifically in utilities, food and fuel costs and it will be extremely challenging to contain spending within current resources. The Council remains committed to addressing these challenges through strategic planning and support initiatives for individuals.

### Rural Growth Deal

Our £70m Rural Growth Deal is about turning economic potential into a successful future for Argyll and Bute. It is about investing in initiatives that will turn the area's fantastic natural resources and business innovation into a thriving local economy. The Council signed the Heads of Terms in February 2021 and is working on producing the full deal documentation, which includes a business case for each of the themes within the deal. The deal was due to be signed on 7 June 2024 by the Council and both the Scottish and UK Governments but due to the calling of the UK General Election this has had to be postponed.

The project themes in the deal are as follows:

Marine Tourism/Place Programme including the Rothesay Pavilion at Full Business Case  
Low Carbon Economy - Islay  
Rural Skills Accelerator  
Housing – Isle of Mull and Isle of Islay  
Clyde Engineering & Innovation Centre  
West Coast UAV  
Marine Aquaculture Programme.



Regular updates on progress are posted on the website, see link: [Rural Growth Deal \(argyll-bute.gov.uk\)](https://argyll-bute.gov.uk).

### UK Government Levelling Up Agenda

#### *Levelling Up Fund*

The Levelling Up Partnership funding was announced by the UK Government in the 2023 Autumn Statement and Argyll and Bute has been allocated up to £20m of Levelling Up Partnership funding. The process to choose the final projects is different to previous Levelling Up funding rounds and is very much driven by the UK Government. It was originally envisaged that a long list of projects would be identified by May 2024 with a short list by mid-July 2024. Business cases would then be developed by the UK Government with a final decision made in September 2024. There will be a degree of public consultation led by the UK Government and the final decision on the successful projects will lie with the Secretary of State (not the Council). It is unclear how the General Election will impact on these timescales. In terms of the kind of projects, it very much follows the Levelling Up Agenda, that is business, transport connectivity, community safety, skills and education and housing.

#### *Shared Prosperity Fund (UKSPF)*

The UKSPF is a successor to the previous EU structural funds, it is viewed as a central pillar of the UK Government's Levelling Up agenda. The overarching aim of the UKSPF is to build pride in place and increase life chances across the UK.

The project / programme activities outlined in the Argyll and Bute UKSPF Investment Plan are all aligned to three key investment priorities: communities and place; supporting local business; and people and skills, where each priority has predefined interventions, outputs and outcomes. In addition to core UKSPF monies, the investment plan includes a focus on ring-fenced 'Multiply' funding to support the delivery of an area-based adult numeracy programme.

Argyll and Bute Council received an allocation from the UKSPF of just under £4.5m to support delivery over three financial year, specifically the final three months of 2022-23 and the next two financial years, 2023-24 and 2024-25, until the end of March 2025.

There are 21 projects funded under the Core UKSPF and another three projects support by the Multiply programme (also part of the UKSPF £4.5m allocation).

Aligned to UK Government guidance, any underspend for 2023/24 has been carried over and reprofiled for 2024/25. It is anticipated that the full allocation will be spent by the end of March 2025.

### Learning Estate Investment Programme

The Councils bid to the Scottish Government's Learning Estate Investment Programme (LEIP) for funding for a new school campus on Mull was successful. While this is good news and will provide welcome investment in the school estate it does come with a financial pressure that is required to be funded if the project is to proceed.

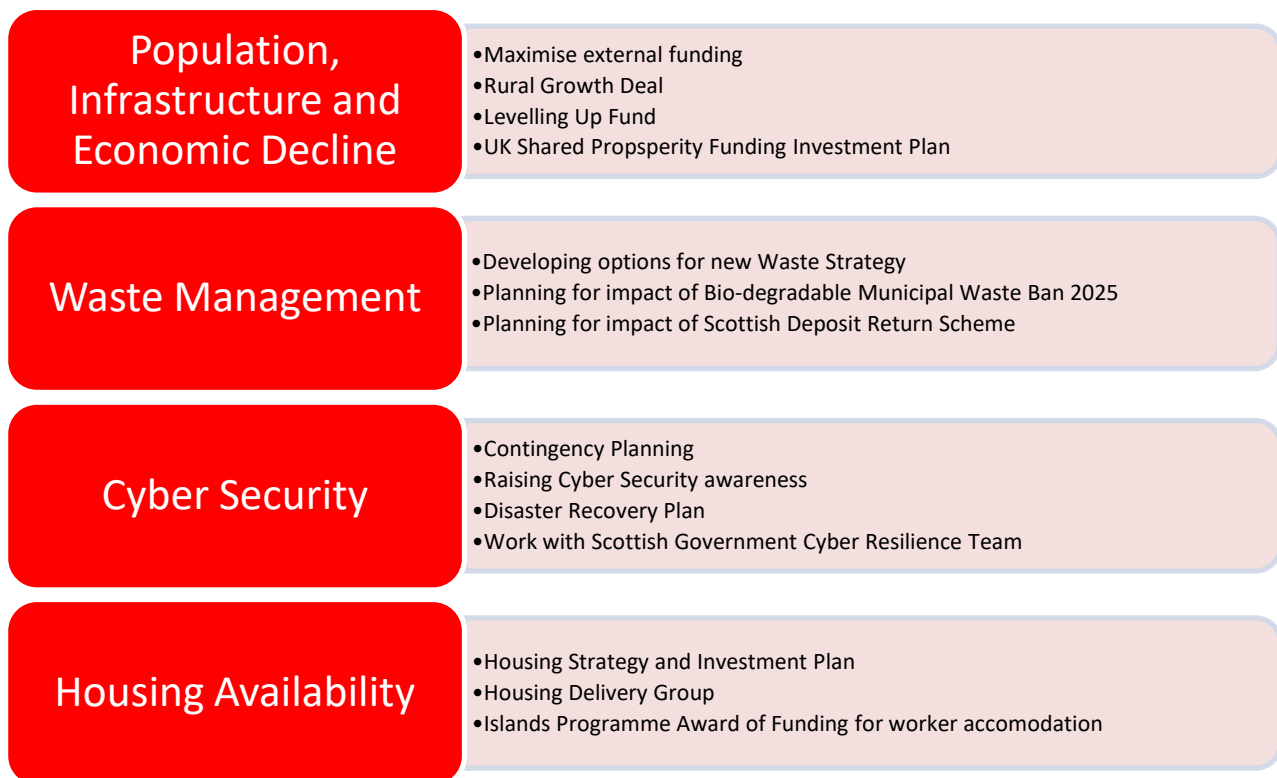
The Scottish Government will fund up to 50% of eligible costs therefore the Council will be required to fund circa £20m prior to any associated borrowing costs. A Members seminar was held on the 12 April 2024 and a report subsequently presented to Council on 25 April 2024 outlining the financial, economic, community and educational implications of the proposed campus. Members agreed that up to £5m from the previously agreed earmarked LEIP funding could be used to commence the Business Case, undertake engagement exercises, commence the site selection process and establish governance arrangements. To progress with the project beyond this point Members will consider the capital and revenue budget provision required as part of the budget setting process.



## Risks

The Council's Strategic Management Team (SMT) actively manage strategic risks via a six monthly review of the Strategic Risk Register (SRR) which adopts established risk management arrangements including reviewing current mitigating measures and identifying key actions to further mitigate them. These actions are designed to be consistent with the work required to deliver services which are aligned to the Council's objectives through the Council's strategic and service plans. Furthermore departmental management teams review their operational risk registers (ORR) on a quarterly basis with all red risks identified in ORRs being reported to the SMT to ensure they are sighted on all emerging high priority risks.

The SRR currently has 13 strategic risks which are categorised using a RAG (Red, Amber, Green) Status based on the residual impact and likelihood of crystallisation after accounting for mitigation measures. There are currently four risks classified as red as set out in the diagram below which also summarises the current mitigating actions. These are issues that the Council continues to manage through programmes of work such as the Rural Growth Deal, and the Levelling Up Fund, also the progression of a new Waste Strategy with a particular focus on the 2025 ban on Biodegradable Municipal Waste, reviewing contingency plans and disaster recovery plans in relation to Cyber Security and addressing the Housing Emergency through a Housing Strategy and Investment Plan.



## 8. CONCLUSION

The Council has continued to have good financial planning arrangements in place in 2023-24. We have managed the continued inflationary pressures and taken the opportunity to repay borrowing at a discount which helped ensure that we operated within budget in 2023-24. The utilisation of the Service Concession flexibility has allowed us to earmark funds to address Council priorities and therefore not put further pressure on the budget position. It is recognised that ongoing real term reductions in Scottish Government core revenue grant continues to present significant financial challenges for all local authorities, however, our council is in a strong position to manage the financially challenging times.

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The Council are committed to deliver the best services to the people of Argyll and Bute within the available resources.

### 9. ACKNOWLEDGEMENTS

We would take this opportunity to acknowledge the significant effort in producing the Annual Accounts and to record our thanks to both Elected Members and staff for their continued hard work and support.

**Kirsty Flanagan**  
**Section 95 Officer**  
**27 June 2024**

## THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Executive Director;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- to approve the Annual Accounts for signature.

## SECTION 95 OFFICER RESPONSIBILITIES

The Section 95 Officer is responsible for the preparation of the Council'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* (The Code).

In preparing the Annual Accounts, the Section 95 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates on a reasonable basis;
- complied with legislation;
- complied with the Local Authority Accounting Code of Practice 2023-24 (in so far as it is compatible with legislation).

The Section 95 Officer has also:

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

*I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2024.*

**Kirsty Flanagan  
Section 95 Officer  
27 June 2024**

## 1. BACKGROUND AND SCOPE OF RESPONSIBILITY

Argyll and Bute Council's (the Council) governance framework includes the systems, processes and culture by which the Council is controlled, engages with communities and monitors the achievement of strategic objectives. The Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

The system of internal control is a key part of the framework and is designed to manage risk to an acceptable level.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance (the Code) which is consistent with the principles and requirements of the CIPFA/SOLACE revised Framework for 'Delivering Good Governance in Local Government'. This Statement explains how the Council has complied with the Code and meets the requirements of current good practice.

## 2. THE GOVERNANCE FRAMEWORK

The Code details how the Council will demonstrate compliance with the fundamental principles of corporate governance for public sector bodies. The seven key principles of our governance arrangements in 2023/24 are described in the Code, along with our supporting principles and key aspects of our arrangements to ensure compliance.

### 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

We have four values, which underpin all that we do and provide a sound basis to achieve transformation to ensure we meet the challenges of the future and deliver quality services. These values are that we have a workforce which is:

**Caring**

**Committed**

**Collaborative**

**Creative**

The Council has developed a change programme 'Connect for Success' with the seven principles – One Council One Place Approach, Purpose and Mission Focus, Employee Empowerment, Data and Evidence Driven Decision Making, Learning Council, Agile and Maximise Opportunities that Technology Offers - [Connect for Success](#)

We have developed and communicated an [Ethical Framework](#) within the Council's Constitution, which defines standards of behaviour for Members and staff. Protocols for Member/Officer relations are also detailed within the Constitution.

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities and is incorporated into the Council's Constitution as part of the ethical framework which also includes a protocol for the Monitoring Officer. A [Register of Members Interests](#) is publicly available for inspection. In addition, the Constitution has a section on conduct at meetings and meeting agendas require declarations of interest to be made where appropriate. Standing orders for meetings are included within the Council's constitution and training and support is provided to members on their role in Council committees.

[Anti-fraud and whistleblowing](#) policies are in place and the Council has adopted the Scottish Public Services Ombudsman's (SPSO's) Model [Complaints Handling Procedure](#).

## Annual Governance Statement



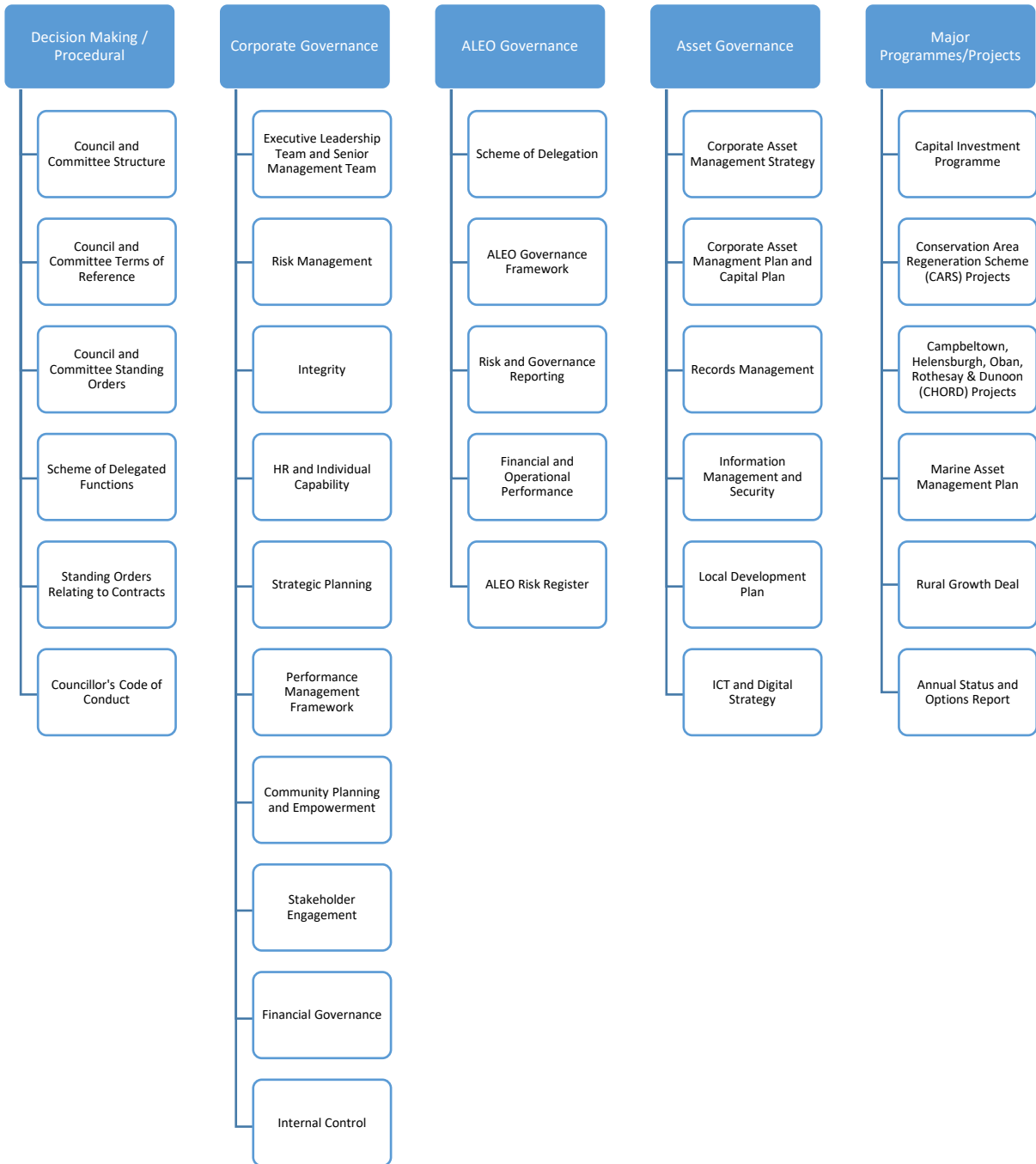
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The Council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

In addition, Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work (CSWO).

A structure of governance and framework across our day to day activities and which supports accountability, control, risk management and appropriate overview of the Council are outlined in the diagram below:

## Constitution, Governance, Risk Management and Accountability



## External and Internal Audit and other regulatory inspections

## 2. Ensuring openness and comprehensive stakeholder engagement.

We have established clear channels of communication with the community and other stakeholders through our Communication Strategy. Key mechanisms include:

### [Consultation Diary](#)

The Council has developed a consultation section on its website which hosts all consultations run by the Council and includes a section which publicises the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they were informed by the consultation process. This is part of our commitment to You Said, We Did information sharing for the public. Consultations provide communities with an opportunity to get involved with wide ranging aspects of the council's work and life in Argyll and Bute.

These include for example, play park funding, active travel routes, primary school consultations, and the council's customer service strategy.

### [Keep in the Loop Service](#)

Over 10,870 customers currently subscribe to receive notifications across the range of services.

'Myaccount' is a secure sign-in service for accessing online public services in Scotland. It provides the ability to set up an online account and use it to access a growing range of online public services, Scotland-wide, including Argyll and Bute Council. Currently 16,744 customers up from 15,399 last year have signed up to this service and it allows customers to access and personalise their interaction with the Council on a range of services.

### [Public Performance Reporting](#)

The Council's website makes all performance information available to the public. This includes information on performance scorecards, budgets and other service related information. This promotes open accountability to the public for its performance against agreed policies and standards. As part of phase two of the performance excellence project a review of the council's approach to public performance reporting is being undertaken.

### [Accessibility](#)

In 2023/24 75% of 593,362 customer interactions through the council's Customer Engagement Team were made using digital self-service. This very high proportion is because of the scope and quality of the digital services provided. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website was upgraded to the latest software version Drupal 10 and its content refreshed to meet the new international WCAG2.2 standard.

In March 2024 it scored 98% in the UK [Independent Silktime accessibility score](#), rating it the 37th highest ranking Council in the UK. In addition the Reachdeck supported access tool was added to the website to give read aloud and translation help to users seeking such additional assistance and our 24/7 automated telephone service was used 46,942 times by those customers who struggle with online digital services.

### [Community Engagement](#)

To support strengthening communities, community empowerment and engagement the council has in place:

- An officer Community Engagement Strategy Group to oversee the development and implementation of the council's internal Engagement Strategy; advising on best practice in engagement tools and techniques, supporting skills development and capacity within the council to effectively engage with communities. On this group sit those officers with expertise in engagement including those from Corporate Communications and the Communities & Partnership Team. The Council's Communications Team has developed an engagement app for services to use, and the council's Communities & Partnership Team has resources and expertise to support hard to reach groups,

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community organisations and remote communities to have a voice in decision making.

- A Community Development service, with a focus on improving active citizenship and capacity building through best practice in community development through a responsive and effectively targeted programme of Community Development support internally to the council and externally within communities across Argyll and Bute.
- A range of [training and resources](#) to help build the knowledge, skills and confidence of community groups
- Funding support to help empower community organisations to take forward priority projects and activities in their area: [Monthly funding alert | Argyll and Bute Council \(argyll-bute.gov.uk\)](#)
- Resourcing community council liaison activities, including training and support activity, which helps to build the capacity of community councils.

The Council also has a statutory lead role to ensuring Community Learning and Development provision in Argyll and Bute is set out in an Argyll and Bute Community Learning and Development Strategic Plan, and this is delivered through its collaboration with its Arms-length External Organisation (ALEO) partner Live Argyll.

The Council continues to promote the [Community-led action plan toolkit](#) (developed in partnership with Scottish Community Development Centre) to help support communities interested in developing a local Community-led Action Plan. The Council also provides support for communities interested in development a Place Plan: [Local Place Plans | Argyll and Bute Council \(argyll-bute.gov.uk\)](#)

The Council directly resources the management of the Community Planning Partnership (CPP) to bring partners together, including community, to deliver on the Outcome Improvement Plan. It actively seeks to ensure that young people are engaged in Community Planning and has implemented the following:

- The 3 local Members of the Scottish Youth Parliament (MSYP's) attend the Community Planning Partnership Management Committee meetings on a rotational basis.
- The Area Community Planning Groups (ACPG) invite members of local Youth Forums to attend meetings when they are held in their local areas & information is passed on to young people by Youth Workers who are kept updated on any developments.
- The revised Scheme of Establishment for Community Councils outlines the requirement to encourage young people to attend and participate in community council meetings” and the age to become a Community Councillor was lowered to be 16 to encourage more young people to become involved.

## Council/Committee Meetings

Meetings are always held in public, unless one of the statutory exemptions in the Local Government (Scotland) Act 1973, schedule 7A applies to the content of the report. Agendas for and minutes of meetings are detailed on the Council’s website. When schedule 7A applies papers are adjusted to ensure that the maximum amount of content is in the public domain.

The Council’s [Constitution](#) defines the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Standards Commission Advice Note for Councillors on Distinguishing between their Strategic Role and any Operational Work has previously been included in an Elected Member Seminar and is hosted on the Members Resource page on the Hub for ease of reference.



### 3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Our [Corporate plan](#) sets out our, and our community planning partner's, vision for Argyll and Bute's economic success to be built on a growing population. It also defines our mission "*To make Argyll and Bute a place people choose to live, learn, work and do business*" and establishes our outcomes, priorities and approach to delivering on our shared ambition with our community partners.

We have a [Performance Improvement Framework \(PIF\)](#) that ensures performance is integral to the work of the Council. The PIF is focused not just on measuring what we do but on measuring the difference we make in terms of our outcomes.

Asset management planning and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council has acknowledges the effects of the 'Cost of Living' within Argyll and Bute and during 2023/2024 client gain achieved by the Flexible food and Fuel fund project reached £3.8 million. This project, supporting the most vulnerable low income households and those using foodbanks in our area to access short-term grants to cover the cost of food and fuel in the short term. In the longer term support through the provision benefit maximisation, money advice and energy advice services is provided by third sector partner agencies.

In addition, this year the Council has issued 1,300 Scotland Loves Local Gift Cards to low income households in the year ensuring the £110,000 loaded onto the gift cards is spent in Island based local businesses in Argyll and Bute. The Council and the Third Sector Interface is supporting the Poverty Alliance on a project entitled "Taking Action on Rural Poverty" which is looking at new ways of addressing rural poverty in Argyll and Bute by reducing the rural poverty premium.

The Council has also provided a one-stop-shop webpage where individuals and families can access energy advice, money advice and links to the services the Council provides in this area and those provided by third sector partner organisations.

In 2022/23 Argyll & Bute Council recorded its lowest level of operational carbon emissions since reporting commenced in 2015/16 via the Public Bodies Climate Change Duties. This represents a reduction of 12,952 tCO<sub>2</sub>e (tonnes of carbon dioxide equivalent), approximately 33% against baseline figures. Work continues across Council services to reduce our emissions and support our journey to net zero including the transition to energy efficient LED streetlighting, moving to electric or hybrid fleet vehicles, and increasing diversion of waste from landfill.

Integrated impact assessments as well as environmental, sustainability and island implications are considered during the decision making process to promote fair access to services.

### 4. Determining the interventions necessary to optimise the achievement of the intended outcomes.

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, acting sustainably, carbon management, island proofing, and changes to schemes, by way of the compulsory sections of the Committee report.

The Council's Executive Leadership Team (ELT) meet regularly with the administration to discuss their key priorities and requirements for decision making in addition there is regular survey and feedback on their needs and a regular review of governance arrangements to ensure that decision making is fully supported.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan

## **5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

### Elected Member Development

The Council has signed up to the Improvement Service's Continuing Professional Development Framework for Elected Members. All Elected Members are provided with opportunities to progress personal development plans so that individual training needs and aspirations are identified and support provided as appropriate. This is complemented by a comprehensive seminar and workshop programme which addresses a wide range of topics and strategic issues. Additional training was undertaken by Elected Members in relation to the technology, knowledge and skills necessary to support the transition to a virtual environment including webcasting of strategic Committee meetings and the operation of meetings on a hybrid basis, enabling a mixed attendance of members being physically or virtually present.

### Officer Development

The Council supports officer development through a structured approach, driven by the values set out in the Corporate Plan and a behavioural competency framework.

The Council has Argyll and Bute Manager and Leadership Programmes, which ensure that all employees who have management responsibilities are knowledgeable and effective in delivering services within the priority management policies and procedures of the Council, including finance, performance and people management. The Leadership Programme ensures that senior and aspiring leaders in the organisation have support to develop their leadership behaviours and to improve their overall impact and performance across the organisation.

## **6. Managing risks and performance through robust internal control and strong public financial management.**

### Internal Financial Control

Our standing orders, financial instructions, scheme of delegation and supporting procedure notes/manuals clearly define how decisions are taken and the processes and controls in place to manage risks. These are reviewed and updated on an annual basis. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Council's Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair. Furthermore the Council has a designated Data Protection Officer and all services have Information Asset Registers along with appropriate guidance on how data should be managed.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer and we ensure that our independent Audit and Scrutiny Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'.

