

Public Document Pack

Argyll and Bute Council **Comhairle Earra-Ghàidheal Agus Bhòid**

Executive Director: Douglas Hendry



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16 June 2023

SUPPLEMENTARY PACK 1

AUDIT AND SCRUTINY COMMITTEE - BY MICROSOFT TEAMS on TUESDAY, 20 JUNE 2023
at 2:00 PM

I enclose herewith **item 16 (UNAUDITED FINANCIAL ACCOUNTS)** which was marked to follow on the Agenda for the above meeting.

Douglas Hendry
Executive Director

ITEM(S) TO FOLLOW

- 16. UNAUDITED FINANCIAL ACCOUNTS** (Pages 3 - 156)
Report by Head of Financial Services

Audit and Scrutiny Committee

Martin Caldwell (Chair)	Councillor Daniel Hampsey
Councillor Graham Hardie	Councillor Mark Irvine
Councillor Reeni Kennedy-Boyle	Councillor Jim Lynch (Vice-Chair)
Councillor Andrew Vennard	

Shona Barton, Governance Manager

Contact: Lynsey Innis, Senior Committee Assistant, Tel: 01546 604338

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ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****20 JUNE 2023**

2022-23 UNAUDITED ANNUAL ACCOUNTS

1. EXECUTIVE SUMMARY

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2022-2023 and a summary of the significant movements from 2021-22.
- 1.2 The Comprehensive Income and Expenditure statement shows a deficit on the provision of services of £5.994m, a surplus on the revaluation of Long Term Assets of £21.104m and an actuarial gain on the pension fund assets/liability of £247.409m giving an accounting surplus of £262.519m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £262.520m from £497.663m as at 31 March 2022 to £760.183m as at 31 March 2023. The main reason for this increase is a swing in the pension scheme asset which increased from £4.634m in 2021-22 to £232.073m in 2022-23. 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 £271.856m from £394.480m as at 31 March 2022 to £666.336m as at 31 March 2023. 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 decreased by £9.336m from £103.183m as at 31 March 2022 to £93.847m as at 31 March 2023. This is largely due to a decrease to the General Fund of £9.659m 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 a decrease of £9.659m from a balance of £96.087m to £86.428m. This was due to the 2021-22 balance being higher than normal as a result of receiving Scottish Government funding towards the end of the last financial year which was a similar position for all Local Authorities at that time. There are substantial sums earmarked within the general fund amounting to £79.466m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.691m. The remaining unallocated balance amounts to £1.271m.
- 1.7 The performance against budget for financial year 2022-23 was an overall underspend of £3.345m (1.08%) after accounting for new earmarking. Social Work, managed by the Health and Social Care Partnership were underspent by

£4.634m and this amount is recognised as a creditor on the balance sheet as money owing to the HSCP by the Council which creates 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 2023.

2022-23 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the unaudited annual accounts for 2022-23 and a summary of the significant movements from 2021-22. It also gives information on the revenue outturn for 2022-23 and Council will be asked to approve the Unaudited Annual Accounts for 2022-23 for issue.

3. RECOMMENDATIONS

- 3.1 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2023.

4. DETAIL**Introduction**

- 4.1 The annual accounts set out the financial statements of the Council and its group for the year ended 31 March 2023. 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 2022-23 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 2022-23 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 2023.
- 4.10 The Council ended the year with a surplus of £262.519m for 2022-23. 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 deficit on the provision of services of £5.994m, increased by a surplus on the revaluation of Long Term Assets of £21.104m and an actuarial gain on the pension fund assets/liability of £247.409m.
- 4.11 The deficit on the provision of services of £5.994m compares to a surplus of £15.016m for 2021-22. The main factors contributing to this change is an increase in the Net Cost of Services of £38.520m, a decrease in other operating income and expenditure of £0.527m, a decrease in financing and investment income and expenditure of £9.713m and an increase in the overall funding of £7.270m.

4.12		£000	£000
	Surplus/(Deficit) on Provision of Services		(5,994)
	<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
	Depreciation	24,570	
	Impairment of Assets charged to services	3,147	
	Capital Funding	(22,549)	
	CFCR	(2,938)	
	Pension Adjustment	19,970	
	Statutory Repayment of Debt	(20,317)	
	Repayment of Finance Leases	(5,116)	
	Transfers to/from Other Statutory Reserves	(322)	
	Other Adjustments	(104)	
			(3,659)
	Movement In General Fund Balance		(9,653)
	<i>Adjust for earmarkings:</i>		
	Released sums earmarked to service budgets 2022-23	33,893	
	Revenue Budget 22-23 – transferred to General Fund	(2,482)	
	Contributions to earmarked reserves 2022-23	(18,416)	
			12,998
	Revenue Budget Underspend/(Overspend)		3,345

- 4.13 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £262.520m from £497.663m as at 31 March 2022 to £760.183m as at 31 March 2023. The major changes are set out in the table below.

	31/03/2022 £000	31/03/2023 £000	Change £000	Main Reason
Long Term Assets	717,383	979,659	262,276	Revaluation of fixed assets and substantial increase of pension debtor due to an increase in investment returns.
Current Assets	122,842	90,682	(32,160)	Reduction in cash balances in comparison to previous year which was particularly high due to timing of funding received prior to year end.
Current Liabilities	(66,513)	(68,526)	(2,013)	Increase in short term creditors offset by a decrease in short term borrowing.
Long Term Liabilities	(276,049)	(241,632)	34,417	Reduction in long term borrowing due to the early repayment of loans during the year.
Total	497,663	760,183	262,520	

Statement of Movement in Reserves:

- 4.14 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).
- 4.15 The total Council reserves have increased from £497.663m at 31 March 2022 to £760.183m at 31 March 2023, an increase of £262.520m.
- 4.16 The balance of unusable reserves has increased by £271.856m from £394.480m as at 31 March 2022 to £666.336m as at 31 March 2023. The main reason for this is an increase in the pension scheme asset which increased from £4.634m in 2021-22 to £232.073m in 2022-23 and an increase in the revaluation reserve of £17.307m which arises from revaluations of properties.
- 4.17 In respect of the General Fund Balance movement, there has been a decrease of £9.659m from a balance of £96.087m to £86.428m and the detail on the movement in the balance is summarised within the table below. The main decrease is in respect earmarked reserves utilised during the year of £33.893m which are offset by new earmarkings at the end of 2022-23 of £18.413m.
- 4.18 The General Fund balance at 31 March 2023 is £86.428m. The total earmarked balances amount to £79.466m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.691m. The remaining General Fund balance (“unallocated balance”) amounts to £1.271m.

	£000
Balance on General Fund 31 March 2022	96,081
Revenue Budget 2022-23 – transfer to General Fund	2,482
Released sums earmarked to service budgets 2022-23	(33,893)
Contributions to earmarked reserves 2022-23	18,413
Overall budget underspend as noted above	3,345
Balance on General Fund 31 March 2023	86,428

- 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 £25.810m to -£6.082m.
- 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 accounts 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 £1,408.76 for 2022-23 which represented a 3% increase from 2021-22 as agreed by Council as part of the budget setting process. The income transferred to the general fund for Council Tax in 2022-23 was £53.900m. This compared to £56.242m in 2021-22.
- 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 £33.179m for 2022-23 allocated from the national pool. This compares to £25.070m in 2021-22. Our own net income amounted to £34.534m and we made a contribution to the national pool of £1.355m for 2022-23. These figures compared to income of £25.706m and a contribution to the national pool of £0.636m for 2021-22.
- 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
 - Strathclyde Partnership for Transport
 - Strathclyde Concessionary Travel Scheme Joint Committee
 - 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 to increase both reserves and net worth by £34.414m. This gives an overall net asset position for the Group of £769.534m, an increase of £246.303m from the previous year. As with the single entity Balance Sheet, the most significant increase is in the pension reserve of £235.901m and the increase in the General Fund Balance as noted earlier in the commentary.