The Council has a system of internal financial control designed to manage risk to a reasonable level. It is based on a framework of regular management information, financial regulations, administrative

procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

Development and maintenance of the system is undertaken by officers within the Council and the named bodies mentioned below.

| <b><u>Internal Financial Controls and Prevention</u></b> | <b><u>Are these in Place?</u></b>   |
|--|-------------------------------------|
| <b>Comprehensive budget systems</b>                      | <input checked="" type="checkbox"/> |
| <b>Financial and budget monitoring systems</b>           | <input checked="" type="checkbox"/> |
| <b>Financial and Performance reporting systems</b>       | <input checked="" type="checkbox"/> |
| <b>Clearly defined Capital Expenditure guidelines</b>    | <input checked="" type="checkbox"/> |
| <b>Project Management processes and disciplines</b>      | <input checked="" type="checkbox"/> |
| <b>An effective Internal Audit Section</b>               | <input checked="" type="checkbox"/> |
| <b>An effective Counter Fraud Team</b>                   | <input checked="" type="checkbox"/> |

Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

This annual review also covers the other bodies whose activities are incorporated into our Group Accounts and reliance is placed on the formal audit opinion contained in the financial statements of each individual body.

- Dunbartonshire and Argyll and Bute Valuation Board
- Live Argyll
- Argyll and Bute Integration Joint Board

The Council's risk management processes are well developed. In particular the:

- Strategic Risk Register is updated twice a year and approved by the SMT
- Chief Executive presents the Strategic Risk Register to the Audit and Scrutiny Committee on an annual basis
- Operational Risk Registers are updated quarterly by departmental management teams.
- Internal Audit will perform an audit of compliance with risk management arrangements every three years.
- The CIA performs an annual strategic risk assurance mapping exercise.

## **7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

### Internal Audit

The Council and its Group bodies have internal audit functions, which operate to Public Sector Internal Audit Standards. The work of internal audit is informed by an analysis of the risk to which the Council and its Group bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's Audit and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan. In addition, the Council has developed a hybrid meeting facility enabling physical and virtual attendance at meetings with a public broadcast function so that members of the public can see and hear meetings of the Council's strategic committees' live increasing openness and transparency.

The Chief Internal Auditor (CIA) provides the Audit and Scrutiny Committee with an annual report on internal audit activity in the Council and an opinion of the assurance can be taken regarding the systems of governance and internal control and whether they are operating effectively. This is an independent and objective opinion of the CIA based on work carried out in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

Internal audit provides members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. External audit has, and continues to, use the work of internal audit.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

### Review of the Adequacy of Effectiveness of the Council's Governance Framework

Work to deliver Argyll and Bute's Covid Recovery Strategy and Action plan continued in 2023/24 with the same governance arrangements. Full details of the action plan is detailed in the document "Recovery, Renew and Restart", which was approved by Councils Economic, Development and Infrastructure Committee.

The Council has appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The legislative framework of local government defines a number of posts which are primary to the Council's governance arrangements. These include the Chief Executive, Pippa Milne fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director Douglas Hendry:

- oversees the implementation of the Code and monitoring its operation
- reports annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness.

Specific responsibilities are assigned to the Executive Director Kirsty Flanagan as the Council's Chief Financial Officer (S95 Officer), to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Financial Officer has in relation to financial performance and the financial control environment, CIPFA has set out key principles that define the core activities and behaviours that belong to the role. These include, being a key member of the Leadership Team, being actively involved in and influencing decision making, and leading the delivery of good financial management across the whole organisation. The Council have appointed a Data Protection Officer in line with the requirements of the UK-General Data Protection Regulations and the Data Protection Act 2018.

### Covid Recovery Progress Report 2023/24

The Argyll and Bute Overarching Recovery Group (formed to lead this process with specific thematic groups focused on Council recovery, building back stronger communities, economic and social recovery, infrastructure and transportation, financial management and public health) continues to have an overview of the Councils Covid Recovery Strategy and critical themes, although the majority of the actions have either been completed or been mainstreamed into other strategic or operational plans. Key updates are as follows:

- a) Economic and Social Recovery: Issues and actions are incorporated within the Councils Economic Strategy
- b) Building Back Stronger Communities. Issues and actions are incorporated within the Corporate Community Planning priorities
- c) Our Modern Workspaces program. The Council have established hybrid working across its activities and Our Modern Workspace project aims to look at how we use offices on a town by town basis and take into account the needs of employees and members of the public, as well as any opportunities for working more closely with partners. Good progress is being made to develop Hub buildings and reducing heating and maintenance costs and our huge portfolio of buildings.

- d) The Joint Health Protection Plan, agreed by Argyll and Bute Council, Highland Council and NHS Highland, sets out the public health arrangements for the management and control of public health incidents and outbreaks, together with detailing our collective public health priorities for 2023-25.

### FINANCIAL SUSTAINABILITY

It is anticipated the Scottish public sector will continue to face a very challenging short and medium term financial outlook with uncertainty over the level of Scottish Government funding. The one year financial settlements do not provide any degree of medium term certainty and ring-fencing of monies and additional policy commitments which are not always fully funded limit financial flexibility and create additional financial pressures.

In June 2023 the Verity House agreement was signed by representatives from Scottish Local Government and Scottish Government which signified a shared vision for a more collaborative approach to delivering our Services. This agreement included a commitment to improve engagement on budgetary matters and provide more flexibility to Local Authorities by baselining specific grants to allow them to be utilised on local priorities. It has been disappointing to note that very little has changed in light of this agreement with no engagement with Local Authorities prior to the Council Tax freeze announcement for 2024-25.

The financial outlook continues to be impacted by higher levels of inflation than pre-COVID which results in significant price increases as well as ongoing disruptions to the supply chain and longer lead in times. Tender prices are substantially higher than in previous years meaning a reduced level of Service can be provided for the same amount of money.

The Council continues to provide financial estimates for future years with their medium term financial outlook covering a five year window to provide a longer term view of the Council's estimated budget gap. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

The Council has a strong track record in financial management as recognised by previous year's annual external audit reports and the Council's Best Value report issued in May 2020. The Best Value report also recognises that the Council's medium to long term financial strategy helps support financial planning arrangements. In addition to providing revenue and capital projections the Strategy also sets out the position in relation to the Council's general fund reserve, the approach to managing the financial impact of inflationary pressures, approach to Treasury Management and the strategy to address budget gaps.

### HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from Argyll and Bute Council and NHS Highland, with its own board of governance. The IJB comprises eight voting members with four Elected Members nominated by Argyll and Bute Council and four Board members from NHS Highland. In addition there are a number of non-voting appointees representing other sectors and stakeholder groups, such as the Third Sector, Independent Sector, Patients and Service Users, Carers and Staff.

The arrangements for the operation, remit and governance of the IJB are set out in the Argyll and Bute Integration Scheme which has been prepared and approved by Argyll and Bute Council and NHS Highland. It has also been approved by the Scottish Government. The IJB, via a process of delegation from the Health Board and Local Authority as outlined in the Scheme of Integration has responsibility for the planning, resourcing and operational delivery of all health and social care services within Argyll and Bute.

The Council places reliance on the IJB's framework of internal controls and similarly the IJB places reliance



on the procedures, policies and operational systems of the Council and the Health Board. The IJB operates within an established procedural framework. The roles and responsibilities of board members and officers are defined within Standing Orders, the Integration Scheme, Financial Regulations and Standing Financial Instructions.

The IJB has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based internal audit plan developed and commissioned for 2023/24 and the IJB's internal auditor has issued a formal annual report providing their independent opinion on the effectiveness of the IJB's risk management, internal control and governance processes. The overall conclusion of the Internal Auditor is to provide a satisfactory level of assurance on the adequacy of internal controls and governance arrangements within the IJB.

During 2023-24 the IJB has progressed a number of initiatives to develop its governance arrangements including improving the use of Directions and the implementation of the integrated performance management system. It has also focused upon re-mobilising services following the pandemic, refreshing its service transformation program and progressing strategic development projects. It has focused on taking action to manage strategic risks during the year. However, it is acknowledged that budgetary challenges have resulted in some key capital projects and business case development work being paused.

The financial position of the HSCP has also remained stable. It repaid all of the debt it owed to the Council in 2021/22 and reported an underspend against its approved budget in 2023/24. The operating environment going forward is very challenging as funding allocations have not kept pace with cost and demand increases. The impact of an increasing older population with on-going recruitment constraints and workforce shortages is adding to the challenge. The HSCP is working to address its workforce gaps throughout the area and across many professions in a variety of ways. For example, it is seeking to address key worker accommodation shortages in partnership with the Council, Shelter and the Social Housing Sector and is constantly trying new approaches to attract workers from outside Argyll & Bute. The new Health and Care Staffing act will also be progressively implemented throughout 2024/25 which places additional duties upon the IJB to monitor, manage and report upon its staffing levels and risks. These risks and challenges are particularly acute in many of our rural and island communities which are experiencing increasing costs along with very small scale, lifeline services which are become ever more difficult to sustain or operate in a financially efficient way.

The IJB approved a budget for 2024/25 which indicates that additional funding from NHS Highland may be required, although it is likely that any actual gap can be funded by the allocation of HSCP reserves. The budget is also dependent upon the allocation of non-recurring pension fund savings held by Argyll & Bute Council. The management of longer-term financial sustainability is a priority and service change and transformation plans aimed at addressing this require to be developed, consulted upon and implemented during the course of 2024/25 and 2025/26. The delivery of the short term savings plan is a priority for the HSCP particularly as it seeks to manage down spend on expensive agency and locum staff whilst maintaining the safety of services.

### **UPDATE ON AREAS FOR DEVELOPMENT IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

The 2022/23 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

| Area  | 2023/24 Update  |
|---|---|
| <p>Continue to engage with the Scottish Government, other local authorities and our Waste PPP contractor to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complies with the 2025 Bio-degradable Municipal Waste Ban</p> | <p>We continue to pursue Scottish Government for either a derogation or financial contribution of circa £1.5M to enable the Waste PPP contract to be accommodated alongside the 2025 BMW ban. At the time of writing (30 April 2024) we are still awaiting final confirmation from Scottish Government although given the passage of time we are now working on the basis that a derogation will not be approved and are progressing discussions with Renewi for MBT plants to be converted to Waste Transfer Stations for use from January 2026 onwards, earlier if practical.</p>   |
| <p>Further enhance reporting of workforce planning to the Strategic Management Team</p>   | <p>Workforce planning conversations took place with Managers during January - March and operational workforce plans are now being finalised for reporting to SMT. Absence data is being included in the workforce planning risk matrix to improve reporting to SMT. Progress against actions outlined within operational workforce plans will now be reported through regular Health of the Organisation reporting to Department Management Teams and SMT. The council approved its revised People Strategy and updated strategic workforce planning priorities in February. All strategic workforce planning actions will be included in the annual People Strategy delivery plan.</p>   |
| <p>Continue to Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management</p>   | <p>A further 57 condition surveys (7 within the school estate and 50 within the non-school estate) and in accordance with the Scottish Government's Core Fact of Condition were commissioned in 2023/24 and output will be delivered in 2024/25. Additionally records were updated through inspections and measurements undertaken as part of the ongoing rolling programme of asset valuations.</p>  |
| <p>Develop data/analytics business intelligence tool</p>  | <p>The council is taking a two-pronged approach to building its capacity for business intelligence, within the framework of its new data strategy and action plan (2024-28) approved by SMT in October 2023:</p> <ul style="list-style-type: none"> <li>a) Microsoft PowerBI – PowerBI is one of the products in the Microsoft 365 (M365) productivity suite and includes some familiar aspects of Microsoft Excel but with much greater capacity to combine and visualise data from multiple sources. Since the council has a long-term plan for the adoption and utilisation of M365 it is the logical tool for data visualisation and analysis.</li> <li>b) The data platform – The “minimum viable product” (MVP) version of this was launched on 26/3/24 and is now available for staff to use. The Data Platform will be essential to allowing “democratised” access to data for use in PowerBI report building by services themselves. The Data Platform will also allow for access to datasets to be controlled and managed by a robust permissions framework; ensure consistent application of data quality, ethics and standards; and enable the FAIR Principles of making data Findable, Accessible, Interoperable and Re-usable.</li> </ul> |

|   |  |
|---|--|
| <p>Complete review of performance management</p>          | <p>Phase one of the Performance Excellence Project is now complete with the following deliverables:</p> <ul style="list-style-type: none"> <li>- Reduced set of Corporate Outcome Indicators to review and report on long term trends and progress against targets</li> <li>- Decommissioning of Pyramid and development of new Area Scorecards using MS365.</li> <li>- Development of a new Corporate Plan and Business Plan setting out elected members overall priorities and the activities and projects that will deliver on these.</li> <li>- Design and Pilot of a new approach to Self-Assessment which has been piloted at team level and thematic level.</li> </ul> <p>Phase Two of the project has been scoped and is now underway. Phase two of the project will involve redesign the council Performance Improvement Framework with workstreams covering planning, design of performance dashboards and the council's approach to public performance reporting.</p> |
| <p>Complete the External Quality Assessment Framework</p> | <p>The External Quality Assessment was undertaken and reported to the Audit and Scrutiny Committee. The findings were that the Internal Audit service are fully compliant with the Public Sector Internal Audit Standards in all 14 areas of assessment. Two minor recommendations were made and have been fully actioned.</p>   |

## ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2024/25, particularly in the context of continuous improvement within the Council:

- Preparation for the implementation of the Visitor Levy in 2026 - Work with the Digital Office, improvement Service, City of Edinburgh and Highland Council on the development of a new digital platform for the billing and collection of the new levy. (Head of Financial Services/Head of Development and Economic Growth – March 2025).
- Preparation for new processes being implemented including the practice around Initial Referral Discussions relating to child protection, there will be a need to audit and develop practice further and the development of an action plan based on the findings will help improvement and the need to consider the staffing structures which support this vital area of work. (Head of Children, Families and Justice – March 2025)
- Housing Emergency declared by the Council in June 2023 - Utilise outputs from the Housing Summit held, to develop a multi-stakeholder Action Plan, and synthesise the relative elements of this into a revised Local Housing Strategy Action Programme. (Head of Development and Economic Growth – March 2025)
- The revaluation of properties for building insurances purposes - Estates will undertake a revaluation programme for the general portfolio, together with a programme of recorded inspections of vacant properties. (Head of Commercial services March 2025)
- Publication of the Annual Procurement Report for the Council – This will promote our obligations set out in the Procurement Regulations. (Head of Legal and Regulatory Support – March 2025)
- The Licensing Board will undertake a review of its Licensing Policy statement as required in terms of the Licensing (Scotland) Act 2005. (Head of Legal and Regulatory Support – March 2025)
- The use of Cloud Storage – Following results of the Internal Audit, put in place actions to ensure optimum, appropriate and secure use of cloud storage is applied across all applications. (Head of Customer Support Services – March 2025)
- Further enhance school engagement with national programmes and community partnership



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approaches supporting young people to build their confidence, increase mental health awareness and promote diversity. (Head of Education, Performance & Improvement – March 2025).

### **CONCLUSION**

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Argyll and Bute Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects. Systems are in place to regularly review and improve governance and systems of internal control.

**Kirsty Flanagan**  
**Section 95 Officer**  
**27 June 2024**

## BACKGROUND

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No.2014/200) require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. All information disclosed in the tables in this Remuneration Report were audited by Mazars. All other sections within the Remuneration Report were reviewed by Mazars to ensure it is consistent with the Financial Statements.

## REMUNERATION POLICY AND ARRANGEMENTS

### Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2020/26). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements. There are 4 grades of councillor in each local authority for the purposes of payment of remuneration, the Leader of the Council; the Civic Head (Provost); senior councillors; and councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The Regulations also provide for the banding of local authorities. Argyll and Bute is in Band B and the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2023-24 the salary for the Leader of Argyll and Bute Council is £40,205. The Regulations permit the Council to remunerate one civic head. The Regulations set out the maximum salary that may be paid to that civic head. The Council's civic head is the Provost and their remuneration is set at £30,154 which is the maximum allowed for local authorities in Band B.

The Regulations also set out the remuneration that may be paid to senior councillors in addition to the Leader and Civic Head and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its senior councillors shall not exceed £0.352m. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors up to a maximum of 14 and their salary within these maximum limits. The Council's policy is to pay a salary of £30,154 to each appointed policy lead. Chairs of Area Committees without a policy lead remit are paid a salary of £24,081.

In 2023-24, Argyll and Bute Council had 11 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors (excluding the Provost and the Leader) during 2023-24 was £0.313m. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

### Senior Employees

The salary of senior employees is set by reference to national arrangements as well as local decisions on management structures and their associated remuneration levels. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services (Chief Officials) sets the salary levels for the Chief Executives of Scottish Local Authorities and also sets out the spinal column salary points for Chief Officers which local authorities can utilise in setting the salary levels for posts within their authority. Circular 2023 IR 11.23b sets the amount of salary for the Chief Executive of Argyll and Bute Council for 2023-24. The salaries of Executive Directors are paid at SCP 43 with Heads of Service being paid at SCP 29.

## COUNCILLORS' REMUNERATION

Councillors' payments are made in accordance with the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 and The Local Government (Allowances and Expenses) (Scotland) Regulations 2007.

The total amount of councillors' remuneration paid by the Council during the year was:

| 2022-23<br>Actual<br>£'000 | Members Allowances                            | 2023-24<br>Actual<br>£'000 |
|----------------------------|---|----------------------------|
| 476                        | Basic Councillor Salaries                     | 464                        |
| 66                         | Leader and Provost's Salary                   | 70                         |
| 258                        | Senior Councillor Salaries                    | 313                        |
| 29                         | Other Expenses and Allowances paid to Members | 25                         |
| <b>829</b>                 | <b>Total Allowances</b>                       | <b>872</b>                 |

The annual return of councillors' salaries and expenses for 2023-24 is available for any member of the public to view at all Council libraries and public offices during normal working hours. It is also available on the Council's website at <http://www.argyll-bute.gov.uk/council-and-government/councillors-and-community-councillors>.

## SENIOR COUNCILLORS' REMUNERATION

Additional disclosures are required for senior councillors' remuneration. Senior councillors' remuneration is in accordance with the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 which for the purpose of remuneration, grades Councillors as either the Leader of the Council, The Civic Head (Provost), senior Councillors or Councillors. Details of senior Councillors' remuneration are as follows:

| 2022-23<br>Total<br>Remuneration<br>£ | Senior Members             | Responsibility   | 2023-24                                |                          |                            |
|---------------------------------------|----------------------------|--|--|--------------------------|----------------------------|
|                                       |                            |  | Salary, Fees<br>and<br>Allowances<br>£ | Taxable<br>Expenses<br>£ | Total<br>Remuneration<br>£ |
| 18,059                                | Councillor Garret Corner   | <b>Chair of Mid Argyll, Kintyre &amp; the Islands Area Committee</b> from 24-11-22                                 | 24,054                                 | -                        | 24,054                     |
| 24,932                                | Councillor Maurice Corry   | <b>Provost</b> from 19-05-22   | 30,120                                 | -                        | 30,120                     |
| 38,254                                | Councillor Robin Currie    | <b>Leader</b> from 24-10-20 and <b>Policy Lead for Strategic Development</b> from 24-11-22                         | 40,160                                 | -                        | 40,160                     |
| 28,648                                | Councillor Kieron Green    | <b>Policy Lead for Planning &amp; Regulatory Services</b> from 19-05-22  | 30,120                                 | -                        | 30,120                     |
| 24,932                                | Councillor Amanda Hampsey  | <b>Policy Lead for Care Services</b> from 19-05-22   | 30,120                                 | -                        | 30,120                     |
| 24,932                                | Councillor Andrew Kain     | <b>Policy Lead for Roads and Transport and Chair of Oban, Lorn &amp; the Isles Area Committee</b> from 19-05-22    | 30,120                                 | -                        | 30,120                     |
| 22,675                                | Councillor James Lynch     | <b>Leader of the Largest Opposition Group</b> from 19-05-22  | 24,054                                 | -                        | 24,054                     |
| 27,554                                | Councillor Liz McCabe      | <b>Policy Lead for Islands and Business Development and Chair of Bute &amp; Cowal Area Committee</b> from 19-05-22 | 30,120                                 | -                        | 30,120                     |
| 28,648                                | Councillor Yvonne McNeilly | <b>Policy Lead for Education</b>   | 30,120                                 | -                        | 30,120                     |
| 24,932                                | Councillor Ross Moreland   | <b>Policy Lead for Climate Change and Environment Services</b> from 19-05-22                                       | 30,120                                 | -                        | 30,120                     |
| 28,648                                | Councillor Gary Mulvaney   | <b>Depute Leader</b> from 26-09-19 and <b>Policy Lead for Finance and Commercial Services</b> from 19-05-22        | 30,120                                 | -                        | 30,120                     |
| 22,675                                | Councillor Gemma Penfold   | <b>Chair of Helensburgh &amp; Lomond Area Committee</b> from 19-05-22  | 24,054                                 | -                        | 24,054                     |
| 14,692                                | Councillor Alastair Redman | <b>Policy Lead for Economic Growth and Corporate Services</b> from 24-11-22  | 30,120                                 | -                        | 30,120                     |

Senior Councillors' remuneration in the tables above does not include non-taxable expenses.

The values in the table above relate to the actual payments made during 2023-24 which differ slightly from those stated on page 39 due to timing differences in regards to payroll. There is no compensation/loss of office payments within the period and there were no benefits or bonuses paid during the year.

## EMPLOYEES' REMUNERATION

The Regulations require that local authorities provide an analysis of the number of employees whose remuneration in the year was £50,000 or more, including those classified as senior employees who are subject to separate disclosure requirements. The definition of remuneration includes all sums paid to or receivable by an employee, expense allowances chargeable to tax and the monetary value of benefits received other than in cash. This definition therefore includes all payments made to the employee in respect of agreed employment terminations or retirements. However, employer pension contributions are excluded from the definition.

Readers should be aware when making comparisons between years that, due to contractual incremental pay increases, the number of employees covered by this disclosure will increase each year. In addition, payments made in respect of agreed employment terminations or retirements can also distort the number and/or banding of employees.

The number of employees whose remuneration, excluding employer pension contributions and including redundancy/retirement payments, was £50,000 or more in bands of £5,000 was:

| 2022-23<br>Number of Officers | Range<br>£          | 2023-24<br>Number of Officers |
|-------------------------------|---------------------|-------------------------------|
| 136                           | £50,000 - £54,999   | 303                           |
| 83                            | £55,000 - £59,999   | 105                           |
| 64                            | £60,000 - £64,999   | 79                            |
| 19                            | £65,000 - £69,999   | 76                            |
| 9                             | £70,000 - £74,999   | 43                            |
| 3                             | £75,000 - £79,999   | 16                            |
| 9                             | £80,000 - £84,999   | 7                             |
| 1                             | £85,000 - £89,999   | 13                            |
| 1                             | £90,000 - £94,999   | 2                             |
| 1                             | £95,000 - £99,999   | -                             |
| 1                             | £100,000 - £104,999 | 1                             |
| -                             | £105,000 - £109,999 | 1                             |
| 2                             | £110,000 - £114,999 | -                             |
| -                             | £115,000 - £119,999 | 3                             |
| -                             | £120,000 - £124,999 | -                             |
| -                             | £125,000 - £129,999 | -                             |
| -                             | £130,000 - £135,000 | -                             |
| 1                             | £135,000 - £139,999 | -                             |
| -                             | £140,000 - £144,999 | 1                             |
| <b>330</b>                    | <b>Total</b>        | <b>650</b>                    |

## SENIOR EMPLOYEES' REMUNERATION

The table below provides details of the remuneration paid to the Council's senior employees. This is defined by the regulations as;

- someone who has responsibility for the management of the organisation,
- occupy a position which is politically restricted, or
- any additional employee whose annual remuneration is £150,000 or more (remuneration includes salary, non-cash benefits and any lump sum payment for loss of employment)

The following table sets out the remuneration disclosures for 2023-24 for senior officers:

| Total Remuneration 2022-23<br>£ | Post Holder   | Salary (Including Fees and Allowances)<br>£ | Taxable Expenses<br>£ | Total Remuneration 2023-24<br>£ |
|---------------------------------|---|---|-----------------------|---------------------------------|
| 138,877                         | Chief Executive - Pippa Milne   | 143,625                                     | 510                   | 144,135                         |
| 112,406                         | Executive Director - Douglas Hendry   | 118,208                                     | 443                   | 118,651                         |
| 112,160                         | Executive Director, Section 95 Financial Officer - Kirsty Flanagan  | 118,064                                     | 573                   | 118,637                         |
| 84,180                          | Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson (from 14-09-21) | 89,237                                      |                       | 89,237                          |

The following table sets out the remuneration disclosures for 2023-24 for Live Argyll:

| Total Remuneration 2022-23<br>£ | Post Holder  | Salary (Including Fees and Allowances)<br>£ | Taxable Expenses<br>£ | Total Remuneration 2023-24<br>£ |
|---------------------------------|--|---|-----------------------|---------------------------------|
| 84,180                          | Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson | 89,237                                      | -                     | 89,237                          |

## PENSION BENEFITS

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

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

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits accumulated are calculated using pensionable pay each scheme year, rather than final salary. All benefits accumulated prior to 1 April 2015 are protected.