5. CONCLUSION

- 5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has decreased by £9.659m, after taking into consideration the movement during the year, the end of year outturn position and the new earmarkings. The net worth per the balance sheet has increased by £262.520m to £760.183m. Overall the financial position of the Council remains stable.

6. IMPLICATIONS

- | | | |
|-------|------------------------|---|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | None, summarises the financial position for 2022-23 |
| 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.

Kirsty Flanagan
Executive Director/Section 95 Officer
16 June 2023

Gary Mulvaney - Policy Lead for Finance and Commercial Services

Appendix 1 – Unaudited Annual Accounts 2022-23

For further information contact Anne Blue, Head of Financial Services
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Argyll and Bute Council



Comhairle Earra Ghàidheal agus Bhòid



Audited Annual Accounts
For the year ended 31 March 2023

LANGUAGE OPTIONS

If you would like this document in another language or format, or if you require the services of an interpreter, please contact us.

Ma tha sibh ag iarraidh an sgrìobhainn seo ann an cànan no riochd eile, no ma tha sibh a' feumachdainn seirbheis eadar, feuch gun leig sibh fios thugainn.

本文件可以翻譯為另一語文版本，或製作成另一格式，如有此需要，或需要傳譯員的協助，請與我們聯絡。

यह दस्तावेज़ यदि आपको किसी अन्य भाषा या अन्य रूप में चाहिये, या आपको आनुवाद-सेवाओं की आवश्यकता हो तो हमसे संपर्क करें

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ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੈਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

Jeżeli chcieliby Państwo otrzymać ten dokument w innym języku lub w innym formacie albo jeżeli potrzebna jest pomoc tłumacza, to prosimy o kontakt z nami.

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PA31 8RT**

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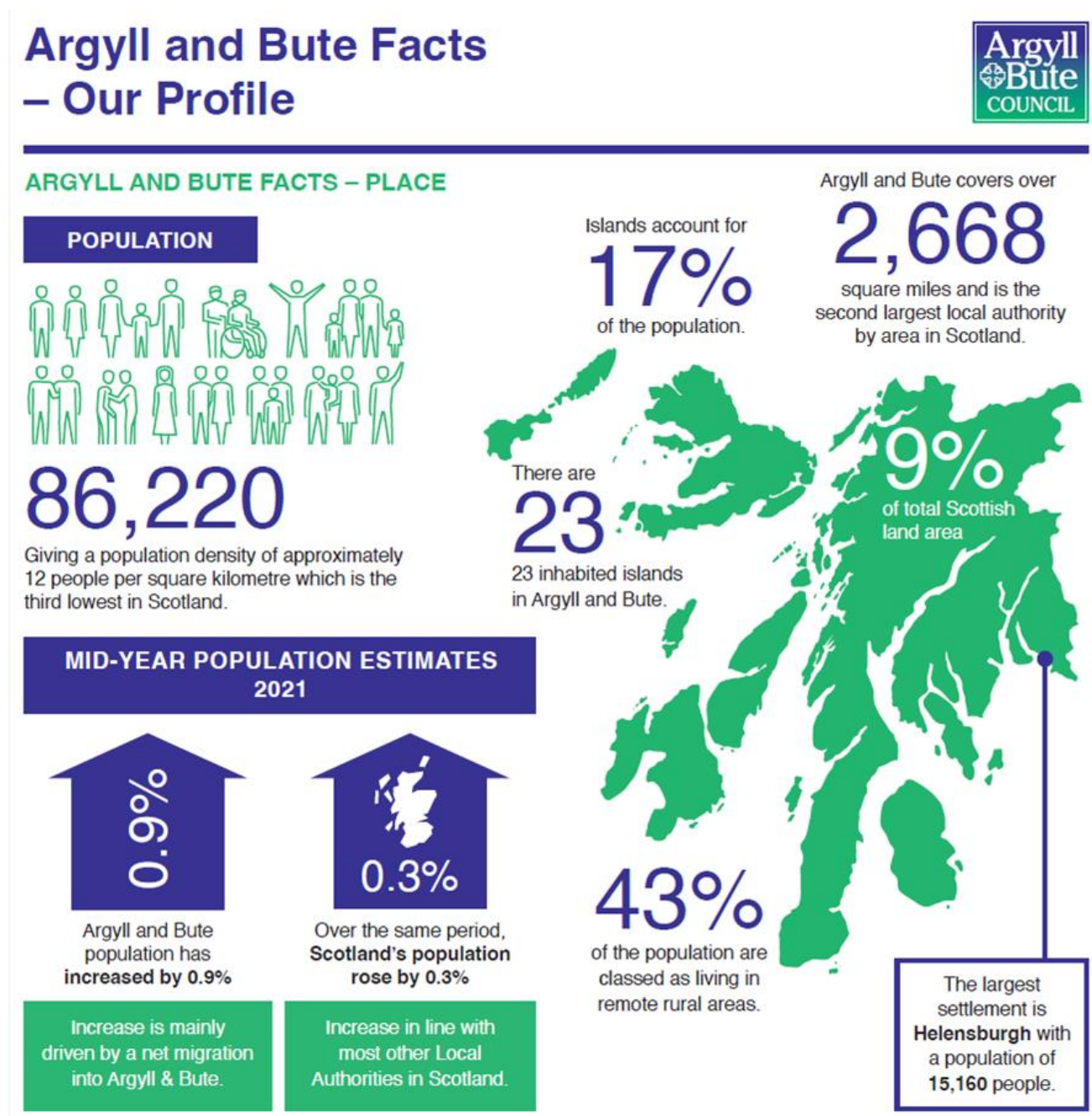
Management Commentary