A five-tier contribution system is in place with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership.

The tiers and members contribution rates for 2023-24 are as follows:

| Whole time pay                              | Contribution Rate |
|---|-------------------|
|   | 2023-24           |
| On earnings up to and including £25,300     | <b>5.50%</b>      |
| On earnings above £25,301 and up to £31,000 | <b>7.25%</b>      |
| On earnings above £31,001 and up to £42,500 | <b>8.50%</b>      |
| On earnings above £42,501 and up to £56,600 | <b>9.50%</b>      |
| On earnings of £56,601 and above            | <b>12.00%</b>     |

From 1 April 2015, if a person works part-time their contribution is worked out on their part-time pay rate for the job. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49<sup>th</sup> of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

## SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each senior Councillor's pension during the year.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their relevant local government service and not just their current appointment.

| For the year to 31 March 2023      |                                   | Senior Members             |                 | For the year to 31 March 2024      |                                   |
|------------------------------------|-----------------------------------|----------------------------|-----------------|------------------------------------|-----------------------------------|
| In-year pension contributions<br>£ | Accrued pension benefits<br>£'000 |                            |                 | In-year pension contributions<br>£ | Accrued pension benefits<br>£'000 |
| 3,485                              | -                                 | Councillor Garret Corner   | Pension         | 4,642                              | 1                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 4,812                              | 1                                 | Councillor Maurice Corry   | Pension         | 5,813                              | 1                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 7,383                              | 8                                 | Councillor Robin Currie    | Pension         | 7,751                              | 10                                |
|                                    | 1                                 |                            | <i>Lump Sum</i> |                                    | 1                                 |
| 5,529                              | 4                                 | Councillor Kieron Green    | Pension         | 5,813                              | 5                                 |
|                                    |                                   |                            | <i>Lump Sum</i> |                                    | -                                 |
| 4,812                              | 1                                 | Councillor Amanda Hampsey  | Pension         | 5,813                              | 1                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 4,812                              | 1                                 | Councillor Andrew Kain     | Pension         | 5,813                              | 1                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 4,376                              | 2                                 | Councillor James Lynch     | Pension         | 4,642                              | 3                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 5,318                              | 1                                 | Councillor Liz McCabe      | Pension         | 5,813                              | 2                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 5,529                              | 3                                 | Councillor Yvonne McNeilly | Pension         | 5,813                              | 4                                 |
|                                    |                                   |                            | <i>Lump Sum</i> |                                    | -                                 |
| 4,812                              | -                                 | Councillor Ross Moreland   | Pension         | 5,813                              | 1                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 5,529                              | 8                                 | Councillor Gary Mulvaney   | Pension         | 5,813                              | 9                                 |
|                                    | 2                                 |                            | <i>Lump Sum</i> |                                    | 2                                 |
| 4,376                              | 1                                 | Councillor Gemma Penfold   | Pension         | 4,642                              | 1                                 |
|                                    | -                                 |                            | <i>Lump Sum</i> |                                    | -                                 |
| 2,836                              | 2                                 | Councillor Alastair Redman | Pension         | 5,813                              | 1                                 |
|                                    |                                   |                            | <i>Lump Sum</i> |                                    | -                                 |



## SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their relevant local government service and not just their current appointment.

| For the year to 31 March 2023      |                                   | Senior Officers  |                 | For the year to 31 March 2024      |                                   |
|------------------------------------|-----------------------------------|--|-----------------|------------------------------------|-----------------------------------|
| In-year pension contributions<br>£ | Accrued pension benefits<br>£'000 |  |                 | In-year pension contributions<br>£ | Accrued pension benefits<br>£'000 |
| 26,709                             | 70<br>111                         | <b>Chief Executive - Pippa Milne</b>   | Pension         | 27,699                             | 75                                |
|                                    |                                   |  | <i>Lump Sum</i> |                                    | 111                               |
| 21,495                             | 66<br>112                         | <b>Executive Director - Douglas Hendry</b>   | Pension         | 22,786                             | 70                                |
|                                    |                                   |  | <i>Lump Sum</i> |                                    | 112                               |
| 21,495                             | 37<br>32                          | <b>Executive Director, Section 95 Financial Officer - Kirsty Flanagan</b>  | Pension         | 22,786                             | 41                                |
|                                    |                                   |  | <i>Lump Sum</i> |                                    | 32                                |
| 16,247                             | 8                                 | <b>Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson (from 14-09-21)</b> | Pension         | 17,223                             | 40                                |
|                                    |                                   |  | <i>Lump Sum</i> |                                    | -                                 |

## Live Argyll Senior Employees' Pension Benefits

| For the year to 31 March 2023      |                                   | Senior Officers   |                 | For the year to 31 March 2024      |                                   |
|------------------------------------|-----------------------------------|---|-----------------|------------------------------------|-----------------------------------|
| In-year pension contributions<br>£ | Accrued pension benefits<br>£'000 |   |                 | In-year pension contributions<br>£ | Accrued pension benefits<br>£'000 |
| 16,247                             | 33<br>38                          | <b>Live Argyll General Manager (Subsidiary of Argyll &amp; Bute Council) - Kevin Anderson</b> | Pension         | 17,223                             | 37                                |
|                                    |                                   |   | <i>Lump Sum</i> |                                    | 40                                |

## EMPLOYEE EXIT PACKAGES

The numbers of exit packages with cost per band for compulsory and other redundancies are set out in the table below:

| 2022-23                 |                |                  |                |           |                | Exit Package Cost Band | 2023-24                 |                |                  |                |          |                |
|-------------------------|----------------|------------------|----------------|-----------|----------------|------------------------|-------------------------|----------------|------------------|----------------|----------|----------------|
| Compulsory Redundancies |                | Other Departures |                | Total     |                |                        | Compulsory Redundancies |                | Other Departures |                | Total    |                |
| No                      | £              | No               | £              | No        | £              | No                     | £                       | No             | £                | No             | £        |                |
| 1                       | 4,038          | 2                | 30,305         | 3         | 34,343         | £0 - £20,000           | 2                       | 13,896         | -                | -              | 2        | 13,896         |
| 1                       | 38,924         | 2                | 55,403         | 3         | 94,327         | £20,001 - £40,000      | -                       | -              | -                | -              | -        | -              |
|                         |                |                  |                | -         | -              | £40,001 - £60,000      | -                       | -              | -                | -              | -        | -              |
|                         |                | 1                | 88,038         | 1         | 88,038         | £60,001 - £80,000      | -                       | -              | -                | -              | -        | -              |
|                         |                |                  |                | -         | -              | £80,001 - £100,000     | -                       | -              | -                | -              | -        | -              |
| 1                       | 137,037        | 1                | 106,165        | 2         | 243,202        | £100,001 - £150,000    | 1                       | 134,437        | 1                | 127,350        | 2        | 261,787        |
| 1                       | 161,869        |                  |                | 1         | 161,869        | £150,001 - £200,000    | -                       | -              | -                | -              | -        | -              |
| <b>4</b>                | <b>341,868</b> | <b>6</b>         | <b>279,911</b> | <b>10</b> | <b>621,779</b> |                        | <b>3</b>                | <b>148,333</b> | <b>1</b>         | <b>127,350</b> | <b>4</b> | <b>275,683</b> |

For the purposes of this note, Exit Packages include:

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded – maximum three years); and
- A capitalised value of the recurring Compensatory Added Years payment. This represents the amount which the Council has to pay to the pension fund because the employee has retired with enhanced service (maximum three years). This amount is paid on an annual basis once a person has left employment with the Council and is therefore a notional cost at 31 March 2024.

Termination costs for all Council employees who have accepted redundancy by 31 March 2024 are recognised in the Exit Packages note in 2023-24, or in previous financial years. The total cost recognised in the Exit Packages note in 2023-24 is £0.276m for 4 employees and in 2022-23 was £0.622m for 10 employees.

The supplementary Termination Benefits Note 35 provides more information.

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## FACILITY TIME STATEMENT

Under the Trade Union (Facility Time Publication Requirements) Regulations 2017, the Council is required to collect and publish data in relation to its usage and spend of trade union facility time in respect of employees who are trade union representatives. Full details for the period 1 April 2023 to 31 March 2024 are attached at Appendix A.

## Statement of Comprehensive Income and Expenditure

| 2022-23                    |                       |                          | Service                                       | Note | 2023-24                    |                       |                          |
|----------------------------|-----------------------|--------------------------|---|------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |   |      | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 26,810                     | 18,209                | 8,601                    | <b>Chief Executive and Financial Services</b> |      | 1,281                      | 95                    | 1,186                    |
|                            |                       |                          | <b>Executive Director Douglas Hendry</b>      |      |                            |                       |                          |
| 436                        | -                     | 436                      | Executive Director                            |      | 426                        | (1)                   | 427                      |
| 33,399                     | 4,250                 | 29,149                   | Commercial Services                           |      | 23,010                     | 3,857                 | 19,153                   |
| 106,026                    | 13,620                | 92,406                   | Education                                     |      | 114,124                    | 13,202                | 100,922                  |
| 15,942                     | 4,371                 | 11,571                   | Legal and Regulatory Support                  |      | 17,520                     | 4,241                 | 13,279                   |
|                            |                       |                          | <b>Executive Director Kirsty Flanagan</b>     |      |                            |                       |                          |
| 418                        | -                     | 418                      | Executive Director                            |      | 242                        | -                     | 242                      |
|                            |                       |                          | Financial Services                            |      | 25,613                     | 18,639                | 6,974                    |
| 11,859                     | 674                   | 11,185                   | Customer Support Services                     |      | 12,165                     | 534                   | 11,631                   |
| 25,256                     | 14,380                | 10,876                   | Development and Economic Growth               |      | 23,138                     | 13,849                | 9,289                    |
| 71,971                     | 24,491                | 47,480                   | Roads and Infrastructure                      |      | 75,990                     | 29,300                | 46,690                   |
| 174,434                    | 94,948                | 79,486                   | <b>Social Work</b>                            |      | 181,285                    | 103,209               | 78,076                   |
| 9,897                      | 2,303                 | 7,594                    | <b>Other Non-Departmental Costs</b>           |      | 10,075                     | 678                   | 9,397                    |
| <b>476,448</b>             | <b>177,246</b>        | <b>299,202</b>           | <b>Net Cost of Services</b>                   |      | <b>484,869</b>             | <b>187,603</b>        | <b>297,266</b>           |

## Statement of Comprehensive Income and Expenditure

|  |                  |  |                  |
|--|------------------|--|------------------|
|  |                  | <b>Other Operating Income and Expenditure:</b>               |                  |
|  | (437)            | Net (Gain)/loss on Disposal of Long Term Assets              | (262)            |
|  | 1,643            | Other Operating Income and Expenditure                       | 1,670            |
|  | <b>1,206</b>     | <b>Total Other Operating Income and Expenditure</b>          | <b>1,408</b>     |
|  |                  | <b>Financing and Investment Income and Expenditure:</b>      |                  |
|  | 10,514           | Interest Payable and Similar charges                         | 14,037           |
|  | (2,966)          | Interest and Investment Income                               | (4,779)          |
|  | 141              | Net Pension Interest Expense                                 | (6,596)          |
|  | <b>7,689</b>     | <b>Total Financing and Investment Income and Expenditure</b> | <b>2,662</b>     |
|  |                  | <b>Taxation and Non-Specific Grant Income:</b>               |                  |
|  | (191,775)        | General Government Grants                                    | (187,193)        |
|  | (22,549)         | Government Capital Grants and Other Capital Contributions    | (23,550)         |
|  | (33,179)         | Non-domestic Rates Redistribution                            | (37,645)         |
|  | (647)            | Non-domestic Rates TIF                                       | (804)            |
|  | (53,900)         | Council Tax Income   | (61,909)         |
|  | <b>(302,050)</b> | <b>Total Taxation and Non-Specific Grant Income</b>          | <b>(311,101)</b> |
|  | <b>6,047</b>     | <b>(Surplus)/Deficit on Provision of Services</b>            | <b>(9,765)</b>   |
|  | (21,104)         | (Surplus)/Deficit on revaluation of Long Term Assets         | (10,097)         |
|  | (154,350)        | Other Post Employment Benefits (Pensions)                    | (123,880)        |
|  | <b>(175,454)</b> | <b>Other Comprehensive Income and Expenditure</b>            | <b>(133,977)</b> |
|  | <b>(169,407)</b> | <b>Total Comprehensive Income and Expenditure</b>            | <b>(143,742)</b> |

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.

## Balance Sheet

| 31 March 2023 |                  | Note   | 31 March 2024 |                  |
|---------------|------------------|--|---------------|------------------|
| £'000         | £'000            |  | £'000         | £'000            |
|               |                  | <b>Long Term Assets</b>                                    |               |                  |
|               |                  | <b>Property Plant &amp; Equipment</b>                      | 15            |                  |
| 451,018       |                  | - Other Land and Buildings                                 |               | 457,369          |
| 10,872        |                  | - Vehicles, Plant, Furniture and Equipment                 |               | 11,012           |
| 235,076       |                  | - Infrastructure Assets                                    |               | 239,372          |
| 8,892         |                  | - Community Assets   |               | 9,110            |
| 3,286         |                  | - Surplus Assets   |               | 4,620            |
| 21,440        |                  | - Assets Under Construction                                |               | 35,724           |
|               | <b>730,584</b>   | <b>Total Property Plant &amp; Equipment</b>                |               | <b>757,207</b>   |
|               | 2,345            | Heritage Assets  | 16            | 2,569            |
|               | 733              | Intangible Assets  | 17            | 888              |
|               | 2,553            | Investment Property  | 18            | 2,514            |
|               | 5,492            | Long Term Investments                                      | 27            | 492              |
|               | 5,880            | Long-Term Debtors  | 22            | 5,816            |
|               | 139,014          | Other Long Term Debtors (Pensions)                         | 31            | 269,216          |
|               | <b>886,601</b>   | <b>Total Long Term Assets</b>                              |               | <b>1,038,702</b> |
|               |                  | <b>Current Assets</b>                                      |               |                  |
| 1,130         |                  | Inventories  |               | 1,043            |
| 27,186        |                  | Short Term Debtors (Net of Impairment)                     | 23            | 38,368           |
| 1,554         |                  | Assets Held for Sale                                       | 24            | 1,619            |
| 60,000        |                  | Short Term Investments                                     |               | 27,500           |
| 823           |                  | Cash and Cash Equivalents                                  | 25            | (9,991)          |
|               | <b>90,693</b>    | <b>Total Current Assets</b>                                |               | <b>58,539</b>    |
|               |                  | <b>Current Liabilities</b>                                 |               |                  |
| (11,818)      |                  | Short-term Borrowing                                       | 27            | (13,478)         |
| (50,044)      |                  | Short-term Creditors                                       | 26            | (52,374)         |
| (1,450)       |                  | Provisions   | 29            | (1,665)          |
| (5,280)       |                  | Other Short Term Liabilities                               | 28            | (5,336)          |
|               | <b>(68,592)</b>  | <b>Total Current Liabilities</b>                           |               | <b>(72,853)</b>  |
|               |                  | <b>Long-term Liabilities</b>                               |               |                  |
| (132,155)     |                  | Borrowing Repayable within a Period in Excess of 12 Months | 27            | (107,458)        |
| (107,033)     |                  | Other Long-term liabilities                                | 28            | (101,697)        |
| (2,444)       |                  | Provisions   | 29            | (2,855)          |
| -             |                  | Capital Grant Receipts in Advance                          | 30            | (1,564)          |
|               | <b>(241,632)</b> | <b>Total Long-term Liabilities</b>                         |               | <b>(213,574)</b> |
|               | <b>667,070</b>   | <b>Total Assets less Liabilities</b>                       |               | <b>810,814</b>   |

| 31 March 2023 |                | Note                                       | 31 March 2024 |                |
|---------------|----------------|--|---------------|----------------|
| £'000         | £'000          |  | £'000         | £'000          |
|               |                | <b>Unusable Reserves</b>                   |               |                |
| 174,952       |                | - Revaluation Reserve                      | 180,661       |                |
| 268,788       |                | - Capital Adjustment Account               | 249,093       |                |
| (1,871)       |                | - Financial Instruments Adjustment Account | (1,585)       |                |
| 139,014       |                | - Pensions Reserve                         | 269,216       |                |
| (7,588)       |                | - Accumulated Absences Account             | (8,272)       |                |
|               | <b>573,295</b> |  |               | <b>689,113</b> |
|               |                | <b>Usable Reserves</b>                     |               |                |
| 4,503         |                | - Capital Funds                            | 3,197         |                |
| 2,916         |                | - Repairs and Renewals Funds               | 2,763         |                |
| 86,356        |                | - General Fund Balance                     | 115,741       |                |
|               | <b>93,775</b>  |  |               | <b>121,701</b> |
|               | <b>667,070</b> | <b>Total Reserves</b>                      |               | <b>810,814</b> |

The Balance Sheet is a snapshot of the value as at the 31 March 2024 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported as follows:

- Unusable Reserves:** are reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".
- Usable Reserves:** are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

Kirsty Flanagan  
Section 95 Officer  
27 June 2024

## Statement of Movement in Reserves

| Movements in 2023-24   | Usable Reserves (Note 33) |                           |                |                       | Unusable Reserves (Note 32) |                            |                  |   |                              |                         | Total Reserves   |
|--|---------------------------|---------------------------|----------------|-----------------------|-----------------------------|----------------------------|------------------|---|------------------------------|-------------------------|------------------|
|  | General Fund Balance      | Repairs and Renewals Fund | Capital Funds  | Total Usable Reserves | Revaluation Reserve         | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | Total Unusable Reserves |                  |
|  | £'000                     | £'000                     | £'000          | £'000                 | £'000                       | £'000                      | £'000            | £'000                                   | £'000                        | £'000                   |                  |
| <b>Balance at 31 March 2023</b>  | <b>(86,356)</b>           | <b>(2,916)</b>            | <b>(4,503)</b> | <b>(93,775)</b>       | <b>(174,952)</b>            | <b>(268,788)</b>           | <b>(139,014)</b> | <b>1,871</b>                            | <b>7,588</b>                 | <b>(573,295)</b>        | <b>(667,070)</b> |
| (Surplus)/Deficit on Provision of Services   | (9,765)                   |                           |                | (9,765)               |                             |                            |                  |   |                              | -                       | (9,765)          |
| Other Comprehensive Income and Expenditure   |                           |                           |                | -                     | (10,097)                    |                            | (123,880)        |   |                              | (133,977)               | (133,977)        |
| Retrospective adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility  | (36,038)                  |                           |                | (36,038)              |                             | 36,038                     |                  |   |                              | 36,038                  | -                |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>(45,803)</b>           | <b>-</b>                  | <b>-</b>       | <b>(45,803)</b>       | <b>(10,097)</b>             | <b>36,038</b>              | <b>(123,880)</b> | <b>-</b>                                | <b>-</b>                     | <b>(97,939)</b>         | <b>(143,742)</b> |
| <b>Adjustments between accounting basis and funding basis under regulations:</b>   |                           |                           |                |                       |                             |                            |                  |   |                              |                         |                  |
| Disposal of Assets   |                           |                           |                |                       | 99                          | (99)                       |                  |   |                              |                         |                  |
| Amortisation of Intangible Assets  |                           |                           |                | -                     |                             | -                          |                  |   |                              | -                       | -                |
| Depreciation of Non-current Assets   | (21,443)                  |                           |                | (21,443)              |                             | 21,443                     |                  |   |                              | 21,443                  | -                |
| Impairment of Non-current Assets   | 2,576                     |                           |                | 2,576                 |                             | (2,576)                    |                  |   |                              | (2,576)                 | -                |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement  | 23,550                    |                           |                | 23,550                |                             | (23,550)                   |                  |   |                              | (23,550)                | -                |
| Capital Expenditure Charged to the General Fund  | 1,616                     |                           |                | 1,616                 |                             | (1,616)                    |                  |   |                              | (1,616)                 | -                |
| Net Gain or Loss on Sale of Non-current Assets   | 262                       |                           | (671)          | (409)                 |                             | 409                        |                  |   |                              | 409                     | -                |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | 286                       |                           |                | 286                   |                             |                            |                  | (286)                                   |                              | (286)                   | -                |
| Employee Benefits  | (684)                     |                           |                | (684)                 |                             |                            |                  |   | 684                          | 684                     | -                |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations                           | 6,322                     |                           |                | 6,322                 |                             |                            | (6,322)          |   |                              | (6,322)                 | -                |



## Statement of Movement in Reserves

| Movements in 2023-24  | Usable Reserves (Note 33) |                           |                |                       | Unusable Reserves (Note 32) |                            |                  |   |                              |                         | Total Reserves   |
|---|---------------------------|---------------------------|----------------|-----------------------|-----------------------------|----------------------------|------------------|---|------------------------------|-------------------------|------------------|
|   | General Fund Balance      | Repairs and Renewals Fund | Capital Funds  | Total Usable Reserves | Revaluation Reserve         | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | Total Unusable Reserves |                  |
|   | £'000                     | £'000                     | £'000          | £'000                 | £'000                       | £'000                      | £'000            | £'000                                   | £'000                        | £'000                   |                  |
| Statutory Repayment of Debt - Loans Fund Advances   | 7,696                     |                           |                | 7,696                 |                             | (7,696)                    |                  |   |                              | (7,696)                 | -                |
| Statutory Repayment of Debt - Finance Leases  | 48                        |                           |                | 48                    |                             | (48)                       |                  |   |                              | (48)                    | -                |
| Statutory Repayment of Debt - NPDO Finance Lease  | 5,232                     |                           |                | 5,232                 |                             | (5,232)                    |                  |   |                              | (5,232)                 | -                |
| In year adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility                   | (4,831)                   |                           |                | (4,831)               |                             | 4,831                      |                  |   |                              | 4,831                   | -                |
| <b>Total Statutory Adjustments</b>  | <b>20,630</b>             | <b>-</b>                  | <b>(671)</b>   | <b>19,959</b>         | <b>99</b>                   | <b>(14,134)</b>            | <b>(6,322)</b>   | <b>(286)</b>                            | <b>684</b>                   | <b>(19,959)</b>         | <b>-</b>         |
| <b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>   | <b>(25,173)</b>           | <b>-</b>                  | <b>(671)</b>   | <b>(25,844)</b>       | <b>(9,998)</b>              | <b>21,904</b>              | <b>(130,202)</b> | <b>(286)</b>                            | <b>684</b>                   | <b>(117,898)</b>        | <b>(143,742)</b> |
| <i>Other Transfers required by Statute</i>  |                           |                           |                |                       |                             |                            |                  |   |                              |                         |                  |
| Transfer to/from Other Statutory Reserves   | 77                        | 153                       | 1,977          | 2,207                 |                             | (2,207)                    |                  |   |                              | (2,207)                 | -                |
| <i>Other Transfers</i>  |                           |                           |                |                       |                             |                            |                  |   |                              |                         |                  |
| Adjustments permitted by Accounting Standards for depreciation that is related to the revaluation balance rather than historic cost | (4,289)                   |                           |                | (4,289)               | 4,289                       |                            |                  |   |                              | 4,289                   | -                |
| <b>(Increase)/Decrease in Year</b>  | <b>(29,385)</b>           | <b>153</b>                | <b>1,306</b>   | <b>(27,926)</b>       | <b>(5,709)</b>              | <b>19,697</b>              | <b>(130,202)</b> | <b>(286)</b>                            | <b>684</b>                   | <b>(115,816)</b>        | <b>(143,742)</b> |
| <b>Balance at 31 March 2024 Carried Forward</b>   | <b>(115,741)</b>          | <b>(2,763)</b>            | <b>(3,197)</b> | <b>(121,701)</b>      | <b>(180,661)</b>            | <b>(249,093)</b>           | <b>(269,216)</b> | <b>1,585</b>                            | <b>8,272</b>                 | <b>(689,113)</b>        | <b>(810,814)</b> |