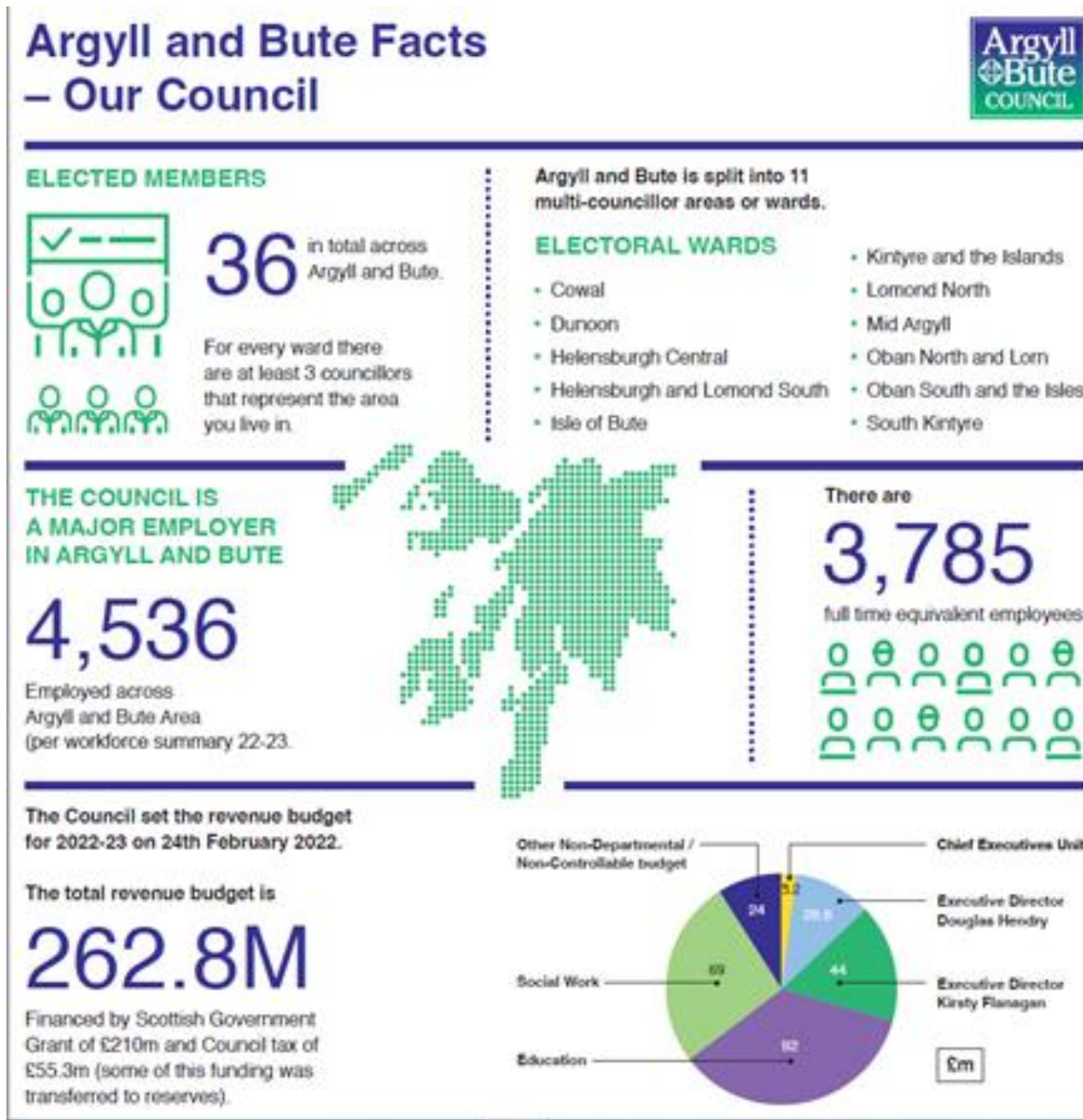
1. INTRODUCTION

Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2023. 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 2022-23 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.





3. VISION AND PRIORITIES

The Council had a 5 year Corporate Plan for the period 2018-2022 with the mission “To make Argyll and Bute a place people choose to Live, Learn, Work and Do Business”. After the Local Government Elections in 2022, the Council agreed a renewed vision and a revised set of priorities at their meeting on 24 November 2022.

The Council’s renewed 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.

Management Commentary

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.

A new Corporate Plan for the period 2023-2027, due to be presented to Council on 29 June 2023, captures these new priorities. Details on activity, for each financial year, against the Council priorities will be set out in a new Council Annual Business Plan, also due to be presented to Council on 29 June 2023. 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 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 (2023 – 2033) and these are:

1. Housing
2. Transport,
3. Community wealth building.

A plan on how the CPP will seek to address these priorities will emerge in due course. 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.

Management Commentary

People Live Active Healthier and Independent Lives

Hermitage Park

Hermitage Park in Helensburgh was presented with a Green Flag Award which acknowledges quality green open spaces across the country that help to boost health and wellbeing. The award celebrates well maintained parks and greenspaces and supports the opportunities that they provide to enable exercise, improve mental wellbeing and provide safe areas for play – something that has been particularly important to everyone over the last couple of years.



Ulva Housing Initiative

An investment of £163k from the Council's Strategic Housing Fund has been made for six affordable houses on Ulva to drive population growth on Argyll and Bute's island communities. The aim is to ensure a sustainable economy on the island by increasing the number of residents. This investment is the latest step to increase housing availability in the area with the Strategic Housing Improvement Plan (SHIP) including plans for delivering 951 new affordable houses by 2027.

People will live in safer and stronger communities

Community Safety Partnership Strategy

Developed the Community Safety Partnership Strategy 2021-2023 which underpins the Argyll and Bute Outcome Improvement Plan and sets out strategic priorities in relation to:

- We live in a safe and positive community
- We encourage safer road and water use
- Our natural and built environment is protected
- Our communities are supported and included.



Community
Safety
Partnership
Strategy 2021-2023
Argyll and Bute

It also identifies how key partners including the Council, Police Scotland, Scottish Fire and Rescue Service, HM Coastguard, Health & Social Care Partnership (HSCP), Third Sector Interface (TSI) and local groups will bring together resources to ensure that Argyll and Bute is a safer place to live, work and visit.

Scottish Psychological Trauma Training Plan

The aspiration to ensure we have a trauma responsive workforce has continued to progress across Education Services in collaboration with the Health and Social Care Partnership, in line with the Scottish Psychological Trauma Training Plan. The appointment of a training officer is bringing a coordinated approach to ensuring that staff within teams have the right level of training and support to fulfil their responsibilities to children, families and colleagues. This training is leading to increased understanding of the impact of trauma and is supporting services to ensure their day to day actions and wider service delivery holds trauma in mind to build safer and stronger communities.

Management Commentary

Education skills and training maximise opportunities for all

The level of Participation in education, training or employment for 16-19 year-olds in Argyll and Bute was 93.9% for 2022. This represents an increase from 93.5% for the same period in 2021 (equivalent to around 13 young people). Argyll and Bute is ranked 5th of all local authorities in Scotland for participation. Collaborative working between secondary schools, The Developing the Young Workforce Argyll and Bute Regional Group, Argyll College, Skills Development Scotland, Community Learning and the Argyll and Bute Employability Partnership is successfully addressing the challenges of supporting young people into sustained positive destinations.

Secondary schools have worked to develop a wide range of learning pathways for young people, enabling them to achieve a broad range of skills through national and wider achievement qualifications. A high number of young people enhanced their achievement portfolio in 2022-2023. There was a corresponding rise in the number of young people transitioning from school to a positive destination such as employment, training or further and higher education, increasing from 95.01% in 2022 to 96.42% in 2023. This figure represents a three year increasing trend, and puts Argyll and Bute above The Northern Alliance Regional Improvement Collective, the rest of Scotland and the Insight Virtual Comparator figures for Leaver Initial Destinations.

Flexible Learning Plans (FLPs) are bespoke curriculum plans for individual pupils in the Senior Phase who have disengaged from full-time education and are at risk of under-achievement or not transitioning to a positive destination post-school. In order to re-engage and re-enthuse such young people with their education, such individualised learning programmes are being put in place for each identified pupil, often splitting their week between working towards specific qualifications and accreditation in school, and vocational learning in the form of a regular, structured work placement. In 2022-23, there were 32 Flexible Learning Plans in place across secondary schools in Argyll and Bute, and evaluation demonstrates their effectiveness in re-engaging young people, and supporting them into positive destinations

The first Argyll and Bute Developing the Young Workforce and Employability Conference was held in Dunoon in May 2023. The conference brought young people, schools, employers, The Argyll and Bute Employability Partnership, Skills Development Scotland and other agencies and third sector partners together to focus on increasing opportunities for both young people and employers, and to celebrate successes and progress. The feedback from delegates was extremely positive, in terms of the quality of key speakers, the usefulness of the workshops and the contribution of young people from across Argyll and Bute.



Management Commentary

Children and young people have the best possible start

Our ongoing commitment to closing the poverty related attainment gap and raised attainment for all is demonstrated through our relentless focus on supporting and challenging all schools to continuously improve and ensure a sharp focus on improved outcomes for all children and young people across Argyll and Bute. Some progress towards closing this gap can be evidenced through:

- A decrease in the poverty related attainment gap between Scottish Index of Multiple Deprivation Quintile 1 pupils (48%) and Quintile 5 pupils (81%) from 33 *percentage point difference between most and least deprived* in 2020/21 to 27 *percentage point difference between most and least deprived* in 2021/22 for Literacy measures. This demonstrates a 6 *percentage point difference* improvement in closing the poverty-related attainment gap in Literacy at P1/4/7 combined from 2021 to 2022.
- A decrease in the poverty-related attainment gap between SIMD Quintile 1 pupils (58%) and Quintile 5 pupils (87%) from 29 *percentage point difference between most and least deprived* in 2020/21 to 18 *percentage point difference between most and least deprived* in 2021/22 for Numeracy. This demonstrates an 11 *percentage point difference* improvement in closing the poverty-related attainment gap in Numeracy at P1/4/7 combined from 2021 to 2022.
- Evidence of raised attainment for cohorts of children who have been part of the Children and Young People's Improvement Collaborative (CYPIC) Improving Writing Programme. Schools were selected based on lower attainment in writing at P4 and numbers of children residing in Quintile 1. Feedback from practitioners has been overwhelmingly positive with all reporting increased motivation and engagement as well as increased attainment.

Challenges faced have included the need for greater consistency across School Improvement and Pupil Equity Funding plans. Ongoing support and challenge has been provided to schools to ensure that clear measures are identified from the outset in order to gauge impact of interventions and initiatives and that senior leaders are utilising data effectively in order to identify and target those learners most in need of support.

Our economy is diverse and thriving

Helensburgh Waterfront Development

The Helensburgh Waterfront Development is a £23m project delivering new improved facilities for the Community. The second phase of the works are now complete and to date this includes a state of the art leisure centre and swimming pool, seating areas and events spaces, footpaths and parking. The Leisure centre, operated by Live Argyll, has seen a big uptake in memberships and the open area provides space for outdoor events and seating.



Further information in relation to the project including regular updates can be found on the Councils website ([Helensburgh Waterfront Development - updates \(argyll-bute.gov.uk\)](https://www.argyll-bute.gov.uk)).

Management Commentary

Film and TV Productions

Productions filmed in Argyll and Bute not only add value to our economy but also advertises the area to visitors. Accommodation providers, local shops, caterers and services all benefit from an increase in filming across Argyll and Bute. From 2021 to 2023 there were 89 productions filmed in Argyll and Bute, with an estimated local production spend of £1.1m. The sector continues to recover from the impact of the pandemic with a substantial rise in filming requests now being received.

We have an infrastructure that supports sustainable growth

Strategic Timber Transport Scheme (STTS)

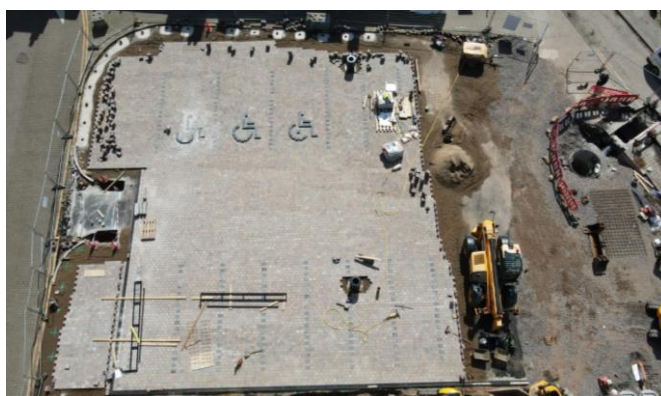
Roads and Infrastructure Services were successful in gaining and delivering a £1.025m bid which was one of the largest bids for any Local Authority in Scotland. The STTS funding is earmarked for projects which minimise the impact of timber lorries on our rural road network. It means that for every £1 Argyll and Bute Council spend the STTS funding support, on average, more than doubles this investment.



Over the last decade the Council has been successful in leveraging approximately £10m of investment through the STTS. Our Road Network supports thousands of journeys every day and are a vital component of a thriving economy for our remote communities. Road transport infrastructure benefits everyone by providing access socially, commercially, educationally and enabling service access for energy supply, communications and the digital network.

Campbeltown Flood Prevention Scheme

The Campbeltown Flood Prevention Scheme is a £15m project which was initiated in 2017 with site work beginning in August 2022 and works expected to be completed in February 2024. The scheme is funded 80% by the Scottish Government and 20% by Argyll and Bute Council.

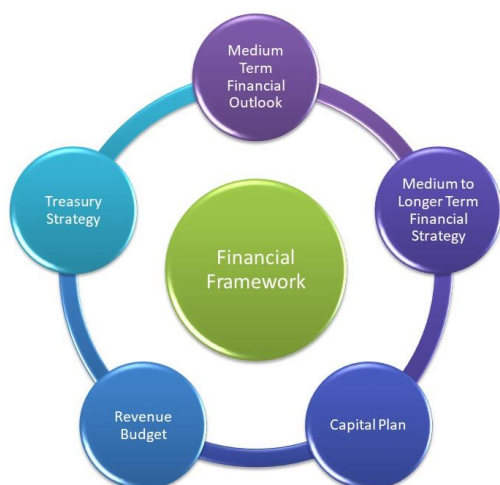


After monitoring the impact of flooding in the town over the last five years the project addresses the various causes of flooding.

Work includes the creation of a storage reservoir, a new culvert, installation of a water storage tank and new pipelines. It also offers free upgrades to houses which are primarily affected by flooding where residents can benefit from things such as flood gates, replacement anti-flood air bricks or covers, and waterproofing works. Further information in relation to the project including regular updates can be found on the Councils website ([Campbeltown Flood Protection Scheme \(argyll-bute.gov.uk\)](https://www.argyll-bute.gov.uk)).

Management Commentary

4. FINANCIAL PERFORMANCE 2022-23



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 2022-23, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £3.345m, 1.08% as summarised in the table below. (The corresponding position for 2021-22 was an underspend of £1.630m, 0.59%.)

2022-23 Final Revenue Budget Outturn

	Actuals	Budget	Variance	Percentage
		Adjusted for Automatic Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	7,547	7,754	207	2.67%
Executive Director (Douglas Hendry)	127,336	129,538	2,202	1.70%
Executive Director (Kirsty Flanagan)	50,426	48,363	(2,063)	(4.27%)
Total Departmental Expenditure	185,309	185,655	346	0.19%
Joint Boards	1,326	1,496	170	11.38%
Loans Fund	19,451	26,477	7,026	26.54%
Pension Costs	1,417	1,554	137	8.82%
Other	7,261	6,884	(377)	(5.48%)
Total Central Expenditure	29,455	36,411	6,956	19.10%
Social Work	74,391	74,391	0	0.0%
Total Social Work Expenditure	74,391	74,391	0	0.0%
Total Expenditure	289,155	296,457	7,302	2.46%
Total Funding	310,914	310,260	654	0.21%
UNDERSPEND			7,954	2.58%
Proposed Unspent Budget Earmarking Proposals			4,610	
UNDERSPEND AFTER PROPOSED EARMARKINGS			3,345	1.13%

Management Commentary

Within the Chief Executive's Unit (Community Planning and Finance) there was a small underspend which was largely due to an over-recovery of NDR commission due to a successful debt recovery campaign during the year.