This Statement shows the movement in the 2023-24 financial year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The '(Surplus)/Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Statement of Movement in Reserves

| Comparative Movements in 2022-23   | Usable Reserves (Note 33) |                           |                |                       | Unusable Reserves (Note 32) |                            |                  |   |                              |                         | Total Reserves   |
|--|---------------------------|---------------------------|----------------|-----------------------|-----------------------------|----------------------------|------------------|---|------------------------------|-------------------------|------------------|
|  | General Fund Balance      | Repairs and Renewals Fund | Capital Funds  | Total Usable Reserves | Revaluation Reserve         | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | Total Unusable Reserves |                  |
|  | £'000                     | £'000                     | £'000          | £'000                 | £'000                       | £'000                      | £'000            | £'000                                   | £'000                        | £'000                   |                  |
| <b>Balance at 31 March 2022</b>  | <b>(96,081)</b>           | <b>(2,682)</b>            | <b>(4,414)</b> | <b>(103,177)</b>      | <b>(157,644)</b>            | <b>(241,331)</b>           | <b>(4,634)</b>   | <b>2,198</b>                            | <b>6,928</b>                 | <b>(394,483)</b>        | <b>(497,660)</b> |
| (Surplus)/Deficit on Provision of Services   | 6,047                     |                           |                | 6,047                 |                             |                            |                  |   |                              | -                       | 6,047            |
| Other Comprehensive Expenditure and Income   |                           |                           |                |                       | (21,104)                    |                            | (154,350)        |   |                              | (175,454)               | (175,454)        |
| <b>Total Comprehensive Expenditure and Income</b>  | <b>6,047</b>              | <b>-</b>                  | <b>-</b>       | <b>6,047</b>          | <b>(21,104)</b>             | <b>-</b>                   | <b>(154,350)</b> | <b>-</b>                                | <b>-</b>                     | <b>(175,454)</b>        | <b>(169,407)</b> |
| <b>Adjustments between accounting basis and funding basis under regulations:</b>   |                           |                           |                |                       |                             |                            |                  |   |                              |                         |                  |
| Disposal of Assets   |                           |                           |                |                       | 173                         | (173)                      |                  |   |                              |                         |                  |
| Amortisation of Intangible Assets  |                           |                           |                | -                     |                             |                            |                  |   |                              | -                       | -                |
| Depreciation and of Non-current Assets   | (20,947)                  |                           |                | (20,947)              |                             | 20,947                     |                  |   |                              | 20,947                  | -                |
| Impairment of Non-current Assets   | (3,128)                   |                           |                | (3,128)               |                             | 3,128                      |                  |   |                              | 3,128                   | -                |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement  | 22,549                    |                           |                | 22,549                |                             | (22,549)                   |                  |   |                              | (22,549)                | -                |
| Capital Expenditure Charged to the General Fund  | 2,938                     |                           |                | 2,938                 |                             | (2,938)                    |                  |   |                              | (2,938)                 | -                |
| Net Gain or Loss on Sale of Non-current Assets   | 437                       |                           | (568)          | (131)                 |                             | 131                        |                  |   |                              | 131                     | -                |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | 327                       |                           |                | 327                   |                             |                            |                  | (327)                                   |                              | (327)                   | -                |
| Employee Benefits  | (660)                     |                           |                | (660)                 |                             |                            |                  |   | 660                          | 660                     | -                |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations                           | (19,970)                  |                           |                | (19,970)              |                             |                            | 19,970           |   |                              | 19,970                  | -                |

## Statement of Movement in Reserves

| Comparative Movements in 2022-23  | Usable Reserves (Note 33) |                           |                |                       | Unusable Reserves (Note 32) |                            |                  |   |                              |                         | Total Reserves   |
|---|---------------------------|---------------------------|----------------|-----------------------|-----------------------------|----------------------------|------------------|---|------------------------------|-------------------------|------------------|
|   | General Fund Balance      | Repairs and Renewals Fund | Capital Funds  | Total Usable Reserves | Revaluation Reserve         | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | Total Unusable Reserves |                  |
|   | £'000                     | £'000                     | £'000          | £'000                 | £'000                       | £'000                      | £'000            | £'000                                   | £'000                        | £'000                   |                  |
| Statutory Repayment of Debt - Loans Fund Advances   | 20,317                    |                           |                | 20,317                |                             | (20,317)                   |                  |   |                              | (20,317)                | -                |
| Statutory Repayment of Debt - Finance Leases  | 46                        |                           |                | 46                    |                             | (46)                       |                  |   |                              | (46)                    | -                |
| Statutory Repayment of Debt - NPDO Finance  | 5,070                     |                           |                | 5,070                 |                             | (5,070)                    |                  |   |                              | (5,070)                 | -                |
| <b>Total Statutory Adjustments</b>  | <b>6,979</b>              | <b>-</b>                  | <b>(568)</b>   | <b>6,411</b>          | <b>173</b>                  | <b>(26,887)</b>            | <b>19,970</b>    | <b>(327)</b>                            | <b>660</b>                   | <b>(6,411)</b>          | <b>-</b>         |
| <b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>   | <b>13,026</b>             | <b>-</b>                  | <b>(568)</b>   | <b>12,458</b>         | <b>(20,931)</b>             | <b>(26,887)</b>            | <b>(134,380)</b> | <b>(327)</b>                            | <b>660</b>                   | <b>(181,865)</b>        | <b>(169,407)</b> |
| <i>Other Transfers required by Statute</i>  |                           |                           |                |                       |                             |                            |                  |   |                              |                         |                  |
| Transfer to/from Other Statutory Reserves   | 322                       | (234)                     | 480            | 568                   |                             | (568)                      |                  |   |                              | (568)                   | -                |
| <i>Other Transfers</i>  |                           |                           |                |                       |                             |                            |                  |   |                              |                         |                  |
| Adjustments permitted by Accounting Standards for depreciation that is related to the revaluation balance rather than historic cost | (3,623)                   |                           |                | (3,623)               | 3,623                       |                            |                  |   |                              | 3,623                   | -                |
| <b>(Increase)/Decrease in Year</b>  | <b>9,725</b>              | <b>(234)</b>              | <b>(88)</b>    | <b>9,403</b>          | <b>(17,308)</b>             | <b>(27,455)</b>            | <b>(134,380)</b> | <b>(327)</b>                            | <b>660</b>                   | <b>(178,810)</b>        | <b>(169,407)</b> |
| <b>Balance at 31 March 2023 Carried Forward</b>   | <b>(86,356)</b>           | <b>(2,916)</b>            | <b>(4,503)</b> | <b>(93,775)</b>       | <b>(174,952)</b>            | <b>(268,788)</b>           | <b>(139,014)</b> | <b>1,871</b>                            | <b>7,588</b>                 | <b>(573,295)</b>        | <b>(667,070)</b> |

This Statement shows the movement in the 2022-23 financial year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The '(Surplus)/Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

| 2022-23<br>£'000 |   | Note | 2023-24<br>£'000 |
|------------------|---|------|------------------|
| 6,047            | <b>Net (Surplus)/Deficit on the Provision of Services</b>   |      | (9,765)          |
| (21,310)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements   |      | 21,585           |
| 5,955            | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities |      | 10,294           |
| (9,308)          | <b>Net Cash Flows from Operating Activities</b>   | 39   | 22,114           |
| (14,323)         | Net Cash Flows from Investing Activities  | 40   | (38,637)         |
| 42,536           | Net Cash Flows from Financing Activities  | 41   | 27,337           |
| 18,905           | <b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>   |      | 10,814           |
| (19,728)         | Cash and Cash Equivalents at the beginning of the Reporting Period  |      | (823)            |
| (823)            | <b>Cash and Cash Equivalents at the end of the Reporting Period</b>   | 25   | 9,991            |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2023-24 financial year and its position at the year-end of 31 March 2024. The Council must ensure that its Annual Accounts are prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of non-current assets and financial instruments, and on a going concern basis.

### 1.2 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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 for the income that might not be collected.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### 1.4 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by Loans Fund principal repayments in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 1.6 Employee Benefits

#### 1.6.1 Benefits Payable during Employment

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

#### 1.6.2 Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

### 1.6.3 Post-Employment Benefits

The Council participates in two separate pension schemes:

- The Scottish Teachers' Pension Scheme administered by the Scottish Government.
- The Local Government (Scotland) Pensions Scheme administered by the Strathclyde Pension Fund.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned while employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

#### **Local Government Pension Scheme**

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

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on a "high quality corporate bond of equivalent term and currency to the liability" (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years)).
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at



the beginning of the period, taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset), charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve.
  - Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### 1.6.4 Post Employment Discretionary Benefits

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

### 1.7 Events after the Reporting Period

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

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

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

### 1.8 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### 1.9 Financial Assets

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

- Amortised cost
- Fair value through profit or loss, and
- Fair value through other comprehensive income

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

#### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price

- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for the identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

### 1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 1.11 Heritage Assets

The main heritage assets held by the Council are two art collections, an archaeology collection and a historic jail and courthouse which is operated as a “living” museum. The “Argyll Collection” is an art collection which was set up to provide the young people of Argyll and Bute with direct access to a wide range of quality art recognising that they had limited access to museums and galleries. In addition, the Council holds other works of art which are held at various libraries and the Campbeltown Museum. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Council’s main heritage assets are accounted for as follows:

### The Art Collections

The collections cover a range of media including acrylic, charcoal, embroidery, engraving, etching, gouache, lithography, oil, pastel, pencil, procion dye, screenprint, monoprint, watercolour, woodcut, ceramic, bronze and woodcarving. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These valuations are updated periodically. The assets within the art collections are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

### Inveraray Jail and Courthouse and “Other” Historic Buildings

The building is owned by Argyll and Bute Council and leased out to an organisation which runs it as a “living museum”. The building is valued in accordance with the Council’s property, plant and equipment policy. Other buildings included in this category are McCaig’s Folly in Oban, the Argyll Mausoleum and Castle Lodge in Dunoon.

### Archaeology and “Other” Museum Exhibits

The Council has obtained specialist valuations for the archaeology collection held within Campbeltown Museum which covers a range of objects including swords, bones, pottery, stone and leather remains. Similar to the Art Collections, these items are reported in the Balance Sheet at insurance valuation which is based on market values. These valuations will be updated periodically. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council’s general policies on impairment (see note 1.19.3 in this summary of significant accounting policies). The proceeds of any disposals are accounted for in accordance with the Council’s general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and receipts (see note 1.19.4 in this summary of significant accounting policies).

### 1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council’s goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### 1.13 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates or joint ventures and requires to prepare Group Accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### 1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

### 1.15 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### 1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### 1.16.1 The Council as Lessee

##### a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.



Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **b) Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### **1.16.2 The Council as Lessor**

##### **a) Finance Leases**

Where the Council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt on disposal of the asset is used to write down the debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### b) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant Service lines in the Comprehensive Income and Expenditure Statement, with the exception of rental income from investment property which is credited to Interest and Investment Income. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### 1.17 Overheads and Support Services

The costs of overheads and support services are not charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

### 1.18 Assets Held for Sale

Property, plant and equipment are classified as *Assets Held for Sale* when the following criteria are met:

- The property is available for immediate sale in its present condition.
- The sale must be highly probable; and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

When these criteria are met, assets within the category of *Property, Plant and Equipment* will be reclassified as *Assets Held for Sale*.

### 1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes that are expected to be used during more than one financial year are classified as *Property, Plant and Equipment*.

#### 1.19.1 Recognition

Expenditure on the acquisition, creation, or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### 1.19.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred while assets are under construction.



The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Accounts. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### 1.19.3 Impairment

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

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

### 1.19.4 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an *Asset Held for Sale*. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as *Assets Held for Sale*.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Disposal receipts are categorised as capital receipts. All capital receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### 1.19.5 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## 1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of

the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance Cost – this is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, this is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### 1.21 Provisions and Contingent Liabilities

#### 1.21.1 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

#### 1.21.2 Contingent Liabilities

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

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

### 1.22 Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies above and Note 32 to the accounts.

### 1.23 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable.

## 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The standards introduced by the 2024-25 Code where disclosures are required in the 2023-24 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the code are:

- IFRS 16 Leases which is applicable from 1<sup>st</sup> April 2024. This also includes amendments in respect of Lease Liability in a Sale and Leaseback transaction.
- IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.
- IAS 12 – International Tax Reform
- IAS 7 and IFRS 7 – Supplier Finance Arrangements

It is anticipated that only IFRS16 will have a material impact in future years on the Financial Statements.

There will be no material impact in future years from the adoption of these amendments in relation to IAS 1, IAS 12 and IAS 7.

CIPFA/LASAAC has agreed to defer the implementation of IFRS 16 Leases until 1 April 2024.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council currently operates three Private Finance Initiative (PFI), or similar, contracts which are accounted for as Service Concession arrangements under IFRIC12 – *Service Concession Arrangements*. The Council has determined that in the case of the Schools NPDO contract and the new Schools DBFM contract, the Council has control over the services provided through use of the schools and that a qualifying asset has been created. The appropriate accounting treatment is to bring the assets “on Balance Sheet” along with a finance lease liability.
- The Council also operates a Waste Management PPP contract. In this case the Council determined that a “qualifying asset” had not been created and that the Council did not have significant control over the services being provided. The appropriate accounting treatment was

therefore determined to be “off Balance Sheet” and that payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account.

- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, material contingent liabilities have been disclosed in Note 34.
- Unused holiday entitlement earned at 31 March 2024 but not taken at that date has been quantified on the basis of a 5% sample of all non-term time Council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement as at 31 March and no estimation is required for these staff. The liability shown in the 2023-24 financial statements in respect of the holiday pay accrual is £8.272m.

#### **4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The financial statements contain estimated figures that are based on assumptions made by the Council about which there is a degree of uncertainty. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows:

| Item                          | Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|-------------------------------|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.   | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1.142m for every year that useful lives had to be reduced.</p>  |
| Rolling Programme Valuation   | The Council employs professional valuers who are registered with the Royal Institution of Chartered Surveyors. These valuers carry out regular reviews of the assets reported in the Balance Sheet and any significant changes in value are processed as an asset revaluation or impairment. These valuations are based on their professional opinion using available market information at the time of assessment. Due to the high number of assets, a rolling programme of asset valuations has been established for many years, with the aim of revaluing one fifth of the portfolio each financial year which is made up of various asset types. This is in addition to those assets which are valued annually; Surplus Assets, Investment Properties, Held for Sale assets and those where capital spend has exceeded £0.1m in the current year. | <p>This carries inherent risk that assets not revalued in-year have been subject to material changes in value particularly if affected by external factors such as inflation.</p> <p>The highest risk in this respect relates to assets valued using the depreciated Replacement Cost (DRC) method, which for Argyll &amp; Bute Council includes schools. To mitigate this risk, a desktop assessment was undertaken for 2023-24 to estimate the potential increase in value of our assets valued using depreciated replacement cost using BCIS indices. As the BCIS indices have not increased materially, the impact on these assets was not deemed to be material so no adjustment was made.</p> <p>Consideration will be given on an annual basis to those assets which may have material impairment.</p> |

| Pensions Liability                            | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> | <p>The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:</p> <table border="1" data-bbox="1205 357 2087 820"> <thead> <tr> <th data-bbox="1205 357 1621 501">Sensitivities at<br/>31 March 2024</th> <th data-bbox="1621 357 1845 501">Approximate %<br/>Increase to<br/>Employer<br/>Liability</th> <th data-bbox="1845 357 2087 501">Approximate<br/>monetary<br/>amount<br/>£'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1205 501 1621 587">0.1% decrease in real discount rate</td> <td data-bbox="1621 501 1845 587">2%</td> <td data-bbox="1845 501 2087 587">10,827</td> </tr> <tr> <td data-bbox="1205 587 1621 673">1 Year increase in the member life expectancy</td> <td data-bbox="1621 587 1845 673">4%</td> <td data-bbox="1845 587 2087 673">26,766</td> </tr> <tr> <td data-bbox="1205 673 1621 759">0.1% increase in salary increase rate</td> <td data-bbox="1621 673 1845 759">0%</td> <td data-bbox="1845 673 2087 759">1,409</td> </tr> <tr> <td data-bbox="1205 759 1621 820">0.1% increase in pension increase rate</td> <td data-bbox="1621 759 1845 820">2%</td> <td data-bbox="1845 759 2087 820">9,594</td> </tr> </tbody> </table> | Sensitivities at<br>31 March 2024 | Approximate %<br>Increase to<br>Employer<br>Liability | Approximate<br>monetary<br>amount<br>£'000 | 0.1% decrease in real discount rate | 2% | 10,827 | 1 Year increase in the member life expectancy | 4% | 26,766 | 0.1% increase in salary increase rate | 0% | 1,409 | 0.1% increase in pension increase rate | 2% | 9,594 |
|---|--|---|-----------------------------------|---|--|-------------------------------------|----|--------|---|----|--------|---------------------------------------|----|-------|--|----|-------|
| Sensitivities at<br>31 March 2024             | Approximate %<br>Increase to<br>Employer<br>Liability  | Approximate<br>monetary<br>amount<br>£'000  |                                   |   |  |                                     |    |        |   |    |        |                                       |    |       |  |    |       |
| 0.1% decrease in real discount rate           | 2%   | 10,827  |                                   |   |  |                                     |    |        |   |    |        |                                       |    |       |  |    |       |
| 1 Year increase in the member life expectancy | 4%   | 26,766  |                                   |   |  |                                     |    |        |   |    |        |                                       |    |       |  |    |       |
| 0.1% increase in salary increase rate         | 0%   | 1,409   |                                   |   |  |                                     |    |        |   |    |        |                                       |    |       |  |    |       |
| 0.1% increase in pension increase rate        | 2%   | 9,594   |                                   |   |  |                                     |    |        |   |    |        |                                       |    |       |  |    |       |



5.1 EXPENDITURE AND FUNDING ANALYSIS

| 2022-23   |   |  | Service                                       | 2023-24   |   |  |
|---|---|--|---|---|---|--|
| Net Expenditure Chargeable to the General Fund<br>£'000 | Adjustments between the Funding and Accounting Basis<br>(Note 5.2)<br>£'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£'000 |   | Net Expenditure Chargeable to the General Fund<br>£'000 | Adjustments between the Funding and Accounting Basis<br>(Note 5.2)<br>£'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£'000 |
| 7,538   | 1,063   | 8,601  | <b>Chief Executive and Financial Services</b> | 1,161   | 25  | 1,186  |
|   |   |  | <b>Executive Director Douglas Hendry</b>      |   |   |  |
| 366   | 70  | 436  | Executive Director                            | 421   | 6   | 427  |
| 10,616  | 18,533  | 29,149   | Commercial Services                           | 12,232  | 6,921   | 19,153   |
| 95,943  | (3,537)   | 92,406   | Education                                     | 104,697   | (3,775)   | 100,922  |
| 9,860   | 1,711   | 11,571   | Legal and Regulatory Support                  | 12,259  | 1,020   | 13,279   |
|   |   |  | <b>Executive Director Kirsty Flanagan</b>     |   |   |  |
| 369   | 49  | 418  | Executive Director                            | 237   | 5   | 242  |
| -   | -   | -  | Financial Services                            | 6,885   | 89  | 6,974  |
| 8,139   | 3,046   | 11,185   | Customer Support                              | 9,403   | 2,228   | 11,631   |
| 9,070   | 1,806   | 10,876   | Development and Economic Growth               | 8,904   | 385   | 9,289  |
| 31,855  | 15,628  | 47,480   | Roads and Infrastructure                      | 33,981  | 12,709  | 46,690   |
| 73,976  | 5,510   | 79,486   | <b>Social Work</b>                            | 77,137  | 939   | 78,076   |
| 8,226   | (632)   | 7,594  | <b>Other Non-Departmental Costs</b>           | 11,109  | (1,712)   | 9,397  |
| <b>255,958</b>  | <b>43,247</b>   | <b>299,202</b>   | <b>Net Cost of Services</b>                   | <b>278,426</b>  | <b>18,840</b>   | <b>297,266</b>   |

|                 |                |              |   |                  |               |                |
|-----------------|----------------|--------------|---|------------------|---------------|----------------|
| (246,231)       | (46,924)       | (293,155)    | Other Income and Expenditure                      | (307,811)        | 780           | (307,031)      |
| <b>9,727</b>    | <b>(3,677)</b> | <b>6,047</b> | <b>(Surplus) / Deficit</b>                        | <b>(29,385)</b>  | <b>19,620</b> | <b>(9,765)</b> |
| <b>(96,081)</b> |                |              | <b>Opening General fund Balance</b>               | <b>(86,356)</b>  |               |                |
| 9,727           |                |              | Plus (Surplus) or Deficit on General Fund Balance | (29,385)         |               |                |
| <b>(86,356)</b> |                |              | <b>Closing General Fund Balance</b>               | <b>(115,741)</b> |               |                |

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### 5.2 EXPENDITURE AND FUNDING ANALYSIS RECONCILIATION

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts               | Adjustments between Funding and Accounting Basis 2023-24 |  |  |   |                            |
|---|--|--|--|---|----------------------------|
|   | Adjustments for Capital Purposes<br>Note (i)<br>£'000    | Net change for Pension Adjustments<br>Note (ii)<br>£'000 | Capital element of Schools NPDO payment<br>Note (iii)<br>£'000 | Other Adjustments<br>Note (iv)<br>£'000 | Total Adjustments<br>£'000 |
| <b>Chief Executive and Financial Services</b>   | -  | 16   | -  | 9                                       | 25                         |
| <b>Executive Director (Douglas Hendry)</b>  |  |  |  |   |                            |
| Executive Director (Douglas Hendry)   | -  | 7  | -  | (1)                                     | 6                          |
| Commercial Services   | 1,960  | 163  | -  | 4,798                                   | 6,921                      |
| Education   | 3,888  | 443  | -  | (8,106)                                 | (3,775)                    |
| Legal and Regulatory Support  | 3,387  | 74   | (5,232)  | 2,791                                   | 1,020                      |
| <b>Executive Director (Kirsty Flanagan)</b>   |  |  |  |   |                            |
| Executive Director (Kirsty Flanagan)  | -  | 5  | -  | -                                       | 5                          |
| Financial Services  |  | 89   |  |   | 89                         |
| Head of Customer Support  | 1,752  | 129  | -  | 347                                     | 2,228                      |
| Head of Development and Economic Growth   | 344  | 149  | -  | (108)                                   | 385                        |
| Roads and Infrastructure  | 10,977   | 341  | -  | 1,391                                   | 12,709                     |
| <b>Social Work</b>  | 806  | 545  | -  | (412)                                   | 939                        |
| <b>Other Non-Departmental Costs</b>   | -  | (1,687)  | -  | (25)                                    | (1,712)                    |
| <b>Net Cost of Services</b>   | <b>23,114</b>  | <b>274</b>   | <b>(5,232)</b>   | <b>684</b>                              | <b>18,840</b>              |
| Other Income and Expenditure  | 2,956  | (6,596)  | 4,831  | (411)                                   | 780                        |
| <b>Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit</b> | <b>26,070</b>  | <b>(6,322)</b>   | <b>(401)</b>   | <b>273</b>                              | <b>19,620</b>              |

### (i) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- Financing and investment income and expenditure – the statutory charges for capital financing (loans fund advances) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

### (ii) Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### (iii) Capital element of schools NPDO payment

- This is the capital cost of the annual payment to the schools NPDO operator and represents repayment of the Balance Sheet liability rather than a charge to Comprehensive Income and Expenditure Statement.

### (iv) Other Adjustments

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For services an adjustment is made for the accrual of holiday pay and other similar entitlements, this is required under generally accepted accounting principles but the impact on the General Fund is mitigated by statute which allows the impact to be reversed out through the Movement in Reserves Statement.