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

- Reduced staffing costs in Education as a combined result of industrial action by teachers, when striking staff weren't paid for the days they were on strike, and a reduction in the number of teaching and non-teaching posts in schools.
- Reduced spending in Catering and Cleaning Services due to lower demand for school meals, which reduced the amount spent on food purchases, and in staffing costs due to vacancies and challenges recruiting new staff.
- Reduced spending in Legal and Regulatory Support due to election costs being lower than had been expected and in staffing costs due to vacancies and challenges recruiting new staff.

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

- Higher than expected overall costs within Piers and Harbours Operations due to a combination of increased spending on staffing and lower than anticipated income from fees and charges.
- Increased costs in Roads Maintenance, including higher than expected costs to keep key transport routes operating safely during the winter period.
- Increased maintenance costs in street lighting operations.
- Lower than expected income from car parking and parking permit charges.

The impact of higher spending in the above services was partially reduced by lower spending on staff costs in other parts of the department due to staffing vacancies.

The main reason giving rise to the underspend in central costs was due to a one-off treasury gain from the repayment of loans to achieve a significant discount during a small window of opportunity. In addition, we received higher than anticipated income on our investments due to the higher interest rates and had a small saving in respect of payments for Joint Boards and Unfunded pensions. These underspends were partially offset by overspends in utilities and insurance costs.

Social Work, managed by the Health and Social Care Partnership, reported an underspend of £4.634m as a result of unspent Scottish Government Grants and underspends across Health and Community Care, Children and Families and centrally held funds (as per CIPFA/LASAAC Guidance, the earmarking on the HSCP has been recognised as a creditor on the Council's balance sheet making the funds available to Social Work to spend in future years).

There was a favourable position in relation to Council Tax funding due to an increase in the Council tax base and a better performance in Council Tax collection which is likely to be partially linked to the cost of living grant awards where Scottish Government funding was credited to Council Tax accounts.

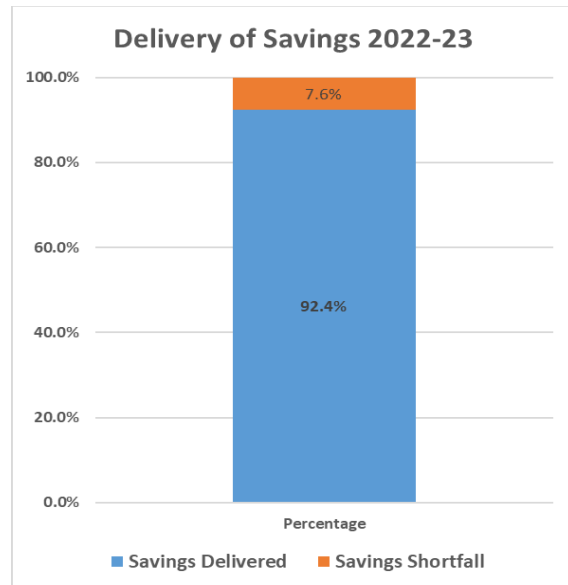
The overall favourable position for Departmental and Central Expenditure Budgets has provided the opportunity to earmark unspent budget for specific purposes aligned to the objectives, priorities and targets of the Council.

Management Commentary

Delivery of 2022-23 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 £2.722m (21 saving options) were agreed for 2022-23. These, and savings agreed in previous years which had to be delivered in 2022-23 totalling £0.081m (12 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. These saving options are all recurring in nature.



Capital: Outturn against Budget

The net 2022-23 capital expenditure was £30.215m compared to an annual budget of £33.374m, (adjusted during the year for previously agreed slippages, accelerations and virements) giving rise to a year end slippage/underspend of £3.159m (9.47%). There are a number of under and (overspends) within the outturn position, the most significant are noted below

Project	(Over) / Under Spend (£m)
Primary Schools	0.823
Helensburgh Waterfront Development	0.692
Street Lighting LED Replacement	0.674
CHORD – Oban	0.626
Environmental Projects	0.511
Free School Meals	0.405
Fleet Management	0.367
Nature Restoration Fund	0.346
Helensburgh Office Rationalisation	0.300
Roads Reconstruction	(0.968)
Kilmory Business Park Income	(0.979)

After accounting for previously agreed slippages, the total slippage in the capital programme in 2022-23 was £50.323m. As reported in Audit Scotland's Financial Overview 2021-22, capital expenditure across Scotland's councils continued to slip due to COVID-19, inflationary costs and shortages in construction materials, impacting both cost and delivery plans. This is something that has continued into 2022-23. There are also elements of slippage that can be attributed to incorrect profiling of spend at the start of

Management Commentary

the financial year as opposed to delays in the programme. This is particularly the case within the Harbour Investment Programme which accounts for almost £33m of the overall slippage.

There are 164 projects within the Capital Plan: 74 of the projects are complete or on track and 90 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 2022-23 budget on 24 February 2022 and the amount approved for Social Work services transferring to the Integration Joint Board for 2022-23 was £68.105m. The budget figures quoted in the previous outturn table include in-year adjustments.

In terms of the outturn position, the HSCP has reported a breakeven position for 2022-23 and there is no debt outstanding to the Council. The Council has a creditor totalling £5.006m on its balance sheet in relation to earmarked reserves which the Council holds on behalf of the HSCP. The earmarked balance comprises £1.450m of Scottish Government funding for a range of specific Scottish Government Initiatives, £1.330m of general reserves and £2.226m 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 2022-23. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2023. Internal income also requires to be removed between segments within the CIES.

During 2022-23 the Council continued to manage a range of support funding made available by the Scottish Government. The disclosure of these transactions in the Council's financial statements depends on whether the Council is acting as an agent (i.e. acting as an intermediary) or a principal (acting on its own behalf). LASAAC Guidance on Accounting for Coronavirus Grants has confirmed that where the Council is acting as an agent it should not recognise the transactions as income or expenditure in the Comprehensive Income and Expenditure Statement although it is necessary to recognise a creditor (where funding from the Scottish Government has been provided in advance) or debtor (where funding is provided in arrears) in the Balance Sheet. This guidance has been applied to the Council's 2022-23 financial statements.

Reconciliation of CIES to Revenue Budget Outturn

A reconciliation of the Surplus on the Provision of Services of £5.994m as noted in the CIES to the revenue budget outturn of £3.345m underspend is shown below.

Management Commentary

Reconciliation of CIES to Revenue Budget Outturn

	£000	£000
Surplus/(Deficit) on Provision of Services		(5,994)
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	24,570	
Impairment of Assets charged to services	3,147	
Capital Funding	(22,549)	
CFCR	(2,938)	
Pension Adjustment	19,970	
Statutory Repayment of Debt	(20,317)	
Repayment of Finance Leases	(5,116)	
Transfers to/from Other Statutory Reserves	(322)	
Other Adjustments	(104)	
		(3,659)
Movement In General Fund Balance		(9,653)
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2022-23	33,893	
Revenue Budget 22-23 – transferred to General Fund	(2,482)	
Contributions to earmarked reserves 2022-23	(18,413)	
		12,998
Revenue Budget Underspend/(Overspend)		3,345

Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2023 and explanatory notes are provided. The net worth of the Council has increased by £262.520m from £497.663m as at 31 March 2022 to £760.183m as at 31 March 2023. The major changes are set out in the table below.