### 6 GENERAL FUND RESERVES

The Council has ring-fenced £107.443m of the balance on the General Fund.

| Ring-fenced Balances   | Balance<br>1 April 2023<br>£'000 | Funds Used<br>£'000 | Contributions<br>to/from<br>Funds<br>£'000 | New<br>Earmarking<br>agreed<br>2023-24<br>£'000 | New<br>Earmarking<br>at end of<br>2023-24<br>£'000 | Balance<br>31 March<br>2024<br>£'000 |
|--|----------------------------------|---------------------|--|---|--|--------------------------------------|
| Strategic Housing Fund (Revenue from Additional Council Tax on Second Homes) | 7,247                            | (1,057)             |  |   | 2,575  | 8,765                                |
| Investment in Affordable Housing   | 3,163                            |                     | (139)                                      |   |  | 3,024                                |
| Capital Projects   | 16,059                           | (12,379)            | 2,327                                      | 2,509   | 29,442   | 37,958                               |
| Lochgilphead and Tarbert Regeneration  | 1,460                            | (410)               |  |   |  | 1,050                                |
| Support for Rural Growth Deal  | 756                              | (215)               |  |   |  | 541                                  |
| Asset Management   | 2,098                            | (28)                | (2,070)                                    |   |  | -                                    |
| Piers and Harbours Investment Fund   | 2,789                            |                     |  |   | 1,336  | 4,125                                |
| Scottish Government Initiatives  | 2,834                            | (1,274)             |  |   | 1,219  | 2,779                                |
| CHORD  | 378                              | (89)                |  |   | 120  | 409                                  |
| Devolved School Management Scheme (DSM)                                      | 1,394                            | (1,300)             |  |   | 645  | 739                                  |
| Energy Efficiency Fund   | 218                              |                     |  |   | 20   | 238                                  |
| Unspent Budget Required for Existing Legal Commitments                       | 476                              |                     | (476)                                      |   |  | -                                    |
| Unspent Third Party Contributions  | 13,179                           | (5,937)             | 5,016                                      |   | 3,528  | 15,786                               |
| Contributions Carried Forward  | 265                              | (44)                |  |   | 233  | 454                                  |
| Other Previous Council Decisions   | 3,808                            | (513)               |  |   | 845  | 4,140                                |
| Redundancy Reserve   | 1,578                            | (115)               |  |   | 1,500  | 2,963                                |
| Connect for Success Fund   | 1,426                            | (745)               |  |   |  | 681                                  |
| One Council Property   | 566                              |                     | (566)                                      |   |  | -                                    |
| Fleet - Timing Delay   | 658                              | (174)               |  |   |  | 484                                  |
| Hermitage Park   | 19                               |                     |  |   | 37   | 56                                   |
| Electric Vehicle Chargers  | 17                               | (17)                |  |   |  | -                                    |
| Priorities Investment Fund   | -                                |                     |  |   | 4,742  | 4,742                                |
| COVID-19   | 5,512                            | -                   | (5,512)                                    |   |  | -                                    |
| Unspent Budget Carried Forward   | 13,566                           | (2,989)             | (931)                                      | 173   | 8,690  | 18,509                               |
| <b>Total Ring-fenced</b>   | <b>79,466</b>                    | <b>(27,286)</b>     | <b>(2,351)</b>                             | <b>2,682</b>                                    | <b>54,932</b>                                      | <b>107,443</b>                       |
| Contingency  | 5,691                            | -                   | 348  |   | -  | 6,039                                |
| Unallocated  | 1,199                            | -                   | 1,530                                      | (470)   | -  | 2,259                                |
| <b>Total General Fund Balance</b>  | <b>86,356</b>                    | <b>(27,286)</b>     | <b>(473)</b>                               | <b>2,212</b>                                    | <b>54,932</b>                                      | <b>115,741</b>                       |

The contingency balance of £6.039m is 2% of the Council's budgeted net expenditure for 2023-24.

### 6.1 Service Concessions

During 2022/23 the Scottish Government announced revised regulations in relation to the treatment of service concessions: Local government finance circular 10/2022 - finance leases and service concession arrangements. The council currently operates two service concessions in relation to its Public Private Partnerships (PPP) and Design, Build, Finance, Maintain (DBFM) arrangements both within Education.

The revised regulations allow for the debt costs associated with these schemes to be written off over the expected lives of the respective assets rather than over the contract period of each arrangement. This ensures repayments are aligned to the period over which benefit flows from the asset and provides scope to realign debt costs to reflect the asset lives.

The cumulative value of the liability charged to the General Fund prior to applying the permitted flexibility was £43.376m up to and including the financial year 2023-24. After applying the permitted flexibility, there is a one-off historical debt cost saving of £36.038m and in year savings of £4.831m resulting in an overall benefit in 2023-24 of £40.869m.

This saving has been earmarked for specific council priorities and has been included in note 6 above.

### 7 SUPPLEMENTARY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

#### 7.1 Expenditure and Income Analysed by Nature

Council's expenditure and income is analysed as follows:

| 2022-23<br>£'000 | Expenditure/Income  | 2023-24<br>£'000 |
|------------------|---|------------------|
|                  | <b>Expenditure</b>  |                  |
| 196,213          | Employee benefits expenses  | 195,129          |
| 178,016          | Other services expenses   | 189,024          |
| 74,391           | Contribution to Argyll and Bute Integration Joint Board                       | 77,604           |
| 27,828           | Depreciation, amortisation, impairment  | 23,113           |
| 10,655           | Interest payments   | 7,441            |
| 1,253            | Precepts and levies   | 1,254            |
| 390              | Other operating expenditure   | 416              |
| (437)            | Net Loss/(Gain) on the disposal of assets                                     | (262)            |
| <b>488,309</b>   | <b>Total Expenditure</b>  | <b>493,719</b>   |
|                  | <b>Income</b>   |                  |
| (102,855)        | Fees, charges and other service income  | (109,999)        |
| (74,391)         | Income to fund social care services (Argyll and Bute Integration Joint Board) | (77,604)         |
| (2,966)          | Interest and investment income  | (4,779)          |
| (87,726)         | Income from council tax and non-domestic rates                                | (100,358)        |
| (214,324)        | Government grants and contributions   | (210,743)        |
| <b>(482,262)</b> | <b>Total Income</b>   | <b>(503,483)</b> |
| <b>6,047</b>     | <b>(Surplus)Deficit on the Provision of Services</b>                          | <b>(9,764)</b>   |



## Notes to the Financial Statements

### 7.2 Revenue from Contracts with Service Recipients

| 31 March<br>2023<br>£'000 |   | 31 March<br>2024<br>£'000 |
|---------------------------|---|---------------------------|
| 32,900                    | Revenue from contracts with service recipients                          | 34,201                    |
| <b>32,900</b>             | <b>Total Included in Comprehensive Income and Expenditure Statement</b> | <b>34,201</b>             |

### 8 OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.669m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

| 2022-23<br>Actual<br>£'000 | Other Operating Income and Expenditure                              | 2023-24<br>Actual<br>£'000 |
|----------------------------|---|----------------------------|
| 1,253                      | Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition  | 1,254                      |
| (20)                       | Equal Pay Settlements and Legal Costs                               | -                          |
| 410                        | Other Operating Income and Expenditure not attributable to Services | 416                        |
| <b>1,643</b>               | <b>Total</b>  | <b>1,670</b>               |

### 9 AGENCY SERVICES

The Council bills and collects non-domestic rates on behalf of the Scottish Government from ratepayers situated within Argyll and Bute. The Council also bills and collects, along with its own council tax, domestic water and sewerage charges on behalf of Scottish Water. In addition, the Council received funding from the UK Government to help people who met the Government's eligibility criteria to pay their home energy bills. The Council had no discretion over the terms of the funding and could not use it for service delivery. This means the Council acted as agent only and the grant funding received and paid out are not included in the Council's reserves, CIES or Balance Sheet. In some cases, an administration grant was awarded to the Council to facilitate these payments. This is accounted for as operational income and expenditure and not disclosed here.

## Notes to the Financial Statements

| 2022-23<br>Actual<br>£'000 | Agency Income   | 2023-24<br>Actual<br>£'000 |
|----------------------------|---|----------------------------|
| 33,179                     | Scottish Government - Contributions (to)/from the non-domestic rates pool               | 37,645                     |
| 15,106                     | Domestic water and sewerage charges collected   | 15,830                     |
| (15,106)                   | Domestic water and sewerage charges paid over to Scottish Water                         | (15,830)                   |
| 265                        | Service income from Scottish Water for collection of domestic water and sewerage        | 367                        |
| 7                          | Service income BID levy - Dunoon  | 8                          |
| 7                          | Service income BID levy - Oban  | 7                          |
| 7                          | Service income BID levy - Bute  | 7                          |
| (714)                      | Scottish Child Payment - amount paid out  | -                          |
| 714                        | Scottish Child Payment - amount received from the Scottish Government                   | -                          |
| (73)                       | BIES Energy Grant - amount paid out   | (373)                      |
| 73                         | BIES Energy Grant - amount received from the Scottish Government                        | 373                        |
| (167)                      | COVID - Financial Hardship and Self-Isolation grants paid out                           | -                          |
| 167                        | COVID - Financial Hardship and Self-Isolation funding received from Scottish Government | -                          |
| <b>33,465</b>              | <b>Total</b>  | <b>38,034</b>              |

### 10 COMMUNITY CARE AND HEALTH (SCOTLAND) ACT 2002

From 1 April 2016 health and social care services were fully integrated as part of the new Health and Social Care Partnership.

During 2023-24 the Partnership included provision of services to older people, supporting people with a learning disability and provision of support to adults who have a mental health difficulty.

Budgets are currently aligned which means that each Partner organisation holds their own element of the budget and records the income and expenditure that relates to the part of the service for which they are responsible.

During 2023-24 income received by the Council from this source amounted to £7.811m and the related expenditure was £10.953m. This can be analysed as follows:

| 2022-23         |                      | Purpose of Services  | 2023-24         |                      |
|-----------------|----------------------|--|-----------------|----------------------|
| Income<br>£'000 | Expenditure<br>£'000 |  | Income<br>£'000 | Expenditure<br>£'000 |
| 3,300           | 5,402                | Care of the Elderly  | 3,464           | 5,658                |
| 2,914           | 3,615                | Provision of Services for People with Learning Disabilities    | 2,945           | 3,787                |
| 1,380           | 1,527                | Provision of Services for People with Mental Health Needs      | 1,402           | 1,508                |
| <b>7,594</b>    | <b>10,544</b>        |  | <b>7,811</b>    | <b>10,953</b>        |
| 833             | 833                  | Additional Covid Response Funding received via NHS for 2022-23 |                 |                      |
| <b>8,427</b>    | <b>11,377</b>        | <b>TOTAL</b>   | <b>7,811</b>    | <b>10,953</b>        |

## Notes to the Financial Statements

### 11 FEES PAYABLE TO EXTERNAL AUDITORS

In 2023-24 the following fees relating to external audit and inspection were incurred alongside comparative figures for 2022-23:

| 2022-23<br>£'000 | Auditor's Remuneration  | 2023-24<br>£'000 |
|------------------|---|------------------|
| 310              | Fees payable to External Auditors with regard to external audit services carried out by the appointed Auditor | 325              |
| 310              | <b>Total Remuneration</b>   | <b>325</b>       |

The figure above excludes fees for the audit of the Council's charitable trusts.

Forvis Mazars did not undertake any non-audit work in 2022-23 or 2023-24.

### 12 WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

The Council has entered into a Public Private Partnership for the provision of its waste disposal service. This agreement requires the provider to upgrade or replace three waste disposal sites, two transfer stations and five civic amenity sites. In addition, the provider will also provide composting facilities to meet waste diversion targets. When the agreement ends in September 2026, during financial year 2026-27, the provider will hand back to the Council the waste disposal facilities with a remaining life of 5 years.

The Council has paid a service charge of £7.268m which represents the value of the service provided from 1 April 2023 to 31 March 2024 (£6.514m for 2022-23). Under the agreement the Council is committed to paying the following sums:

| Future Repayment Periods | £'000         |
|--------------------------|---------------|
| 2024-2025                | 6,956         |
| 2025-2026                | 7,108         |
| 2026-2027                | 2,336         |
| <b>Total</b>             | <b>16,400</b> |

The average service charge equates to £5.180m per annum over the life of the contract.

## Notes to the Financial Statements

### 13 GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement:

| 2022-23<br>£'000 | Grant Income  | 2023-24<br>£'000 |
|------------------|---|------------------|
|                  | <b>Credited to Taxation and Non Specific Grant Income</b>         |                  |
| 191,265          | Revenue Support Grant   | 187,193          |
| 33,179           | Non Domestic Rates  | 37,645           |
| 344              | Specific Capital Grant  | 96               |
| 19,187           | General Capital Grant   | 22,347           |
| 44               | Heritage Lottery Fund   | -                |
| 728              | Scottish Timber Transport Strategy                                | 791              |
| 1,353            | Scottish Government   | -                |
| 90               | Strathclyde Partnership for Transport (SPT)                       | 90               |
| 55               | Revenue Contribution to Capital Projects                          | 100              |
| 748              | Other Grants  | 126              |
| <b>246,993</b>   | <b>Total</b>  | <b>248,388</b>   |
|                  | <b>Credited to Services</b>                                       |                  |
| 12,869           | Scottish Government Specific Grants                               | 12,555           |
| 809              | General Capital Grant - Private Sector Housing Improvement Grants | 855              |
| 16,581           | Housing Benefit Subsidy   | 16,443           |
| 14,787           | Other Revenue Government Grants                                   | 21,243           |
| <b>45,046</b>    | <b>Total</b>  | <b>51,096</b>    |

## Notes to the Financial Statements

### 14 RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The aim of the Financial Reporting Standard dealing with Related Parties is to highlight instances where influence and control has been exercised over an external organisation by the Council, and where an elected member, their close family or someone in their household, has the ability to exercise the influence or control. Elected members and Senior Officers have completed a signed declaration on Related Party Interests and these have been used to compile this disclosure.

#### 14.1 Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 13 – Grant Income.

#### 14.2 Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023-24 is shown in the Remuneration Report.

During the year there were two organisations in which members had a significant interest and where the total of transactions exceeded £10,000.

| 2022-23<br>Expenditure<br>£'000 | Transactions in which Members have a significant interest | 2023-24<br>Expenditure<br>£'000 |
|---------------------------------|---|---------------------------------|
| 21                              | Argyll and Bute Rape Crisis                               | 0                               |
| 81                              | S & C Crawford Building Contractors Ltd                   | 337                             |
| 69                              | Bookfan Ltd Trading as South Peak Services                | 81                              |
| <b>171</b>                      | <b>Total</b>  | <b>418</b>                      |

## Notes to the Financial Statements

### 14.3 Other Related Bodies

This category relates to transactions with entities which are controlled or significantly influenced by the Council.

During the year transactions with other related bodies were as follows:

| 2022-23<br>Expenditure<br>£'000 | Related Bodies   | 2023-24<br>Expenditure<br>£'000 |
|---------------------------------|--|---------------------------------|
| 4,197                           | Transactions with related bodies during the year totalled          | 4,418                           |
|                                 | <i>Of these, transactions with the following exceeded £10,000:</i> |                                 |
| 210                             | ACHA   | 48                              |
| 579                             | Dunbritton Housing Association Limited                             | 590                             |
| 34                              | LINK Group Ltd   | 30                              |
| 96                              | West Highland Housing Association Ltd                              | 312                             |
| 14                              | Fyne Homes   | 26                              |
| 548                             | Oban and Lorn Community Enterprise - Atlantis Leisure              | 606                             |
| 100                             | Islay and Jura Community Enterprise                                | 141                             |
| 70                              | Mid Argyll Community Enterprise                                    | 110                             |
| 73                              | Scotland Excel   | 65                              |
| 97                              | Argyll and Bute Citizens Advice Bureaux                            | 55                              |
| 227                             | Bute Advice  | 182                             |
|                                 | - Kintyre Recycling  | 10                              |
| 92                              | SEEMIS   | 104                             |
| 178                             | Argyll and the Isles Coast & Countryside Trust                     | 200                             |
| 411                             | Carr Gomm  | 429                             |
| 127                             | Argyll & Bute Women's Aid  | 132                             |
| 241                             | Argyll & Bute Care & Repair  | 252                             |
| 161                             | HELP   | 168                             |
| 97                              | COSLA  | 71                              |
| 411                             | Strathclyde Passenger Transport                                    | 416                             |
| 204                             | Strathclyde Concessionary Travel Scheme                            | 209                             |
| 60                              | Glengorm Partnership   | -                               |
|                                 | - Group Recycling in Argyll & Bute (GRAB)                          | 73                              |
| 91                              | North West Mull Community Woodland Company                         | -                               |
| 41                              | Mull & Iona Community Trust (MICT)                                 | 148                             |
| <b>4,162</b>                    | <b>Total</b>   | <b>4,377</b>                    |

Given the relationships the Council has with other organisations and partners it is possible that some related party transactions may exist. However, the purpose of the requirement to complete the disclosure is to provide additional information to the users of the Annual Accounts and, by declaring possible instances, there is no suggestion that any inappropriate transactions have taken place.

Please refer to Group Accounts on pages 128 to 139.

## Notes to the Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT

#### 15.1 Movement in Property, Plant and Equipment

| Movements in 2023-24   | Other Land & Buildings<br>£'000 | Vehicles Plant & Equipment<br>£'000 | Community Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total 2023-24<br>£'000 | Infrastructure Assets<br>£'000 |
|--|---------------------------------|-------------------------------------|---------------------------|-------------------------|------------------------------------|------------------------|--------------------------------|
| <b>Cost or Valuation</b>   |                                 |                                     |                           |                         |                                    |                        |                                |
| <b>At 1 April 2023</b>   | <b>453,644</b>                  | <b>46,440</b>                       | <b>8,901</b>              | <b>3,283</b>            | <b>21,440</b>                      | <b>533,708</b>         |                                |
| Additions  | 8,483                           | 3,177                               | 218                       | (18)                    | 15,117                             | 26,977                 | 12,309                         |
| Additions financed under a new leasing arrangement   |                                 |                                     |                           |                         |                                    | -                      |                                |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 5,217                           |                                     |                           | 653                     |                                    | 5,870                  |                                |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 813                             |                                     |                           | 69                      |                                    | 882                    |                                |
| Derecognition - Disposals  |                                 | (1,552)                             |                           |                         |                                    | (1,552)                |                                |
| Assets reclassified (to)/from Held for Sale  | (539)                           |                                     |                           | 630                     |                                    | 91                     |                                |
| Other movements in cost or valuation   |                                 |                                     |                           |                         | (833)                              | (833)                  | 833                            |
| <b>At 31 March 2024</b>  | <b>467,618</b>                  | <b>48,065</b>                       | <b>9,119</b>              | <b>4,617</b>            | <b>35,724</b>                      | <b>565,143</b>         |                                |
| <b>Depreciation and Impairments</b>  |                                 |                                     |                           |                         |                                    |                        |                                |
| <b>At 1 April 2023</b>   | <b>(2,626)</b>                  | <b>(35,568)</b>                     | <b>(9)</b>                | <b>3</b>                | <b>-</b>                           | <b>(38,200)</b>        |                                |
| Depreciation Charge for 2023-24  | (13,802)                        | (3,037)                             |                           |                         |                                    | (16,839)               | (8,846)                        |
| Depreciation written out to the Revaluation Reserve  | 4,125                           |                                     |                           | 16                      |                                    | 4,141                  |                                |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | 2,037                           |                                     |                           |                         |                                    | 2,037                  |                                |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                              |                                 |                                     |                           |                         |                                    | -                      |                                |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     |                                 |                                     |                           |                         |                                    | -                      |                                |
| Derecognition - Disposals  |                                 | 1,552                               |                           |                         |                                    | 1,552                  |                                |
| Derecognition - Other  | 17                              |                                     |                           | (16)                    |                                    | 1                      |                                |
| Other movements in depreciation and impairment   |                                 |                                     |                           |                         |                                    | -                      |                                |
| <b>At 31 March 2024</b>  | <b>(10,249)</b>                 | <b>(37,053)</b>                     | <b>(9)</b>                | <b>3</b>                | <b>-</b>                           | <b>(47,308)</b>        |                                |
| <b>Balance Sheet amount at 31 March 2024</b>   | <b>457,369</b>                  | <b>11,012</b>                       | <b>9,110</b>              | <b>4,620</b>            | <b>35,724</b>                      | <b>517,835</b>         | <b>239,372</b>                 |
| <b>Balance Sheet amount at 31 March 2023</b>   | <b>451,018</b>                  | <b>10,872</b>                       | <b>8,892</b>              | <b>3,286</b>            | <b>21,440</b>                      | <b>495,508</b>         | <b>235,076</b>                 |



## Notes to the Financial Statements

| Comparative Movements in 2022-23   | Other Land & Buildings<br>£'000 | Vehicles Plant & Equipment<br>£'000 | Community Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total 2022-23<br>£'000 | Infrastructure Assets<br>£'000 |
|--|---------------------------------|-------------------------------------|---------------------------|-------------------------|------------------------------------|------------------------|--------------------------------|
| <b>Cost or Valuation</b>   |                                 |                                     |                           |                         |                                    |                        |                                |
| <b>At 1 April 2022</b>   | <b>428,437</b>                  | <b>44,428</b>                       | <b>7,463</b>              | <b>1,405</b>            | <b>35,344</b>                      | <b>517,077</b>         |                                |
| Additions  | 8,671                           | 2,024                               | 1,438                     | 283                     | 10,212                             | 22,628                 | 13,110                         |
| Additions financed under a new leasing agreement   | -                               | -                                   | -                         | -                       | -                                  | -                      |                                |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 2,499                           |                                     |                           | 1,237                   |                                    | 3,736                  |                                |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (8,252)                         |                                     |                           | (18)                    | -                                  | (8,270)                |                                |
| Derecognition - Disposals  | (1,451)                         | (12)                                |                           | -                       |                                    | (1,463)                |                                |
| Assets reclassified (to)/from Held for Sale  | (376)                           |                                     |                           | 376                     |                                    | -                      |                                |
| Other movements in cost or valuation   | 24,116                          | -                                   |                           | -                       | (24,116)                           | -                      |                                |
| <b>At 31 March 2023</b>  | <b>453,644</b>                  | <b>46,440</b>                       | <b>8,901</b>              | <b>3,283</b>            | <b>21,440</b>                      | <b>533,708</b>         |                                |
| <b>Depreciation and Impairments</b>  |                                 |                                     |                           |                         |                                    |                        |                                |
| <b>At 1 April 2022</b>   | <b>(13,585)</b>                 | <b>(32,630)</b>                     | <b>(9)</b>                | <b>3</b>                | <b>-</b>                           | <b>(46,221)</b>        |                                |
| Depreciation Charge for 2022-23  | (13,068)                        | (2,944)                             |                           |                         |                                    | (16,012)               | (8,512)                        |
| Depreciation written out to the Revaluation Reserve  | 17,284                          |                                     |                           |                         |                                    | 17,284                 |                                |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | 5,300                           |                                     |                           |                         |                                    | 5,300                  |                                |
| Derecognition - Disposals  | 1,443                           | 6                                   |                           |                         |                                    | 1,449                  |                                |
| Other movements in depreciation and impairment   | -                               |                                     |                           |                         |                                    | -                      |                                |
| <b>At 31 March 2023</b>  | <b>(2,626)</b>                  | <b>(35,568)</b>                     | <b>(9)</b>                | <b>3</b>                | <b>-</b>                           | <b>(38,200)</b>        |                                |
| <b>Balance Sheet amount at 31 March 2023</b>   | <b>451,018</b>                  | <b>10,872</b>                       | <b>8,892</b>              | <b>3,286</b>            | <b>21,440</b>                      | <b>495,508</b>         | <b>235,076</b>                 |
| <b>Balance Sheet amount at 31 March 2022</b>   | <b>414,852</b>                  | <b>11,798</b>                       | <b>7,454</b>              | <b>1,408</b>            | <b>35,344</b>                      | <b>470,856</b>         | <b>230,478</b>                 |

## Notes to the Financial Statements

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As permitted by Finance Circular 09-2022 the council has adopted both Statutory Override 1 & 2 relating to infrastructure assets which allow for the following;

Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: For accounting periods commencing 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

## Notes to the Financial Statements

### 15.2 Valuation of Property, Plant and Equipment

IAS 16 – Property, Plant and Equipment has been adapted for the public sector by IPSAS 17 – Property, Plant and Equipment. Under IPSAS 17 each category of Property, Plant and Equipment is valued as follows:

- Infrastructure, community assets and assets under construction are valued at historical cost.
- Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for fair value.
- All other classes of assets are valued at fair value. Where there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold then an estimate of fair value is made using a depreciated replacement cost approach.

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is re-valued at least every five years.

Assets identified as Corporate Surplus Assets are valued in accordance with IFRS 13 - Fair Value Measurement. The Balance Sheet value of Corporate Surplus assets at 31 March 2024 was £4.620m. Corporate Surplus assets are valued at their fair value on 31 March each year. Level 2 or 3 inputs were used for most Corporate Surplus asset valuations.

Revaluations of Council owned land and property were carried out at 31 March 2024 in accordance with the Council's rolling programme of revaluations. The revaluations have been carried out in house by the Council's Estates Service. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. For assets not valued in-year a desktop assessment was undertaken for 2023-24 to estimate the potential increase in value of those assets valued using depreciated replacement cost using BCIS indices. As the BCIS indices have not increased materially, the impact on these assets was not deemed to be material so no adjustment was made.

The following table shows the progress of the Council's rolling programme for the revaluation of Other Land and Buildings:

| Valued at Fair Value as at:    | Other Land & Buildings        |                               |                               |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                | Estates<br>Valuation<br>£'000 | Desktop<br>Valuation<br>£'000 | Current<br>Valuation<br>£'000 |
| 31 March 2024                  | 135,773                       |                               | 135,773                       |
| 31 March 2023                  | 179,234                       | 5,007                         | 184,241                       |
| 31 March 2022                  | 38,954                        | 3,335                         | 42,289                        |
| 31 March 2021                  | 50,140                        | 3,164                         | 53,304                        |
| 31 March 2020                  | 39,207                        | 2,555                         | 41,762                        |
| <b>Total Cost or Valuation</b> | <b>443,308</b>                | <b>14,061</b>                 | <b>457,369</b>                |

## Notes to the Financial Statements

### 15.3 Depreciation

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

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer (20 to 60 years)
- Infrastructure – straight-line allocation over 40 – 60 years
- Vessels – straight line allocation over 25 years
- Vehicles, Plant and Equipment - straight-line allocation over the useful life of the asset as determined by a suitably qualified officer (5 to 20 years)

### 15.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and Council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2023-24 total spending on capital projects was £40.094m.

| 2022-23<br>£'000 |  | 2023-24<br>£'000 |
|------------------|--|------------------|
| <b>307,100</b>   | <b>Opening Capital Financing Requirement</b>   | <b>291,782</b>   |
|                  | <b>Capital Investment:</b>   |                  |
| 8,543            | Property Plant and Equipment: Other Land and Buildings   | 8,483            |
| 2,024            | Vehicles, Plant, Furniture and Equipment   | 3,177            |
| 13,110           | Infrastructure Assets  | 12,309           |
| 1,438            | Community Assets   | 218              |
| 283              | Surplus Assets   | (18)             |
| 10,212           | Assets Under Construction  | 15,117           |
| 128              | Property Plant and Equipment<br>acquired under Finance Leases: Other Land and Buildings - DBFM Schools | -                |
| 246              | Heritage Assets  | 224              |
| 174              | Intangible Assets  | 202              |
| 12               | Investment Assets  | 382              |
|                  | Assets Held for Sale   |                  |
| <b>36,170</b>    | <b>Total Capital Investment</b>  | <b>40,094</b>    |
|                  | <b>Sources of Finance:</b>   |                  |
| -                | Capital Receipts   | -                |
| (22,549)         | Government Grants  | (23,550)         |
| (2,938)          | Capital Financed from Current Revenue  | (1,616)          |
| (4,276)          | Net Borrowing  | (6,111)          |
| (16,041)         | Earmarked Reserves   | (1,532)          |
| (5,116)          | Assets Acquired under Finance Leases/Schools NPDO  | (5,280)          |
| (568)            | Capital Receipts transferred to/(from) Capital Fund  | (2,207)          |
| -                | Service Concessions  | 40,869           |
| -                | Other  | (55)             |
| <b>(51,488)</b>  | <b>Total Funding</b>   | <b>518</b>       |
| <b>291,782</b>   | <b>Closing Capital Financing Requirement</b>   | <b>332,394</b>   |

## Notes to the Financial Statements

### 15.5 Commitments under Capital Contracts

At 31 March 2024, the Council had commitments on capital contracts of £6.236m. This expenditure will be funded from a combination of Government Grants, borrowing and income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2023 were £13.745m. The major commitments are:

| Commitments Under Capital Contracts                               | 2023-24<br>£'000 |
|---|------------------|
| Tigh-A-Rudha Care Home - Internal Upgrade                         | 1,859            |
| Kilmory Business Park   | 979              |
| Lochgilphead Community Education Centre                           | 513              |
| The Moat Centre - Electrical Upgrade                              | 473              |
| St Andrews Primary School - Window Upgrade                        | 358              |
| Port Charlotte Primary School - Electrical Works                  | 306              |
| Riverside Leisure Centre - Health Suite Upgrade                   | 280              |
| Helensburgh and Lomond Civic Centre - Occupation Certificate Work | 267              |
| Dalmally Primary School - Internal Upgrade                        | 193              |
| North Bute Primary School - Staff Toilet Alterations              | 150              |
| Other projects each less than £0.150m in value                    | 858              |
| <b>Total Capital Commitments</b>                                  | <b>6,236</b>     |

### 16 HERITAGE ASSETS

The main heritage assets held by the Council are two art collections, an archaeology collection and Inveraray Jail and Courthouse. The Council holds other heritage assets which are not valued and shown on the Balance Sheet. Further details on the council's heritage assets policy can be found in note 1.11.

Reconciliation of the carrying value of heritage assets held by the Council:

| Movements in 2023-24  | Art<br>Collections<br>£'000 | Heritage<br>Property<br>£'000 | Total<br>£'000 |
|---|-----------------------------|-------------------------------|----------------|
| <b>Cost or Valuation</b>  |                             |                               |                |
| <b>Net Book Value at 1 April 2023</b>                               | <b>1,600</b>                | <b>745</b>                    | <b>2,345</b>   |
| Additions   | -                           | 224                           | 224            |
| Disposals   | -                           | -                             | -              |
| Revaluations  | -                           | -                             | -              |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | -                           | -                             | -              |
| Transfer from Assets Under Construction                             | -                           | -                             | -              |
| <b>At 31 March 2024</b>   | <b>1,600</b>                | <b>969</b>                    | <b>2,569</b>   |

### 17 INTANGIBLE ASSETS

Intangible assets comprise software licences and carbon reduction commitment allowances purchased in advance. Purchased software licences are shown at cost and this cost is charged to the relevant service lines within the Comprehensive Income and Expenditure Statement over the economic life of the licences, assessed as five years.

The movement in intangible assets during the year was:

| Movements in 2023-24                         | Purchased Software Licences | Total Intangible Assets |
|--|-----------------------------|-------------------------|
|  | £'000                       | £'000                   |
| <b>Cost or Valuation</b>                     |                             |                         |
| <b>At 1 April 2023</b>                       | <b>2,449</b>                | <b>2,449</b>            |
| Additions                                    | 202                         | 202                     |
| Disposals                                    | -                           | -                       |
| Revaluations                                 | -                           | -                       |
| Reclassifications                            | -                           | -                       |
| <b>At 31 March 2024</b>                      | <b>2,651</b>                | <b>2,651</b>            |
| <b>Amortisation and Impairments</b>          |                             |                         |
| <b>At 1 April 2023</b>                       | <b>(1,716)</b>              | <b>(1,716)</b>          |
| Charge for 2023-24                           | (47)                        | (47)                    |
| Disposals                                    | -                           | -                       |
| <b>At 31 March 2024</b>                      | <b>(1,763)</b>              | <b>(1,763)</b>          |
| <b>Balance Sheet amount at 31 March 2024</b> | <b>888</b>                  | <b>888</b>              |
| <b>Balance Sheet amount at 31 March 2023</b> | <b>733</b>                  | <b>733</b>              |

| Comparative Movements in 2022-23             | Purchased Software Licences | Total Intangible Assets |
|--|-----------------------------|-------------------------|
|  | £'000                       | £'000                   |
| <b>Cost or Valuation</b>                     |                             |                         |
| <b>At 1 April 2022</b>                       | <b>2,275</b>                | <b>2,275</b>            |
| Additions                                    | 174                         | 174                     |
| Disposals                                    | -                           | -                       |
| Revaluations                                 | -                           | -                       |
| Reclassifications                            | -                           | -                       |
| <b>At 31 March 2023</b>                      | <b>2,449</b>                | <b>2,449</b>            |
| <b>Amortisation and Impairments</b>          |                             |                         |
| <b>At 1 April 2022</b>                       | <b>(1,671)</b>              | <b>(1,671)</b>          |
| Charge for 2022-23                           | (45)                        | (45)                    |
| Disposals                                    | -                           | -                       |
| <b>At 31 March 2023</b>                      | <b>(1,716)</b>              | <b>(1,716)</b>          |
| <b>Balance Sheet amount at 31 March 2023</b> | <b>733</b>                  | <b>733</b>              |
| <b>Balance Sheet amount at 31 March 2022</b> | <b>604</b>                  | <b>604</b>              |

## 18 INVESTMENT PROPERTY

Investment property has been accounted for in accordance with IAS 4 - Investment Property, except where interpretations or adaptations to fit the public sector are detailed in the Code. The definition of an investment property in the context of the public sector is one that is used solely to earn rentals or for capital appreciation or both.

The value of investment property is initially measured at cost and thereafter measured at fair value. The fair value of investment property reflects market conditions at 31 March 2024. Revaluations of investment properties were carried out at 31 March 2024 in house by the Estates Service.

### 18.1 Movement in Investment Property

The movement in investment property during 2023-24 was:

| Movements in 2023-24                         | Investment Properties |
|--|-----------------------|
|  | £'000                 |
| <b>Cost or Valuation</b>                     |                       |
| <b>At 1 April 2023</b>                       | <b>2,553</b>          |
| Acquisitions                                 | 382                   |
| Disposals                                    | -                     |
| Net Gains/Losses from fair value adjustments | (42)                  |
| Transfers                                    | (379)                 |
| <b>At 31 March 2024</b>                      | <b>2,514</b>          |



### 18.2 Investment Property Income and Expenditure

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| 2022-23<br>£'000 |  | 2023-24<br>£'000 |
|------------------|--|------------------|
| 141              | Rental income from investment property                     | 144              |
| (4)              | Direct operating expenses arising from investment property | -                |
| <b>137</b>       |  | <b>144</b>       |

### 19 SCHOOLS BUILT UNDER PUBLIC PRIVATE PARTNERSHIP CONTRACTS (PPP)

Argyll and Bute Council have two schemes:

#### Schools Non-Profit Distributing Organisation (NPDO)

During 2007-08 two secondary schools, two joint campuses and one primary campus, developed as part of the Non-Profit Distributing Organisation (NPDO) variant of a Public Private Partnership (PPP), became operational. When the agreement ends in 2035 the provider will hand the five school complexes back to the Council.

#### Schools Hub Design, Build, Finance and Maintain Contract (DBFM)

Campbeltown and Oban High Schools have been built under this type of arrangement which reached Financial Close in March 2016.

Campbeltown Grammar School Construction Phase 1 was completed on 19 February 2018 and provided a new secondary school for pupils aged between 12 and 18. The new school has capacity for 500 pupils and replaces the existing Campbeltown Grammar School on the current school site at Hutcheon Road, Campbeltown. Phase 2 which included the demolition of the existing school buildings, provision of a car park, landscaping and 3G artificial turf pitch was completed during 2018-19.

Oban High School Construction Phase 1 was completed on 5 April 2018 and provided a new secondary school for pupils between 12 and 18. The new school has capacity for 1300 pupils and replaces the existing Oban High School, on the current school site at Soroba Road, Oban. Phase 2 included the demolition of the existing school buildings, provision of a car park, landscaping and a pedestrian footway with lighting from the new school facilities to the grass pitches owned by the Council at Glencruitten, Oban was completed during 2018-19.

## Notes to the Financial Statements

### 19.1 Assets Held under Schools NPDO and DBFM Contracts

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 2024 and depreciation to date are included as part of Operational Land and Buildings.

As noted above, two schools were completed under the Schools DBFM Contract. Oban High School and Campbeltown Grammar have been included within Operational Land & Buildings.

| Movements in 2023-24                         | Schools<br>DBFM - Other<br>Land &<br>Buildings<br>£'000 | Schools<br>NPDO - Other<br>Land &<br>Buildings<br>£'000 | Total<br>Schools Built<br>under PFI<br>Contracts<br>£'000 |
|--|---|---|---|
| <b>Cost or Valuation</b>                     |   |   |   |
| <b>At 1 April 2023</b>                       | <b>71,539</b>   | <b>134,178</b>  | <b>205,717</b>  |
| Additions at Cost                            | -   | -   | -   |
| Transfers                                    | -   | -   | -   |
| Revaluations                                 | 5,066   | -   | 5,066   |
| <b>At 31 March 2024</b>                      | <b>76,605</b>   | <b>134,178</b>  | <b>210,783</b>  |
| <b>Depreciation and Impairments</b>          |   |   |   |
| <b>At 1 April 2023</b>                       | -   | -   | -   |
| Charge for 2023-24                           | (2,457)   | (3,355)   | (5,812)   |
| Transfers                                    | -   | -   | -   |
| Revaluations                                 | 2,457   | -   | 2,457   |
| <b>At 31 March 2024</b>                      | <b>-</b>  | <b>(3,355)</b>  | <b>(3,355)</b>  |
| <b>Balance Sheet amount at 31 March 2024</b> | <b>76,605</b>   | <b>130,823</b>  | <b>207,428</b>  |
| <b>Balance Sheet amount at 31 March 2023</b> | <b>71,539</b>   | <b>134,178</b>  | <b>205,717</b>  |

| Comparative Movements in 2022-23             | Schools<br>DBFM - Other<br>Land &<br>Buildings<br>£'000 | Schools<br>NPDO - Other<br>Land &<br>Buildings<br>£'000 | Total<br>Schools Built<br>under PFI<br>Contracts<br>£'000 |
|--|---|---|---|
| <b>Cost or Valuation</b>                     |   |   |   |
| <b>At 1 April 2022</b>                       | <b>66,018</b>   | <b>136,962</b>  | <b>202,980</b>  |
| Additions at Cost                            | 128   | -   | 128   |
| Transfers                                    | -   | -   | -   |
| Revaluations                                 | 5,393   | (2,784)   | 2,609   |
| <b>At 31 March 2023</b>                      | <b>71,539</b>   | <b>134,178</b>  | <b>205,717</b>  |
| <b>Depreciation and Impairments</b>          |   |   |   |
| <b>At 1 April 2022</b>                       | -   | -   | -   |
| Charge for 2022-23                           | (2,186)   | (3,162)   | (5,348)   |
| Transfers                                    | -   | -   | -   |
| Revaluations                                 | 2,186   | 3,162   | 5,348   |
| <b>At 31 March 2023</b>                      | <b>-</b>  | <b>-</b>  | <b>-</b>  |
| <b>Balance Sheet amount at 31 March 2023</b> | <b>71,539</b>   | <b>134,178</b>  | <b>205,717</b>  |
| <b>Balance Sheet amount at 31 March 2022</b> | <b>66,018</b>   | <b>136,962</b>  | <b>202,980</b>  |

### 19.2 Schools NPDO Finance Lease Liability

The finance lease liability arising from the Schools NPDO and DBFM contracts are as follows:

| Movements in 2023-24                                    | Schools DBFM<br>£'000 | Schools NPDO<br>£'000 | Total Schools Finance Lease Liability<br>£'000 |
|---|-----------------------|-----------------------|--|
| <b>Balance at 1 April 2023</b>                          | <b>(51,876)</b>       | <b>(59,338)</b>       | <b>(111,214)</b>                               |
| Additions   | -                     | -                     | -  |
| Repayments  | 1,970                 | 3,262                 | 5,232  |
| Prior year repayment adjustment                         | -                     | -                     | -  |
| <b>Schools Finance Lease Liability at 31 March 2024</b> | <b>(49,906)</b>       | <b>(56,076)</b>       | <b>(105,982)</b>                               |
| Split:  |                       |                       |  |
| Obligations payable within 1 year                       | (1,990)               | (3,298)               | (5,288)  |
| Obligations payable after 1 year                        | (47,916)              | (52,778)              | (100,694)                                      |
| <b>Schools Finance Lease Liability at 31 March 2024</b> | <b>(49,906)</b>       | <b>(56,076)</b>       | <b>(105,982)</b>                               |

| Comparative Movements in 2022-23                        | Schools DBFM<br>£'000 | Schools NPDO<br>£'000 | Total Schools Finance Lease Liability<br>£'000 |
|---|-----------------------|-----------------------|--|
| <b>Balance at 1 April 2022</b>                          | <b>(53,876)</b>       | <b>(62,408)</b>       | <b>(116,284)</b>                               |
| Additions   | -                     | -                     | -  |
| Repayments  | 2,000                 | 3,070                 | 5,070  |
| Prior year repayment adjustment                         | -                     | -                     | -  |
| <b>Schools Finance Lease Liability at 31 March 2023</b> | <b>(51,876)</b>       | <b>(59,338)</b>       | <b>(111,214)</b>                               |
| Split:  |                       |                       |  |
| Obligations payable within 1 year                       | (1,970)               | (3,262)               | (5,232)  |
| Obligations payable after 1 year                        | (49,906)              | (56,076)              | (105,982)                                      |
| <b>Schools Finance Lease Liability at 31 March 2023</b> | <b>(51,876)</b>       | <b>(59,338)</b>       | <b>(111,214)</b>                               |

## Notes to the Financial Statements

### 19.3 Payments due to Operator under Schools NPDO Contract

The Council is committed to paying the following sums under the Schools NPDO contract:

| Future Repayment Periods | Repayment of Liability<br>£'000 | Lifecycle Costs<br>£'000 | Payment of Interest<br>£'000 | Service Charges<br>£'000 | Total Payments<br>£'000 |
|--------------------------|---------------------------------|--------------------------|------------------------------|--------------------------|-------------------------|
| 2024 - 2025              | 3,298                           | 631                      | 5,796                        | 7,032                    | 16,757                  |
| 2025 - 2029              | 16,876                          | 2,593                    | 20,035                       | 29,716                   | 69,220                  |
| 2029 - 2034              | 31,660                          | 4,072                    | 13,592                       | 42,567                   | 91,891                  |
| 2034 - 2035              | 4,241                           | 318                      | 717                          | 4,301                    | 9,577                   |
| <b>Total</b>             | <b>56,075</b>                   | <b>7,614</b>             | <b>40,140</b>                | <b>83,616</b>            | <b>187,445</b>          |

### 19.4 Payments due to Operator under Schools DBFM Contract

The Council is committed to paying the following sums under the Schools DBFM contract:

| Future Repayment Periods | Repayment of Liability<br>£'000 | Payment of Interest<br>£'000 | Service Charges<br>£'000 | Total Payments<br>£'000 |
|--------------------------|---------------------------------|------------------------------|--------------------------|-------------------------|
| 2024 - 2025              | 1,990                           | 2,168                        | 1,211                    | 5,369                   |
| 2025 - 2029              | 8,418                           | 7,888                        | 4,641                    | 20,947                  |
| 2029 - 2034              | 11,056                          | 8,066                        | 7,789                    | 26,911                  |
| 2034 - 2039              | 13,573                          | 2,471                        | 11,773                   | 27,817                  |
| 2039 - 2043              | 14,869                          | 1,716                        | 5,601                    | 22,186                  |
| <b>Total</b>             | <b>49,906</b>                   | <b>22,309</b>                | <b>31,015</b>            | <b>103,230</b>          |

## 20 OPERATING LEASES

### 20.1 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements were as follows:

| 2022-23<br>£'000 |                     | 2023-24<br>£'000 |
|------------------|---------------------|------------------|
| 552              | Land and Buildings  | 1,223            |
| 1,407            | Vehicles            | 1,577            |
| 180              | Plant and Equipment | 181              |
| <b>2,139</b>     | <b>Total</b>        | <b>2,981</b>     |

## Notes to the Financial Statements

### 20.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2024 to making payments of £2.061m under operating leases comprising the following elements:

| 31st March 2023                   |  |                           | 31st March 2024                   |  |
|-----------------------------------|--|---------------------------|-----------------------------------|--|
| Other Land and Buildings<br>£'000 | Vehicles, Plant and Equipment<br>£'000 |                           | Other Land and Buildings<br>£'000 | Vehicles, Plant and Equipment<br>£'000 |
| 213                               | 184                                    | Due within 1 year         | 485                               | 222                                    |
| 691                               | 162                                    | Due between 1 and 5 years | 481                               | 114                                    |
| 1,479                             | 5                                      | Due after 5 years         | 759                               | -                                      |
| <b>2,383</b>                      | <b>351</b>                             | <b>Value at 31 March</b>  | <b>1,725</b>                      | <b>336</b>                             |

## 21 FINANCE LEASES

### 21.1 Finance Leases – Amounts Paid to Lessors

During 2017-18 the Council purchased a new cremator for Cardross Crematorium under a finance lease arrangement. The amount paid under this arrangement in 2023-24 was as follows:

| 2022-23<br>£'000 |                     | 2023-24<br>£'000 |
|------------------|---------------------|------------------|
| 63               | Plant and Equipment | 63               |
| <b>63</b>        | <b>Total</b>        | <b>63</b>        |

### 21.2 Assets Held Under Finance Leases

Assets purchased under a finance lease are included within the assets of the Council and depreciated over the life of the asset as follows:

| 2022-23<br>£'000 | Vehicles, Plant and Equipment | 2023-24<br>£'000 |
|------------------|-------------------------------|------------------|
| <b>376</b>       | <b>Value at 1 April</b>       | <b>325</b>       |
| -                | Additions                     | -                |
| (51)             | Depreciation                  | (51)             |
| <b>325</b>       | <b>Value at 31 March</b>      | <b>274</b>       |

## 21.3 Finance Lease Liability

The Council was committed at 31 March 2024 to making payments of £0.301m under finance leases comprising the following elements:

| Movements in 2023-24                              | £'000        |
|---|--------------|
| <b>Balance at 1 April 2023</b>                    | <b>(349)</b> |
| Additions   | -            |
| Repayments  | 48           |
| <b>Finance Lease Liability at 31 March 2024</b>   | <b>(301)</b> |
| Split:  |              |
| Obligations payable within 1 year                 | (63)         |
| Obligations payable between 1 and 5 years         | (251)        |
| Obligations payable after 5 years                 | (29)         |
| <b>Finance Lease Obligations at 31 March 2024</b> | <b>(343)</b> |
| Less Interest element of lease                    | 42           |
| <b>Finance Lease Liability at 31 March 2024</b>   | <b>(301)</b> |

| Comparative Movements in 2022-23                  | £'000        |
|---|--------------|
| <b>Balance at 1 April 2022</b>                    | <b>(396)</b> |
| Additions   | -            |
| Repayments  | 47           |
| <b>Finance Lease Liability at 31 March 2023</b>   | <b>(349)</b> |
| Split:  |              |
| Obligations payable within 1 year                 | (63)         |
| Obligations payable between 1 and 5 years         | (251)        |
| Obligations payable after 5 years                 | (92)         |
| <b>Finance Lease Obligations at 31 March 2023</b> | <b>(406)</b> |
| Less Interest element of lease                    | 57           |
| <b>Finance Lease Liability at 31 March 2023</b>   | <b>(349)</b> |

**22 LONG TERM DEBTORS**

| 31st March<br>2023<br>£'000 |   | 31st March<br>2024<br>£'000 |
|-----------------------------|---|-----------------------------|
| 12                          | House Loans   | 11                          |
| 750                         | Waste PPP Historic Contamination Fund                       | 750                         |
| 1,801                       | Charging Orders - Care Home Fees                            | 2,099                       |
| 3,024                       | Strategic Housing Fund Loans to Registered Social Landlords | 2,879                       |
| 293                         | Other Long Term Debtors                                     | 77                          |
| <b>5,880</b>                | <b>Total Long Term Debtors</b>                              | <b>5,816</b>                |