Main Balance Sheet Changes

	31/03/2022 £000	31/03/2023 £000	Change £000	Main Reason
Long Term Assets	717,383	979,659	262,276	Revaluation of fixed assets and substantial increase of pension debtor due to an increase in investment returns.
Current Assets	122,842	90,682	(32,160)	Reduction in cash balances in comparison to previous year which was particularly high due to timing of funding received prior to year end.
Current Liabilities	(66,513)	(68,526)	(2,013)	Increase in short term creditors offset by a decrease in short term borrowing.
Long Term Liabilities	(276,049)	(241,632)	34,417	Reduction in long term borrowing due to the early repayment of loans during the year.
Total	497,663	760,183	262,520	

Provisions

The Council has provisions totalling £3.894m on the Balance Sheet as detailed in Note 29 to the Accounts. The larger provisions, those £0.250m or over, are summarised below.

- £2.336m 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

Management Commentary

Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.

- £0.865m 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 2023.

There has been a significant change in the pension valuation from a £4.634m asset in 2021-22 to a £232.073m asset in 2022-23. This is as a result of investment returns being greater than anticipated by our actuaries leading to positive return on assets.

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

	2020-21 £000	2021-22 £000	2022-23 £000
Pension (Liability)/Asset	(82,314)	4,634	232,073

Borrowing

During 2022-23 the Council's external borrowing reduced by £35.566m from £179.539m as at 31 March 2022 to £143.973m as at 31 March 2023. The reduction was due to the early repayment of PWLB loans during the year in order to receive a discount and achieve an overall treasury gain.

The Council was under borrowed by £38m at 31 March 2023. This was due to higher than normal levels of cash balances partly due to slippage in the capital programme meaning there was no requirement to borrow at this stage.

The Council's 2022-23 '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 £271.850m from £394.483m as at 31 March 2022 to £666.336m as at 31 March 2023. 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 decreased by £9.331m from £103.177m as at 31 March 2022 to £93.847m as at 31 March 2023. This is due to a reduction in the General Fund of £9.653m offset by small increases 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 a decrease of £9.653m from a balance of £96.081m to £86.428m and the detail on the movement in the balance is summarised within the table below.

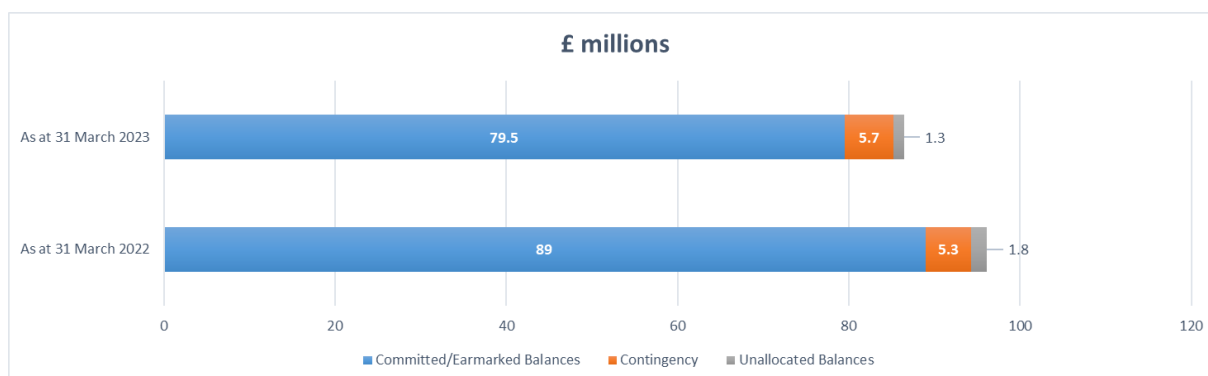
Movement on General Fund Balance

	£000
Balance on General Fund 31 March 2022	96,081
Revenue Budget 2022-23 – transfer to General Fund	2,482
Released sums earmarked to service budgets 2022-23	(33,893)
Contributions to earmarked reserves 2022-23	18,413
Overall budget underspend as noted above	3,345
Balance on General Fund 31 March 2023	86,428

General Fund Balance

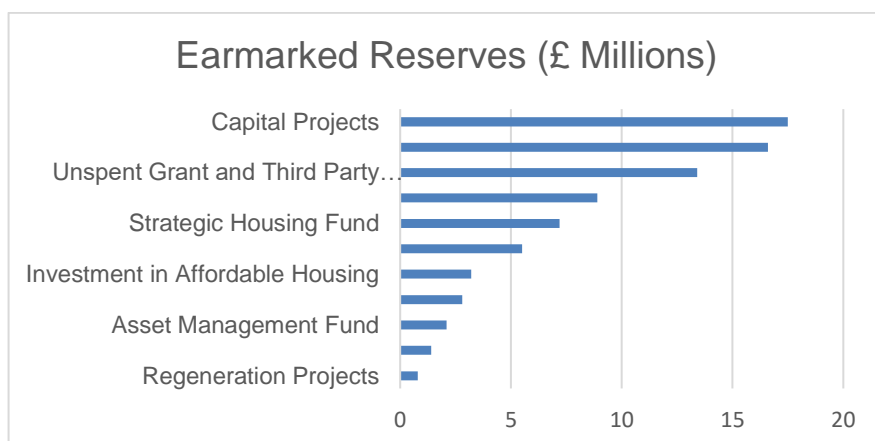
The chart below shows what is included within the General Balance as at 31 March 2023 with a comparison to the position as at 31 March 2022.

General Fund Balances as at 31 March 2022 and 31 March 2023



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

Earmarked Balances held in the General Fund as at 31 March 2023



Management Commentary

Group Accounts

The Group accounts include Dunbartonshire and Argyll & Bute Valuation Joint Board, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee as Associates 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 £34.414m. This gives an overall net asset position for the Group of £794.597m, an increase of £271.366m from the previous year. The most significant increase is in the pension position of £235.901m and the increase in the General Fund Balance as noted earlier in the commentary.

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 £74.391m towards the Argyll and Bute Integration Joint Board in the 2022-23 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	2021-22	2022-23	Comment
Unallocated General Fund Balance as a proportion of next year’s Annual Budgeted Net Expenditure	2.70%	2.45%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. The 2022-23 position is slightly less than 2021-22 however still confirms there are sufficient reserves to meet any unplanned expenditure.
Movement in the Unallocated General Fund Balance	£0.5m	(£0.6m)	Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). A small decrease in the 2022-23 balance reflects the Council moving back towards pre-COVID levels of reserves.
In-year Council Tax collection rate	96.28%	96.82%	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	19.08%	17.76%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income.
Actual Outturn compared to budgeted expenditure	£1.630m 0.59%	£3.345m 1.09%	A measure of how the final outturn compares to the budgeted position. The surplus is a