**23 DEBTORS**

| 31 March 2023 |               |  | 31 March 2024 |               |
|---------------|---------------|--|---------------|---------------|
| £'000         | £'000         |  | £'000         | £'000         |
| 18,990        |               | Arrears of Local Taxation                                | 20,310        |               |
| (16,844)      |               | Less: Impairment of Bad Debts                            | (17,776)      |               |
|               | 2,146         |  |               | 2,534         |
| 435           |               | Housing Benefits Overpayments                            | 375           |               |
| (299)         |               | Less: Impairment of Bad Debts                            | (277)         |               |
|               | 136           |  |               | 98            |
| 3,382         |               | Debtor Accounts  | 4,586         |               |
| (1,172)       |               | Less: Impairment of Bad Debts                            | (1,121)       |               |
|               | 2,210         |  |               | 3,465         |
|               | 2,742         | Net Debtor to Scottish Government for Non Domestic Rates |               | 1,670         |
|               | 4,316         | VAT Recoverable from HMRC                                |               | 2,807         |
|               | 139           | Strategic Housing Fund Loans due within 1 Year           |               | 145           |
|               | 7,456         | Accrued Income   |               | 14,576        |
|               | 8,041         | Other Debtors  |               | 13,073        |
|               | <b>27,186</b> | <b>Total Debtors</b>                                     |               | <b>38,368</b> |



## 24 ASSETS HELD FOR SALE

The movement in assets held for sale was:

| 2022-23<br>£'000 | Movements  | 2023-24<br>£'000 |
|------------------|--|------------------|
| <b>1,509</b>     | <b>Balance Sheet amount at 1st April 2023</b>                              | <b>1,554</b>     |
| 17               | Assets newly classified as "Held for Sale" (Property, Plant and Equipment) | 286              |
| -                | Additions  | -                |
| 84               | Revaluation losses   | -                |
| 60               | Revaluation gains  | 189              |
| -                | Impairment losses  | -                |
| -                | Assets declassified as "Held for Sale" (Property, Plant and Equipment)     | -                |
| (116)            | Assets Sold  | (410)            |
| <b>1,554</b>     | <b>Balance Sheet amount at 31st March 2024</b>                             | <b>1,619</b>     |

## 25 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

| 31 March<br>2023<br>£'000 |   | 31 March<br>2024<br>£'000 |
|---------------------------|---|---------------------------|
| 4                         | Cash held by the Authority                | 3                         |
| (218)                     | Cash in transit                           | 794                       |
| 1,976                     | Short term deposits with banks            | 633                       |
| 6,850                     | Short term deposits in Money Market Funds | 1,400                     |
| (7,789)                   | Bank Current Accounts                     | (12,821)                  |
| <b>823</b>                | <b>Total Cash and Cash Equivalents</b>    | <b>(9,991)</b>            |

## 26 CREDITORS

| 31 March<br>2023<br>£'000 |  | 31 March<br>2024<br>£'000 |
|---------------------------|--|---------------------------|
| 11,707                    | Accrued Payrolls and Superannuation                          | 9,174                     |
| 3,092                     | Accrued Employer's National Insurance Contributions and PAYE | 3,495                     |
| 7,588                     | Accrual for Short Term Accumulating Absences                 | 8,272                     |
| 96                        | Creditors System Liability                                   | (19)                      |
| 9,095                     | Accrued Expenditure  | 10,774                    |
| 5,006                     | Health and Social Care Partnership Creditor                  | 3,389                     |
| 1,022                     | RCGF Grant Income  | 2,060                     |
| 854                       | Trust Funds  | 901                       |
| -                         | Net Creditor to Scottish Government for Non Domestic Rates   | 1,408                     |
| 11,584                    | Other Creditors  | 12,920                    |
| <b>50,044</b>             | <b>Total Creditors</b>                                       | <b>52,374</b>             |

## 27 FINANCIAL INSTRUMENTS DISCLOSURES

### 27.1 Types of Financial Instruments

Accounting regulations require the “Financial Instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “Financial Instruments”:

| 31 March 2023      |                  |   | 31 March 2024      |                  |
|--------------------|------------------|---|--------------------|------------------|
| Long Term<br>£'000 | Current<br>£'000 |   | Long Term<br>£'000 | Current<br>£'000 |
|                    |                  | <b>Investments and Lending</b>          |                    |                  |
| 11,372             | 78,669           | Loans and Receivables                   | 6,774              | 48,559           |
|                    |                  | <b>Borrowing</b>                        |                    |                  |
| 239,187            | 58,190           | Financial Liabilities at amortised cost | 209,151            | 63,406           |

### 27.2 Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2024 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

## Notes to the Financial Statements

| 31 March 2023            |                     |   | 31 March 2024            |                     |
|--------------------------|---------------------|---|--------------------------|---------------------|
| Carrying Amount<br>£'000 | Fair Value<br>£'000 |   | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| 90,041                   | 90,041              | <b>Lending</b><br>Loans and Receivables   | 46,423                   | 46,423              |
| 297,377                  | 315,566             | <b>Borrowing</b><br>Financial Liabilities | 272,557                  | 272,797             |

The fair value is greater than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to receive interest above the current market rates increases the amount the Council would receive if it agreed the early repayment of loans.

### 27.3 Gains and Losses on Financial Instruments

There are no gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments.

### 27.4 Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

### 27.5 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, money market funds, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and money market funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

|  | Amount at<br>31 March 2024<br>£'000 | Historical<br>Experience of<br>Non-payment<br>adjusted for<br>Market<br>Conditions at<br>31 March 2024<br>% | Estimated<br>Maximum<br>Exposure to<br>Default and<br>Uncollectability<br>£'000 |
|--|-------------------------------------|---|---|
| Deposits with Banks and Money Market Funds | 2,033                               | -   | -   |

The information in respect of the Council's debtors can be found in notes 22 and 23. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 23 represents the Council's assessment of the likely recoverability of the debt outstanding.

## Notes to the Financial Statements

The credit risk around unprovided for debt is considered to be low. Debtors relate to the normal business of the Council and credit is issued on the Council's standard credit terms. There are no significant amounts past due but not impaired where recoverability is considered to be an issue.

### 27.6 Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under Financial Instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

| 31 March<br>2023<br>£'000 | Maturity analysis of financial liabilities | 31 March<br>2024<br>£'000 |
|---------------------------|--|---------------------------|
| 63,958                    | Less than one year                         | 63,404                    |
| 5,357                     | Between one and two years                  | 7,219                     |
| 19,048                    | Between two and five years                 | 25,773                    |
| 209,014                   | More than five years                       | 176,161                   |
| <b>297,377</b>            |  | <b>272,557</b>            |

All other amounts due to the Council for council tax, non-domestic rates and other income are due to be paid in less than one year.

### 27.7 Market Risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the "fair value" of both lending and borrowing at fixed rates. Changes in "fair value" of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council.

It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.

During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.

The Council takes daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

Any potential for a financial impact on the Council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the Government Grant support the Council receives for "loan charges".

## Notes to the Financial Statements

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2024, with all other variables held constant:

|  | 31 March<br>2024<br>£'000 |
|--|---------------------------|
| <b>Impact on tax-payer</b>   |                           |
| Increase on interest payable on variable rate borrowings                 | 53                        |
| Increase in interest receivable on variable rate lending                 | -                         |
| Increases in government grant receivable for "loan charges"              | -                         |
| <b>Net effect on Statement of Comprehensive Income &amp; Expenditure</b> | <b>53</b>                 |

|  | 31 March<br>2024<br>£'000 |
|--|---------------------------|
| <b>Other accounting presentational changes</b>   |                           |
| A decrease in the "fair value" of fixed rate borrowing<br>(disclosure confined to the notes to the financial statements) | 13,965                    |

The impact of a 1% fall in the interest rates would be as above but with the changes being reversed.

### 27.8 Price Risk

The Council has no investment classified as "available-for-sale".

### 27.9 Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

### 27.10 Short-Term Deposits

The short-term deposits arise as a result of the timing of expenditure and associated income and movements in fund and revenue balances. The Council adopts a proactive but prudent approach to its Treasury Management operations, which are governed by the fully revised edition of CIPFA's Code of Practice on Treasury Management.

| 31 March<br>2023<br>£'000 |                              | 31 March<br>2024<br>£'000 |
|---------------------------|------------------------------|---------------------------|
| 8,826                     | Banks and Money Market Funds | 2,033                     |

### 27.11 Soft Loans

The Council has no material soft loans at 31 March 2024, on which no interest was being charged.

### 27.12 Short-Term Borrowing

The Common Good and the various Trust Funds administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2024 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and Trust Funds are shown in notes 36 and 37.

| 31 March<br>2023<br>£'000 |             | 31 March<br>2024<br>£'000 |
|---------------------------|-------------|---------------------------|
| 144                       | Common Good | 157                       |
| 854                       | Trust Funds | 901                       |

## Notes to the Financial Statements

### 28 OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £107.033m as at 31 March 2024 and comprise the following:

| Movements in 2023-24                            | Opening Balance<br>1 April 2024<br>£'000 | Movement<br>in Year<br>£'000 | Closing Balance<br>31 March<br>2024<br>£'000 |
|---|--|------------------------------|--|
| Finance Lease Liability (See note 21.3)         | (349)                                    | 48                           | (301)  |
| Schools Finance Lease Liability (See note 19.2) | (111,214)                                | 5,232                        | (105,982)                                    |
| Land Contamination                              | (750)                                    | -                            | (750)  |
| <b>Total Other Liabilities</b>                  | <b>(112,313)</b>                         | <b>5,280</b>                 | <b>(107,033)</b>                             |
| Split:  |  |                              |  |
| Short Term Liabilities (due within 1 year)      |  |                              | (5,336)                                      |
| Long Term Liabilities (due after 1 year)        |  |                              | (101,697)                                    |
| <b>Total Other Liabilities</b>                  |  |                              | <b>(107,033)</b>                             |

### 29 PROVISIONS

|  | Opening Balance<br>1 April 2023<br>£'000 | Additional Provision<br>£'000 | Amounts Used<br>£'000 | Unused Amounts Reversed<br>£'000 | Closing Balance at<br>31 March<br>2023<br>£'000 |
|--|--|-------------------------------|-----------------------|----------------------------------|---|
| Equal Pay Claims                                 | (13)                                     |                               |                       |                                  | (13)  |
| Employee Settlement Provision                    | (51)                                     |                               | 51                    |                                  | -   |
| SRC Intromissions                                | (19)                                     |                               | 19                    |                                  | -   |
| SW - Mull Homecare Backdated Pay                 |  | (13)                          |                       |                                  | (13)  |
| Income due to Registered Social Landlords        | (108)                                    | (7)                           |                       |                                  | (115)   |
| Commercial Rent Balances                         | (53)                                     |                               |                       | 16                               | (37)  |
| Service Choices Redundancy Costs                 | (16)                                     | (137)                         | 14                    | 2                                | (137)   |
| Landfill Sites - Restoration and Aftercare Costs | (2,336)                                  | (404)                         |                       |                                  | (2,740)   |
| Utilities Provision                              | (237)                                    | (44)                          |                       | 37                               | (244)   |
| Litigation Claims                                | (196)                                    |                               |                       |                                  | (196)   |
| Insurance Excess Provision                       | -  |                               |                       |                                  | -   |
| NPDO and Hub DBFM Payments                       | (865)                                    | (487)                         | 195                   | 132                              | (1,025)   |
| <b>Total Provisions</b>                          | <b>(3,894)</b>                           | <b>(1,092)</b>                | <b>279</b>            | <b>187</b>                       | <b>(4,520)</b>                                  |
| Split:   |  |                               |                       |                                  |   |
| Short Term Provisions (due within 1 year)        |  |                               |                       |                                  | (1,665)   |
| Long Term Provisions (due after 1 year)          |  |                               |                       |                                  | (2,855)   |
| <b>Total Other Liabilities</b>                   |  |                               |                       |                                  | <b>(4,520)</b>                                  |

A provision was created at the end of 2005-06 in relation to employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. There may be further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.

## Notes to the Financial Statements

The Council reduced the discount on Council Tax from second homes to 10% during 2005-06. The additional Council Tax income invoiced during 2023-24 amounted to £2.575m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected has been created amounting to £0.115m.

There is a provision for Commercial Rents where arrangements have been put in place for repayment over a number of years. The provision reflects the uncertainty of collection of the debt.

Liabilities have arisen in respect of employees who will be made redundant as a result of savings options agreed. The cost for any employee, whose contract has been terminated on or before 31 March 2024 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2024, a provision of £0.137m has been created.

A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. The landfills sites were revalued at 31 March 2024 and the provision for restoration and aftercare increased to £2.740m. These have been provided for based on the net present value of estimated future costs.

The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.044m has been reversed during 2023-24 and a further £0.037m additional provision has been added resulting in a total provision of £0.244m.

A legal litigation provision was created in 2020-21 as the Council is currently involved in several ongoing cases that will incur costs into future years. The provision is based on sums invoiced and anticipated future costs.

The NPDO provision for withheld sums from the Unitary Charge paid to ABC Schools relates to disputed performance deductions and unbilled utility costs. The HUB DBFM provision for withheld sums from the Monthly Service Payment paid to Hub North Scotland (O&C) Ltd relates to disputed performance deductions.

### 30 CAPITAL GRANTS RECEIVED IN ADVANCE

A Capital Grant of £1.564m was received in advance for 2023-24 in respect of the Cuan Sound/Jura Ferry Programme.

|   | Opening<br>Balance<br>1 April<br>2023<br>£'000 | Capital<br>Grants<br>Received<br>£'000 | Amounts<br>Used<br>£'000 | Closing<br>Balance<br>31 March<br>2024<br>£'000 |
|---|--|--|--------------------------|---|
| HITRANS   | -  | 1,564                                  |                          | 1,564   |
|   | -  | -                                      |                          | -   |
| <b>Total Other Liabilities</b>                        | <b>-</b>                                       | <b>1,564</b>                           | <b>-</b>                 | <b>1,564</b>                                    |
| Split:  |  |  |                          |   |
| Capital Grant Receipts in Advance (due within 1 year) |  |  |                          | -   |
| Capital Grant Receipts in Advance (due after 1 year)  |  |  |                          | 1,564   |
| <b>Total Other Liabilities</b>                        |  |  |                          | <b>1,564</b>                                    |



### 31 DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

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

The Council participates in two separate pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

#### *Teachers*

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

#### *Local Government Pension Scheme*

This is administered by Strathclyde Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contributions are based on rates determined by the Fund's professionally qualified actuary and based on triennial valuations of the Fund.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to 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 to the General Fund the amounts due by statute as described in the accounting policies note.

#### 31.1 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the pension schemes by the 31 March 2024. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2024. The amounts are as follows:

- Local Government Pension Scheme – £2.040m
- Teachers' Scheme – £1.304m

#### 31.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2020. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2024 remains substantially stable with new entrants replacing any leavers.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

| 2022-23<br>£'000 |   | 2023-24<br>£'000 |
|------------------|---|------------------|
|                  | <b>Comprehensive Income and Expenditure Statement:</b>  |                  |
|                  | <b>Cost of Services:</b>  |                  |
|                  | <i>Service cost comprising:</i>   |                  |
| 36,689           | Current Service Cost  | 19,119           |
| 637              | Past Service Cost (Including Curtailments)  | -                |
| <b>37,326</b>    | <b>Net Cost of Services</b>   | <b>19,119</b>    |
| 141              | Net Interest Expense  | (6,596)          |
| <b>37,467</b>    | <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>12,523</b>    |
|                  | <b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  |                  |
| 37,377           | Return on Assets (excluding amounts included in net interest)   | (43,972)         |
| 46,257           | Other Experience (see note (i) below)   | 56,060           |
| (337,163)        | Change in Financial and Demographic Assumptions   | (32,078)         |
|                  | Changes in the effect of the asset ceiling  | (103,890)        |
| 99,179           | IAS 19 Asset Ceiling Adjustment   | -                |
| <b>(116,883)</b> | <b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>   | <b>(111,357)</b> |
|                  | <b>Statement of Movement in Reserves:</b>   |                  |
| <b>(19,970)</b>  | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | <b>6,322</b>     |
|                  | <b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>   |                  |
| <b>17,497</b>    | Employer's Contributions Payable to the Scheme  | <b>18,845</b>    |

(i) *A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular cost method. (ASOP No. 4)*

## 31.3 Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| 2022-23<br>£'000 |  | 2023-24<br>£'000 |
|------------------|--|------------------|
| <b>871,242</b>   | <b>Defined Benefit Obligation at 1 April 23</b>  | <b>622,872</b>   |
| 36,689           | Current Service Cost                             | 19,119           |
| 637              | Past Service Costs including Curtailments        | -                |
| 23,775           | Interest Cost                                    | 29,453           |
| 4,833            | Contributions by Scheme Participants             | 5,280            |
| (311,081)        | Re-measurement (Gains) and Losses                | 2,949            |
| (23,398)         | Estimated Benefits Paid                          | (30,102)         |
| <b>602,697</b>   | <b>Defined Benefit Obligation at 31 March 24</b> | <b>649,571</b>   |
| 20,175           | Present Value of Unfunded Liabilities            | 19,578           |
| <b>622,872</b>   | <b>Defined Benefit Obligation at 31 March 24</b> | <b>669,149</b>   |

Reconciliation of fair value of the scheme (plan) assets:

| 2022-23<br>£'000 |   | 2023-24<br>£'000 |
|------------------|---|------------------|
| <b>875,876</b>   | <b>Fair Value of Employer Assets at 1 April 23</b>  | <b>861,065</b>   |
|                  | <b>Re-measurement (Gains) and Losses:</b>           |                  |
| (37,377)         | Expected Rate of Return on Pension Fund Assets      | 43,972           |
| -                | Actuarial (Gains) and Losses                        | (1,455)          |
| 23,634           | Interest Income on Plan Assets                      | 40,760           |
| 17,497           | Employers Contributions                             | 18,845           |
| 4,833            | Contributions by Scheme Participants                | 5,280            |
| (23,398)         | Estimated Benefits Paid                             | (30,102)         |
| <b>861,065</b>   | <b>Fair Value of Employer Assets at 31 March 24</b> | <b>938,365</b>   |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. An asset ceiling adjustment was included in 2022-23 to ensure compliance with IAS 19 which limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. No adjustment was required in 2023-24. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

| 2022-23<br>£'000 | Local Government Pension Scheme            | 2023-24<br>£'000 |
|------------------|--|------------------|
| (602,697)        | Present Value of Funded Liabilities        | (649,571)        |
| 861,065          | Fair Value of Employer Assets              | 938,365          |
| (99,179)         | IAS19 Asset Ceiling Adjustment             | -                |
| <b>159,189</b>   | <b>Surplus/(Deficit) in the Scheme</b>     | <b>288,794</b>   |
| (20,175)         | Present Value of Unfunded Liabilities      | (19,578)         |
| <b>139,014</b>   | <b>Net Surplus/(Deficit) in the Scheme</b> | <b>269,216</b>   |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits.

### 31.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2024 comprised:

| 2022-23<br>£'000 |  | 2023-24<br>£'000 |
|------------------|--|------------------|
| 16,312           | Cash and Cash Equivalents                  | 17,395           |
|                  | Equity Instruments (by industry type)      |                  |
| 38,629           | Consumer                                   | 43,350           |
| 48,013           | Manufacturing                              | 54,078           |
| 4,310            | Energy and Utilities                       | 8,511            |
| 18,331           | Financial Institutions                     | 26,936           |
| 30,629           | Health and Care                            | 25,047           |
| 29,776           | Information Technology                     | 31,804           |
| -                | Other                                      | -                |
| <b>169,688</b>   | Sub-total Equity Instruments               | <b>189,726</b>   |
|                  | Bonds (by sector)                          |                  |
| -                | Corporate                                  | -                |
| -                | Government                                 | -                |
| -                | Sub-total Bonds                            | -                |
|                  | Real Estate                                |                  |
| 70,994           | UK Property                                | 73,783           |
| -                | Overseas Property                          | -                |
| <b>70,994</b>    | Sub-total Real Estate                      | <b>73,783</b>    |
| 211,640          | Private Equity (All)                       | 224,026          |
|                  | Investment Funds and Unit Trusts           |                  |
| 285,352          | Equities                                   | 323,600          |
| 99,304           | Bonds                                      | 109,461          |
| 336              | Commodities                                | 374              |
| 5,529            | Infrastructure                             | -                |
| 1,911            | Other                                      | -                |
| <b>392,432</b>   | Sub-total Investment Funds and Unit Trusts | <b>433,435</b>   |
|                  | Derivatives                                |                  |
| (1)              | Forward Foreign Exchange Contracts         | -                |
| -                | Other                                      | -                |
| <b>(1)</b>       | Sub-total Derivatives                      | <b>-</b>         |
| <b>861,065</b>   | <b>Total Assets</b>                        | <b>938,365</b>   |

## Notes to the Financial Statements

| 2022-23<br>£'000 | Fair Value of Pension Fund Assets  | 2023-24<br>£'000 |
|------------------|------------------------------------|------------------|
|                  | Equity Securities                  |                  |
| 168,144          | Quoted in an Active Market         | 189,520          |
| 1,544            | Not Quoted in an Active Market     | 206              |
| <b>169,688</b>   | <b>Sub-total Equity Securities</b> | <b>189,726</b>   |

### 31.6 Basis for Estimating Assets and Liabilities

The Council's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

| 2022-23<br>Years | Mortality assumptions                                   | 2023-24<br>Years |
|------------------|---|------------------|
| 19.3             | Longevity at 65 for current pensioners: Men             | 20.0             |
| 22.2             | Women   | 22.7             |
| 20.5             | Longevity at 65 for future pensioners: Men              | 20.9             |
| 24.2             | Women   | 24.7             |
| 2022-23<br>%     | Financial Assumptions                                   | 2023-24<br>%     |
| 3.0%             | Rate of Inflation (CPI)                                 | 2.8%             |
| 3.7%             | Rate of Increase in Salaries                            | 3.5%             |
| 3.0%             | Rate of Increase in Pensions (CPI)                      | 2.8%             |
| 4.8%             | Rate for discounting scheme liabilities                 | 4.8%             |
| 2022-23<br>%     | Long-term Expected Rate of Return on Assets in the Fund | 2023-24<br>%     |
| 4.8%             | Equity Investments                                      | 4.8%             |
| 4.8%             | Bonds   | 4.8%             |
| 4.8%             | Property  | 4.8%             |
| 4.8%             | Cash  | 4.8%             |

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

For sensitivity analysis on the net pension liability please see Note 4 on page 74.

### 31.7 Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range.

### 31.8 Impact on the Council's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 6.5% for 2024-2025.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £5.780m. This is based on an assumed pensionable payroll of £88.926m.

The assumed weighted average duration of the defined benefit obligation for the Council falls into the "Medium" duration category which is between 17 and 23 years (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

### 31.9 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency. The Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The Scheme is financed by payments from employers and from those current employees who are members of the Scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified by the regulations.

Employers currently pay a contribution rate of 23% - about two thirds of the cost of an individual's pension. This took effect from 1 September 2019.

The Council has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the Scheme or withdrawal from the Scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Authority is unable to identify its share of the underlying assets and liabilities of the scheme.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 23% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2024, the council's own contributions equate to 1.53%.

| 2022-23 |  | 2023-24 |
|---------|--|---------|
| 9,853   | Amount Paid Over (£'000)                             | 10,779  |
| 23.00%  | Rate of Contribution (%)                             | 23.00%  |
| 508     | Amount of Added Years Awarded by the Council (£'000) | 507     |

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £12.707m.



### 32 UNUSABLE RESERVES

Movements in the Council's unusable reserves are detailed in the Statement of Movement in Reserves.

#### 32.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

#### 32.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties.

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

#### 32.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

#### 32.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The credit balance on the Pensions Reserve therefore shows a surplus in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

## Notes to the Financial Statements

### 32.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

### 33 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Statement of Movement in Reserves.

#### 33.1 Capital Funds

The Council holds two funds which make up the Capital Funds total in the Statement of Movement in Reserves, these are:

##### *Usable Capital Receipts Reserve*

During the 2006-07 financial year, and prior to the transfer of the Council's housing stock during November 2006, the receipts from the sale of council houses were transferred to the Usable Capital Receipts Reserve. The amounts held in this reserve can only be used for social housing capital expenditure.

##### *Capital Fund*

During the 2007-08 financial year the Council established a Capital Fund under Section 22 of Schedule 3 of the Local Government (Scotland) Act 1975. All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008.