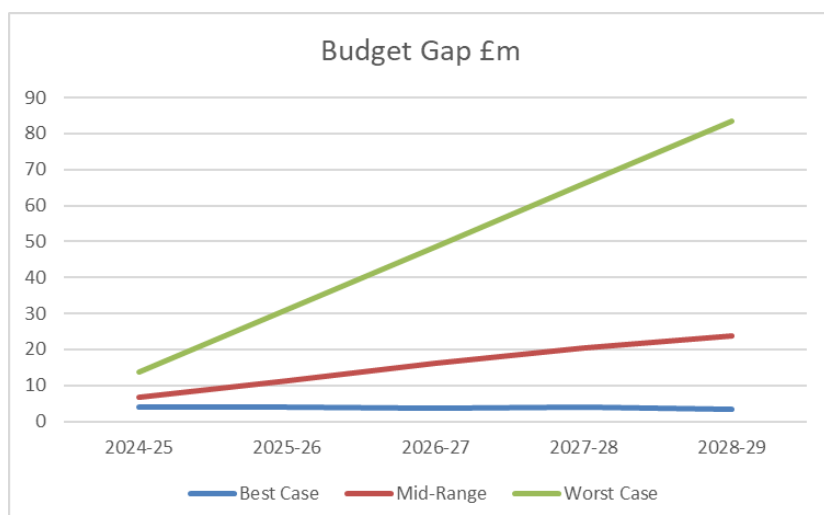
Financial Indicator	2021-22	2022-23	Comment
			reflection of the effectiveness of the Council's financial management.
Capital Financing Requirement (CFR) for the current year	£307.100m	£291.780m	Measurement of requirement to borrow for capital purposes. The small reduction in 22-23 reflects the level of slippage within the capital programme and high cash levels meaning there is little requirement to borrow.
External Debt Levels for the current year	£177.934m	£142.536m	Actual borrowing for capital investment levels. Reduction in 2022-23 due to the early repayment of PWLB loans at a discounted rate to achieve a treasury gain.
Ratio of financing costs to net revenue stream	3.37%	6.26%	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.

7. OUTLOOK

A five year financial outlook informing Council of the estimated budget gap covering the period 2023-24 to 2027-28 using best case, worse case and mid-range scenarios was kept up to date during 2022-23 and presented to the Policy and Resources Committee in May, August, October and December 2022.

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 11 May 2023.

Cumulative Budget Gap 2024-25 to 2028-29 as reported on 11 May 2023



Budget Strategy

As part of the Budget Outlook report presented to Policy and Resources Committee on 16 June 2022 it was agreed that a cross party Budget Working Group (BWG) be established comprising six elected

Management Commentary

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.

A further report was presented to Policy and Resources Committee on 13 October 2022 which set out the approach to the 2023-24 revenue budget process and identification of savings to balance the 2023-24 budget. New savings options were identified by officers and presented to the BWG at meetings held on 7 September 2022, 3 November 2022 and 20 December 2022. The BWG agreed a suite of options which were presented to the Policy and Resources Committee on 19 January 2023 which would deliver £9.443m in savings in 2023-24, some were one-off and some were recurring. This figure was refined further and the savings options included within the budget pack totalled £9.426m.

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 the 2024-25 budget setting process.

Once again the Council has agreed to the creation of a cross party BWG for the 2024-25 budget process. The Council has also created a budget simulator which goes live on 19 June 2023 for a period of 8 weeks. This will allow the public to engage with the Council and understand potential implications of budget decisions at a high level. The budget simulator is presented at activity level and allows the user to reduce or increase spending across service areas, with supporting narrative that explains the consequences of the choices being made. There is also a section on income generation including Council Tax and fees and charges where the user can indicate whether they would be willing to pay more in order to minimise reductions to Council Services.

This consultation will not only assist officers and Members when looking at budget options but will also assist the Community in understanding the difficult choices the Council faces with continued real term settlement reductions from Scottish Government.

COVID Pandemic

While the COVID pandemic is now less apparent much work relating to recovery and renewal is still being undertaken. The Council still have COVID related funding as we move into financial year 2023-24 including the Recovery and Renewal Fund, Local Authority Covid Economic Recovery Fund monies (as reported to Policy and Resources Committee on 8 December 2022) as well as a provision for capital contract increases. We are experiencing significant increases in prices for capital works due to issues such as disruptions to the supply chain for both labour and materials and longer lead-in times in relation to the construction sector and material availability.

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. As well as affecting individuals, the cost of living crisis is having a significant impact on Council services.

At the time of producing the accounts the current CPI was at 8.7% in the 12 months to April 2023 and while this has fallen marginally compared to a rate of 9% in April 2022 it is still high. The Bank of England aims to keep the CPI rate of inflation at 2% plus or minus 1% (i.e. between 1% and 3%). As a result of the rising inflation, the Council is seeing 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.

Management Commentary

These cost of living increases come at a time when the Scottish Government Resource Spending review published on 31st May 2022 advises that the funding to Local Government will remain as flat cash until 2026-27.

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 fully deal documentation, which includes a business case for each of the themes within the deal. The Council have already submitted 2 Outline Business Cases for Government feedback and are progressing well with completion of the other business cases. It is anticipated that the full deal will be signed early in 2023. The project themes in the deal are as follows:

Marine Tourism/Place Programme OBC
 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://www.argyll-bute.gov.uk).

UK Government Levelling Up Agenda

Levelling Up Fund

The UK Government's Levelling Up Fund was announced by the Chancellor at the 2020 Spending Review, is worth £4.8 billion and is intended to support capital investment projects in town centre and high street regeneration, local transport projects, and cultural and heritage assets which must be bid for via a competition. The fund focuses investment on regeneration projects that require up to £20m of funding. For higher-value transport schemes, there is also scope in securing investment in larger projects up to £50m.

The Council submitted two bids (£20m regeneration bid and £50m transport bid) to the Levelling Up Fund round 2 in the summer of 2022. It was disappointing to be advised that our bids were unsuccessful. In Scotland, only 30 of the 54 bids submitted were successful and officers are assessing the feedback from Government.

UK Government has announced a further round of funding and the Council will be considering what projects to bid for in this round. The bid process is extremely competitive and our wide geography within Argyll and Bute makes it challenging to meet the criteria, however, this is an opportunity for transformational funding and it will be the intention to submit bids. The UK Government has still to announce the criteria and deadline for round 3 of the Fund.

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.