The movement in the Usable Capital Receipts Reserve and Capital Fund are as follows:

| Movements in 2023-24                      | Usable Capital Receipts Reserve<br>£'000 | Capital Fund<br>£'000 | Total Capital Funds<br>£'000 |
|---|--|-----------------------|------------------------------|
| <b>Balance at 1 April 2023</b>            | <b>2,935</b>                             | <b>1,568</b>          | <b>4,503</b>                 |
| Proceeds of Disposals                     | -  | 671                   | 671                          |
| Transfer to Capital Adjustment Account    | -  | (2,207)               | (2,207)                      |
| Contribution to Capital Fund From Revenue | -  | -                     | -                            |
| Interest Earned                           | 145                                      | 85                    | 230                          |
| <b>Balance at 31 March 2024</b>           | <b>3,080</b>                             | <b>117</b>            | <b>3,197</b>                 |

#### 33.2 Repairs and Renewals Fund

The movement in the Education Repairs and Renewals Fund is as follows:

| Movements in 2023-24 | Balance at 1 April 2023<br>£'000 | Contribution from Revenue<br>£'000 | Interest Earned<br>£'000 | Contribution to Revenue<br>£'000 | Balance at 31 March 2024<br>£'000 |
|----------------------|----------------------------------|------------------------------------|--------------------------|----------------------------------|-----------------------------------|
| Education            | 2,916                            | (860)                              | 135                      | 572                              | 2,763                             |
| <b>Total</b>         | <b>2,916</b>                     | <b>(860)</b>                       | <b>135</b>               | <b>572</b>                       | <b>2,763</b>                      |

### 34 CONTINGENT LIABILITIES

#### 34.1 Equal Pay Claims

The Council settled a number of equal pay claims during 2017-18, however there are a small number remaining where the outcome of the applications are unknown and there is insufficient information to allow the potential cost of these claims to be provided for. There is also the potential for other equal pay claims whose costs may be met by the Council.

#### 34.2 Goodwin Judgement

The Social Security Act 1986 introduced changes to survivor pensions which resulted in most public service pension schemes providing survivor benefits to widowers (male survivors in opposite-sex marriages) based on the female spouse's service from 6 April 1988 onwards. Since the introduction of civil partnerships and same sex marriages, public service pension schemes have provided survivor benefits in respect of both which have been in line with those paid to widowers. An employment tribunal (the Goodwin case) concluded on 30 June 2020 that a female member in an opposite sex marriage is treated less favorably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied as being contrary to the non-discrimination rule set out in section 61 of the Equality Act 2010. In light of this ruling the Chief Secretary to the Treasury has confirmed that amendments would be made to the Teachers' Pension Scheme and other public service pension schemes so that "surviving male same-sex and female same-sex spouses and civil partners will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages"

There is still uncertainty surrounding the potential remedy to the Goodwin judgement however the Council's actuaries have estimated the potential impact of implementing a solution to correct the past underpayment of spouses' benefits to be circa 0.1% of gross obligations. This would amount to £0.669m at 0.1% for the Council. As there is still uncertainty over the remedy and the potential impact no provision has been made in the accounts at the current time.

#### 34.3 Other Legal Challenges

There may be other legal challenges on-going which could result in future liabilities.

### 35 TERMINATION BENEFITS

A number of savings options have been agreed at Council budget meetings to balance the Council budget. A number of these savings options were reliant on a reduction in the Councils staffing levels. The Council had forewarning of the level of savings required to balance the budget and had previously asked all Council employees to express an interest in voluntary redundancy. As a result of the budget savings options approved by the Council a number of employees have had their redundancy application accepted.

Redundancy costs have been incurred by the Council since the 2010-11 financial year in relation to the budget savings agreed. In each year, provision was made within the financial year for the costs of all employees who had accepted redundancy or where redundancy was probable as at 31 March ending that year, including accounting for costs for employees who confirmed redundancy by 31 March but left or were leaving after this date.

Termination costs for all Council employees who have accepted redundancy by 31 March 2024 are recognised in the Exit Packages note in 2023-24, or in previous financial years. The total cost recognised in the Exit Packages note in 2023-24 is £0.276m for 4 employees and in 2022-23 was £0.622m for 10 employees. These costs are detailed further in the Remuneration Report on page 47.

The reduction in the staffing establishment includes posts from all services across the Council and reductions were in line with the savings agreed by the Council. There will be further redundancy costs

## Notes to the Financial Statements

incurred as the Council is required to make further savings to balance the budget in future years and the council have earmarked monies from the loans fund one-off reprofiling gain.

### 36 TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 57 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

Funds for which the Council act as sole trustee:

|                           | Income<br>£'000 | Expenditure<br>£'000 | Net Assets<br>£'000 | Reserves<br>£'000 |
|---------------------------|-----------------|----------------------|---------------------|-------------------|
| Argyll Education Trust    | 23              | 17                   | 707                 | 707               |
| GM Duncan Trust           | 3               | 3                    | 67                  | 67                |
| MacDougall Trust          | 35              | -                    | 1,208               | 1,208             |
| Various Other Trust Funds | 22              | 16                   | 470                 | 470               |
| <b>Total Trust Funds</b>  | <b>83</b>       | <b>36</b>            | <b>2,452</b>        | <b>2,452</b>      |

Argyll Education Trust: this is made up of a number of small trusts to award prizes, bursaries, etc. to pupils and ex-pupils of schools within the former Argyll County Council area. GM Duncan Trust: for the provision of fuel, clothing and foodstuffs for the needy of Campbeltown. MacDougall Trust: for the provision of sheltered housing on the Ross of Mull.

Further information on the Trust Funds, administered by the Council, can be obtained from Financial Services within the Chief Executive's Unit.

A number of the trust funds administered by the Council are charitable trusts and as such are required to comply with current Office of the Scottish Charities Regulator (OSCR) financial reporting requirements. Arrangements have been put in place to ensure that all charities administered by the Council comply and will continue to comply with these requirements.

### 37 COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2024. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Financial Services.

#### 37.1 Common Good Income and Expenditure Account for the year ended 31 March 2024

| 2022-23                         |                                   |                                  |                                       | 2023-24                         |                                   |                                  |
|---------------------------------|-----------------------------------|----------------------------------|---------------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| Oban<br>Common<br>Good<br>£'000 | Other<br>Common<br>Goods<br>£'000 | Total<br>Common<br>Good<br>£'000 |                                       | Oban<br>Common<br>Good<br>£'000 | Other<br>Common<br>Goods<br>£'000 | Total<br>Common<br>Good<br>£'000 |
| 258                             | 74                                | 332                              | Expenditure                           | 129                             | 54                                | 183                              |
| (57)                            | (42)                              | (99)                             | Income                                | (232)                           | (150)                             | (382)                            |
| <b>201</b>                      | <b>32</b>                         | <b>233</b>                       | <b>(Surplus)/Deficit for the Year</b> | <b>(103)</b>                    | <b>(96)</b>                       | <b>(199)</b>                     |

### 37.2 Common Good Balance Sheet at 31 March 2024

| 2022-23                |                          |                         |                                      | 2023-24                |                          |                         |
|------------------------|--------------------------|-------------------------|--------------------------------------|------------------------|--------------------------|-------------------------|
| Oban Common Good £'000 | Other Common Goods £'000 | Total Common Good £'000 |                                      | Oban Common Good £'000 | Other Common Goods £'000 | Total Common Good £'000 |
| 5,711                  | 319                      | 6,030                   | Tangible Fixed Assets                | 5,622                  | 319                      | 5,941                   |
| 1,939                  | 1,148                    | 3,087                   | Investments                          | 2,113                  | 1,252                    | 3,365                   |
| 147                    | 183                      | 330                     | Current Assets                       | 171                    | 176                      | 347                     |
| (15)                   | -                        | (15)                    | Current Liabilities                  | (21)                   | (1)                      | (22)                    |
| <b>7,782</b>           | <b>1,650</b>             | <b>9,432</b>            | <b>Total Assets less Liabilities</b> | <b>7,885</b>           | <b>1,746</b>             | <b>9,631</b>            |
| 5,711                  | 323                      | 6,034                   | Revaluation Reserve                  | 5,622                  | 323                      | 5,945                   |
| 2,071                  | 1,327                    | 3,398                   | Common Good Fund                     | 2,263                  | 1,423                    | 3,686                   |
| <b>7,782</b>           | <b>1,650</b>             | <b>9,432</b>            | <b>Total Net Worth</b>               | <b>7,885</b>           | <b>1,746</b>             | <b>9,631</b>            |

### 38 TAX INCREMENTAL FINANCING (TIF) PROJECTS

The Council entered into an agreement with the Scottish Government in May 2014 in respect of the Lorn Arc Tax Incremental Finance (TIF) scheme. This agreement essentially allows for the repayment of debt arising from infrastructure investment from incremental Non-Domestic Rates (NDR) revenue.

The assets to be funded by the TIF project largely comprise public realm and infrastructure improvements within the Lorn Arc area of Oban. The project is for 25 years, with the first material capital investment incurred during the financial year ended 31 March 2015.

During the TIF project period, the Council is entitled to retain the TIF revenue from its NDR revenue, a pro-rata amount of NDR equal to the amount (if any) by which the collected amount exceeds the collectable amount. The Council is required to apply 100% of the TIF revenue towards repayment of the TIF debt. If all projects are delivered and debt is fully paid, the Council can retain 50% of the TIF revenue for further infrastructure investment until the end of the TIF period.

Net capital expenditure incurred in the year to 31 March 2024, to be funded from borrowing, in respect of TIF assets totalled £0.016m (2022-23 £0.023m). This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 15.4. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2024, has been calculated in accordance with finance circular No. 4/2014 at £1.027m (2022-23 £1.011m).

There is a retention of £0.804m of TIF income during 2023-24 (2022-23 £0.623m) to repay the notional borrowing for TIF. Principal sums accumulated by 2023-24 amount to £0.139m (2022-23 £0.137m) and cumulative interest £0.118m (2022-23 £0.117m) resulting in a net cumulative surplus of £2.551m (2022-23 £1.749m) which will be used to pay down TIF debt per the TIF agreement and the balance of £1.663m will be placed in earmarked reserves to be used in future years to repay debt costs.

## Council Tax Income Account

### 39 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The Net Cash Flows for Operating Activities can be reconciled to the Net (Surplus)/Deficit on the Provision of Services as follows:

| 2022-23<br>£'000 |  | 2023-24<br>£'000 |
|------------------|--|------------------|
| 6,047            | <b>Net (Surplus)/Deficit on Provision of Services</b>  | (9,765)          |
|                  | <b>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</b>  |                  |
| 3,356            | Statutory Adjustments through Statement of Movement in Reserves  | 16,341           |
| 322              | Transfer to/from Other Statutory Reserves  | 77               |
| 288              | Increase/(Decrease) in Inventories   | (87)             |
| 6,355            | Increase/(Decrease) in Debtors   | 12,763           |
| (6,503)          | (Increase)/Decrease in Creditors and Provisions  | (3,246)          |
| (16,041)         | Earmarked Reserves   | (1,532)          |
| (2,938)          | Capital Financed from Current Revenue  | (1,616)          |
| (4,277)          | Loans Fund Repayments  | (6,111)          |
| (1,872)          | Other Revenue Adjustments  | 4,996            |
| <b>(21,310)</b>  |  | <b>21,585</b>    |
|                  | <b>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</b> |                  |
| 11,071           | Non Cash Capital   | 10,743           |
| (5,116)          | Capital Element of Finance Lease Payments  | (449)            |
| <b>5,955</b>     |  | <b>10,294</b>    |
| <b>(9,308)</b>   | <b>Net Cash Flows from Operating Activities</b>  | <b>22,114</b>    |
|                  | <b>The cash flows for Operating Activities include the following items:</b>  |                  |
| 6,742            | Interest Paid on Borrowings  | 5,097            |
| 8,887            | Interest Paid on Finance Leases  | 8,599            |
| (748)            | Interest Received on Bank Deposits   | (3,469)          |
| <b>14,881</b>    | <b>Net Cash Outflow from Servicing of Finance</b>  | <b>10,227</b>    |

### 40 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

| 2022-23<br>£'000 |   | 2023-24<br>£'000 |
|------------------|---|------------------|
| 25,659           | Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets | 25,221           |
| (17,500)         | Investments made/(disposed of) during year  | (37,500)         |
| (568)            | Proceeds from the Sale of Property, Plant and Equipment and Investment Property                   | (671)            |
| (21,914)         | Other Receipts from Investing Activities  | (25,687)         |
| <b>(14,323)</b>  | <b>Net Cash Outflow from Investing Activities</b>   | <b>(38,637)</b>  |

## 41 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

| 2022-23<br>£'000 |  | 2023-24<br>£'000 |
|------------------|--|------------------|
| (35,228)         | Cash Receipts of Short and Long Term Borrowing   | (31,128)         |
| 2,021            | Other Receipts from Financing Activities   | (1,072)          |
| 5,116            | Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts | 5,280            |
| 70,627           | Repayments of Short and Long Term Borrowing  | 54,257           |
| <b>42,536</b>    | <b>Net Cash (Inflow)/Outflow from Financing Activities</b>   | <b>27,337</b>    |



## Council Tax Income Account

The Council Tax Income Account shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

| 2022-23<br>Actual<br>£'000 |  | 2023-24<br>Actual<br>£'000 |
|----------------------------|--|----------------------------|
| 72,340                     | Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income | 76,511                     |
|                            | Less:  |                            |
| (13,269)                   | Other Discounts and Reductions   | (14,008)                   |
| (4,300)                    | Cost of living contribution (grant funded)   | -                          |
| (1,411)                    | Provision for Bad and Doubtful Debts   | (1,490)                    |
| <b>53,360</b>              | <b>Total</b>   | <b>61,013</b>              |
| 540                        | Adjustment to Previous Years' Community Charge and Council Tax                                 | 896                        |
| <b>53,900</b>              | <b>Transfers to General Fund</b>   | <b>61,909</b>              |

## Notes to the Council Tax Income Account

### 1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest “A” to the highest “H”. The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2023-24 was as follows:

| Band | Valuation Band      | Ratio Band D | £ per year |
|------|---------------------|--------------|------------|
| A    | Up to £27,000       | 6/9          | 986.13     |
| B    | £27,001 - £35,000   | 7/9          | 1,150.49   |
| C    | £35,001 - £45,000   | 8/9          | 1,314.84   |
| D    | £45,001 - £58,000   | 9/9          | 1,479.20   |
| E    | £58,001 - £80,000   | 473/360      | 1,943.50   |
| F    | £80,001 - £106,000  | 585/360      | 2,403.70   |
| G    | £106,001 - £212,000 | 705/360      | 2,896.77   |
| H    | Over £212,000       | 882/360      | 3,624.04   |

### 2. CALCULATION OF THE COUNCIL TAX BASE 2023-24

| Council Tax Base   | A            | B            | C            | D            | E            | F            | G            | H          | Total         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|---------------|
| Total Number of Properties   | 7,447        | 10,136       | 9,564        | 6,415        | 7,769        | 4,520        | 3,035        | 258        | 49,144        |
| <b>Less</b> - Exemptions / Deductions  | 1,036        | 792          | 1,003        | 534          | 637          | 271          | 167          | 52         | 4,491         |
| - Adjustment for Single Chargepayers   | 932          | 1,145        | 821          | 494          | 471          | 229          | 123          | 6          | 4,220         |
| <b>Effective Number of Properties</b>  | <b>5,479</b> | <b>8,199</b> | <b>7,740</b> | <b>5,388</b> | <b>6,661</b> | <b>4,021</b> | <b>2,746</b> | <b>201</b> | <b>40,434</b> |
| Band D Equivalent Factor (ratio)   | 67%          | 78%          | 89%          | 100%         | 131%         | 163%         | 196%         | 245%       |               |
| <b>Band D Equivalent Number of Properties</b>  | <b>3,653</b> | <b>6,377</b> | <b>6,880</b> | <b>5,388</b> | <b>8,752</b> | <b>6,533</b> | <b>5,378</b> | <b>491</b> | <b>43,452</b> |
| <b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent) |              |              |              |              |              |              |              |            | 518           |
| <b>Nominal Tax Yield</b>   |              |              |              |              |              |              |              |            | <b>43,970</b> |
| <b>Less</b> Provision for Council Tax Reduction Scheme                               |              |              |              |              | 9.08%        |              |              |            | 3,994         |
| <b>Council Tax Base 2023-24 - Number of Band D equivalents</b>                       |              |              |              |              |              |              |              |            | <b>39,976</b> |

## Non Domestic Rate Income Account

The Non-Domestic Rate Income Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

| 2022-23<br>Actual<br>£'000 |  | 2023-24<br>Actual<br>£'000 |
|----------------------------|--|----------------------------|
| 56,489                     | Gross rates levied and Contributions in Lieu   | 68,224                     |
|                            | Less:  |                            |
| (17,430)                   | Reliefs and other deductions   | (21,766)                   |
| -                          | Payment of Interest  | -                          |
| (391)                      | Write-off of Uncollectable Debts and Allowance for Impairment  | (464)                      |
| <b>38,668</b>              | <b>Total Net Non-Domestic Rate Income</b>  | <b>45,994</b>              |
| (3,487)                    | Adjustments for prior years  | (858)                      |
| -                          | Business Rate Incentivisation Scheme (BRIS) NDR Income Retained  | -                          |
| (647)                      | Tax Incremental Finance (TIF) Scheme NDR Income Retained   | (804)                      |
| <b>34,534</b>              | <b>Contribution to National Non-Domestic Rate Pool</b>   | <b>44,332</b>              |
| (1,355)                    | Difference between Distributable and Contributable NDR Income amounts                                      | (6,687)                    |
| <b>33,179</b>              | <b>Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement</b> | <b>37,645</b>              |

## 1. ANALYSIS OF RATEABLE VALUES

| 2022-23<br>£       |  | 2023-24<br>£       |
|--------------------|--|--------------------|
| 9,490,265          | Industrial and freight transport subjects                              | 11,125,355         |
| 74,472,465         | Miscellaneous including Telecomms, Rail, Gas and Electricity Companies | 87,231,569         |
|                    | Commercial subjects:   |                    |
| 13,921,035         | Shops  | 16,202,980         |
| 5,773,370          | Offices  | 6,187,070          |
| 8,818,450          | Hotels, Boarding Houses etc.   | 13,919,931         |
| 1,916,145          | Others   | 2,395,685          |
| <b>114,391,730</b> | <b>Total Rateable Value</b>  | <b>137,062,590</b> |

## 2. NON-DOMESTIC RATE CHARGE

| 2022-23<br>Pence |   | 2023-24<br>Pence |
|------------------|---|------------------|
| 49.8p            | Rate Per Pound  | 49.8p            |
| 1.3p             | Supplementary Rate Per Pound for Properties between £51,000 and £95,000 | 1.3p             |
| 2.6p             | Supplementary Rate Per Pound for Properties over £95,000                | 2.6p             |

## 3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

The rates charge for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the Rate per £ announced each year by the Government.

## Glossary of Terms

**Existing Use Value.** The market value of a particular Council property, less the difference between the average rental income between public and private sector properties.

**Expected Rate of Return on Pension Assets.** The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the Scheme.

**Fair Value.** This is the price at which an asset could be exchanged in an arm's length transaction less any grants receivable towards the purchase or use of the asset.

**Financial Asset.** A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash from another entity or a financial right to exchange financial instruments under conditions that are potentially favourable to the Council.

**Financial Instrument.** Any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another.

**Financial Instruments Adjustment Account.** This holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

**Financial Liability.** An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments under conditions which are potentially unfavourable to the Council.

**Financial Reporting Standard (FRS).** Financial Reporting Standards are issued by the Accounting Standard Board and define proper accounting practice for a given transaction or event.

**Fixed Assets.** Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

**Gains/losses on settlements and curtailments.** The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is charged or credited to Non Distributed costs in the Comprehensive Income and Expenditure Statement.

**General Fund Balance.** This contains the net surplus on the provision of Council services combined with any balances from previous years and any contributions to other funds or reserves made during the year.

**Group Accounts.** The purpose of group accounts is to show the Council's interest in organisations and companies within the Financial Statements. The Council's shares of the assets and liabilities of these other entities are shown in the Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Group Balance Sheet.

**Government Grants.** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the Council.

**Heritage Assets.** Assets which are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations and are held by the Council of the maintenance of heritage.

**International Accounting Standards (IAS).** International Accounting Standards are issued by the International Accounting Standards Board and define proper accounting practice for a given transaction or event. IAS's take precedence over other accounting standards in the hierarchy of technical accounting standards.

**International Public Sector Accounting Standards (IPSAS),** a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

**Impairment.** A reduction in the value of fixed or financial asset below the valuation held on the balance sheet.

**Infrastructure Assets.** Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

**Intangible Assets.** Non-financial assets which do not have physical substance but are identifiable and are controlled by the Council.

**Interest Cost (Pensions).** The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Inventories.** Inventories may comprise the following: goods or other assets purchased for re-sale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances; and finished goods.

**Liquid Resources.** Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded on the active market.

## Glossary of Terms

**Materiality.** Information is included where the information is of such significance as to justify its inclusion, and omission or misstatement could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

**National Non-Domestic Rates Pool.** All non-domestic rates collected by Council's are remitted to the national pool and, thereafter, distributed to Councils by the Scottish Government.

**Net Book Value.** The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

**Net Realisable Value.** The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

**Non-Current Assets.** Non-current assets are not expected to be realised within 12 months and are held to provide future economic benefits to the Council.

**Non-operational assets.** Are assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Officers' Remuneration.** All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax).

**Operating Leases.** A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

**Operating Assets.** All items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Past Service Costs (Pensions).** The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Pensions Reserve.** The Pensions Reserve absorbs the timing differences arising from different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

**Prior Period Adjustments.** Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Public Private Partnerships (PPP).** Those partnerships enable the Council to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the building or refurbishment of the assets.

**Residual Value.** The net realisable value of an asset at the end of its useful life.

**Related Party Transactions.** A related party transaction is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Renewal and Repairs fund.** This contains funds credited at the Council's discretion from the General Fund and is available for use on capital or revenue expenditure on Council assets.

**Revaluation Reserve.** Records unrealised gains arising since 1 April 2007 from holding fixed assets not yet realised through sales.

**Service Expenditure Analysis (SEA).** An analysis which groups together expenditure on services within headings or divisions as defined in the Service Reporting Code of Practice (SeRCOP).

**Specific Government Grants.** These are grants received from Central Government in respect of a specific purpose or service.

**Unusable Reserves.** Those reserves which hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences.

**Usable Reserve.** Those reserves which the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

**Useful Life.** The period over which the Council will derive benefits from the use of a fixed asset.

## Appendix A

### Trade Union Facility Time Statement 2023-24

*This information is published under the Trade Union (Facility Time Publication Requirements) Regulations 2017*

*Schedule 2 (Regulation 8)*

## 1. Relevant union officials

Total number of employees who were relevant union officials during the relevant period.

| Number of employees who were relevant union officials during the relevant period |    | Full time equivalent employee number |
|--|----|--------------------------------------|
| Central Function   | 21 | 20.8                                 |
| Education Function   | 7  | 7                                    |

Note: The headcount figure for relevant union officials includes all stewards and school-based reps who are elected by their peers to provide first line support for members.

## 2. Percentage of time spent on facility time

Number of employees who were relevant union officials employed during the relevant period spent who spent 0%, 1%-50%, 51% - 99% or 100% of their working hours on facility time.

| Percentage of time | Number of employees |                    |
|--------------------|---------------------|--------------------|
|                    | Central Function    | Education Function |
| 0%                 | 0                   | 3                  |
| 1% - 50%           | 19                  | 2                  |
| 51% - 99%          | 2                   | 2                  |
| 100%               | 0                   | 0                  |



### 3. Percentage of pay bill spent on facility time

The percentage of the total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

|   | Central Function | Education Function |
|---|------------------|--------------------|
| The total cost of facility time                             | £171,701         | £71,016            |
| The total pay bill (Finance figures)                        | £123,318,713     | £64,175,618        |
| The percentage of the total pay bill spent on facility time | 0.14%            | 0.11%              |

### 4. Paid Trade Union activities

Percentage of total paid facility time hours spent by employees who were relevant union officials during the relevant period on paid trade union activities.

|  | Central Function | Education Function |
|--|------------------|--------------------|
| Time spent on paid trade union activities as percentage of total paid facility time hours calculated as:<br><br>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100 | 0%               | 0%                 |