Management Commentary

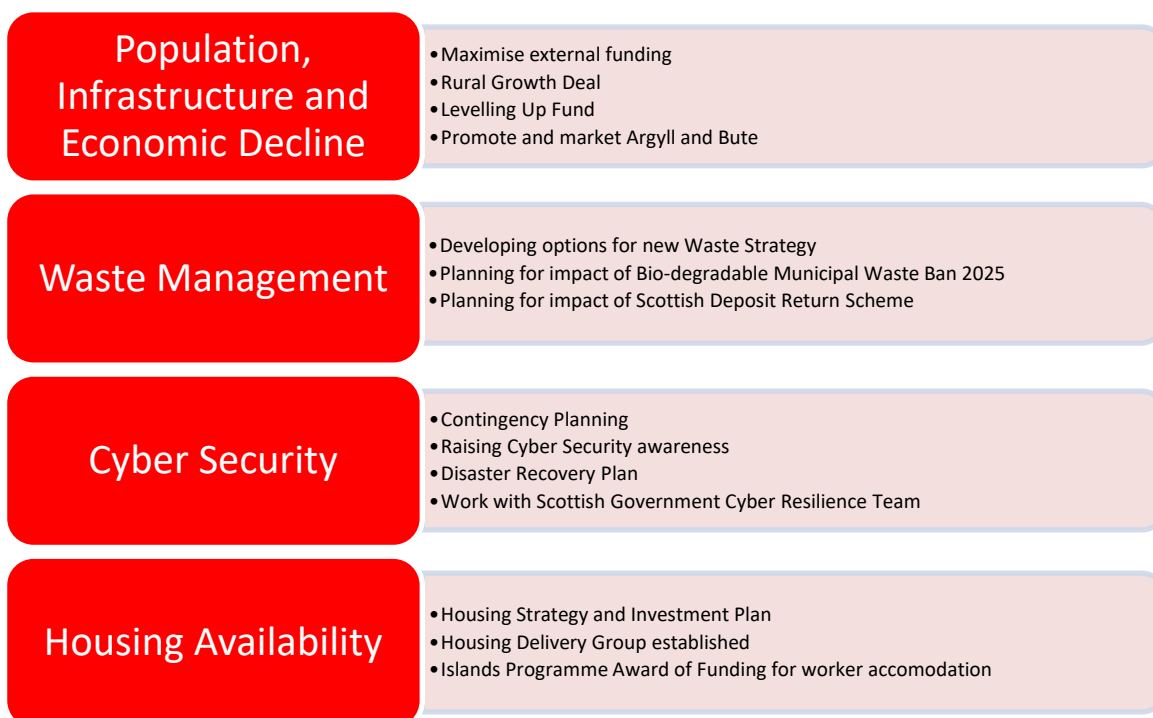
Argyll and Bute Council received an allocation from the UKSPF of just under £4.5m to support delivery over three financial year, specifically the final three months of 2022-23 and the next two financial years, 2023-24 and 2024-25, until the end of March 2025 are outlined in Table 1. A list of the projects that will be funded are summarised in Appendix 1, Tables, 1a, 1b and 1c.

There are 19 interventions (projects) under the Core UKSPF. All have begun planning with five started delivery. All interventions are expected to have commenced by June 2023. Multiply has three interventions at present with one underway. A procurement exercise for the balance of the funding will take place in June with delivery expected to commence in August 2023. Further information on the projects are included within the report to the Environment, Development and Infrastructure Committee on 1 June 2023, see link: [ARGYLL AND BUTE UK SHARED PROSPERITY FUND INVESTMENT PLAN UPDATE.pdf \(argyll-bute.gov.uk\)](#).

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 14 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.



Management Commentary

8. CONCLUSION

The Council has continued to have good financial planning arrangements in place in 2022-23. We have managed the additional inflationary pressures arising from the cost of living crisis and taken the opportunity to repay borrowing at a significant discount which ensured that we operated within budget in 2022-23. It is recognised that the current cost of living crisis, along with real term reductions in Scottish Government core revenue grant is continuing to present significant financial challenges for all local authorities, however, our council is in a strong position to manage the financially challenging times.

The Council are committed to deliver the best services to the people of Argyll and Bute within the available resources and to continue to support local business through the cost of living crisis.

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
29 June 2023

Statement of Responsibilities for the Annual Accounts



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 2022-23 (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 2023.

Kirsty Flanagan
Section 95 Officer

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 2022/23 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

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 publically 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.

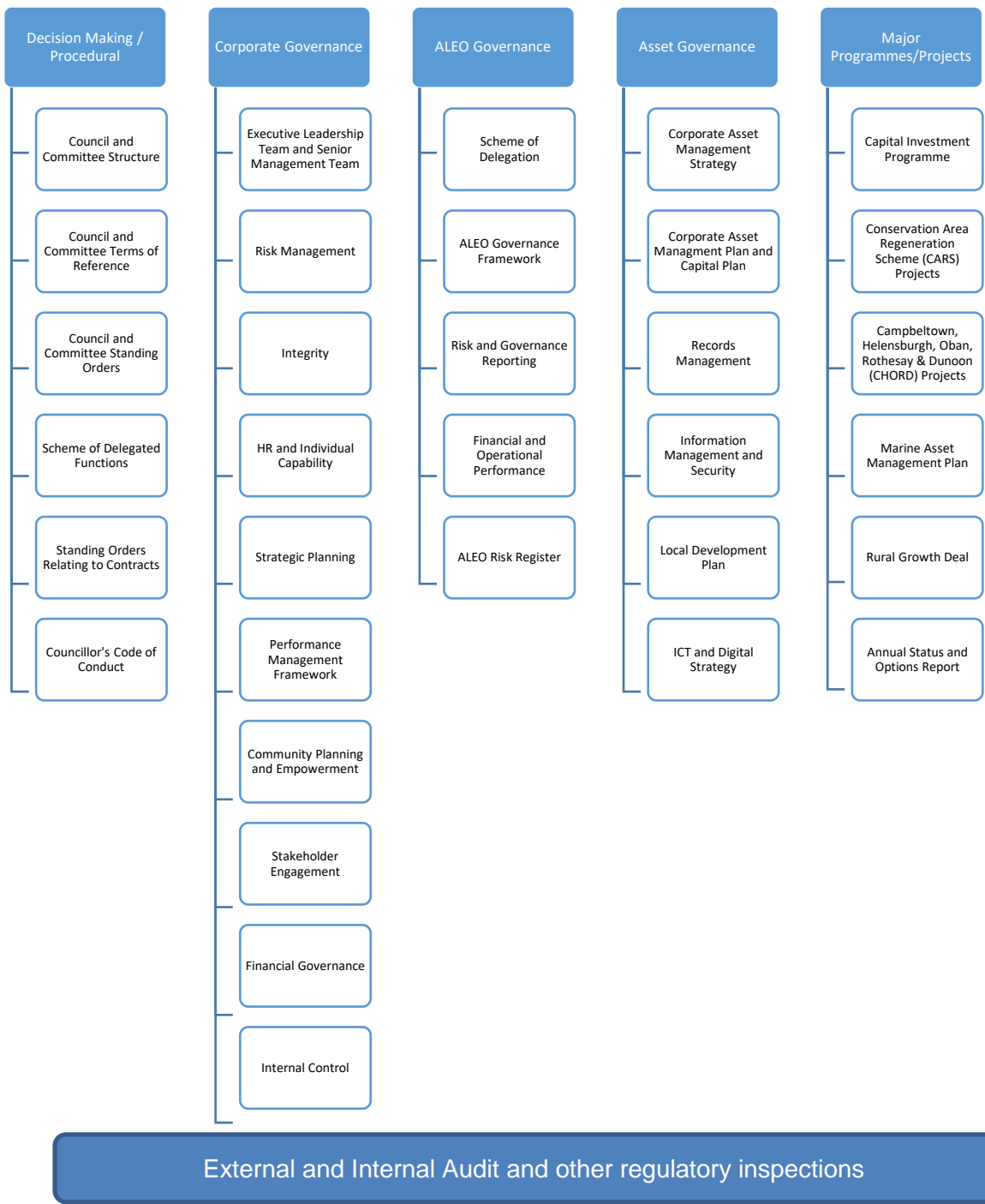
[Anti-fraud and whistleblowing](#) policies are in place and the Council has adopted the Scottish Public Services Ombudsman's (SPSO's) Model [Complaints Handling Procedure](#).

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



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

Annual Governance Statement

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, Campbeltown Flood Scheme, Oban Bay Harbour, Roads Reconstruction, Helensburgh Waterfront Development, Community Council Review, Free Period Products Provision and Electrical Vehicle Chargers.

[Keep in the Loop Service](#)

Over 10,500 customers subscribed 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 15,399 customers 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. Best Value is the term applied to the means by which the Auditor General and Accounts Commission audits local government on good governance, managing resources, improvement, managing change and delivering services that improve the lives of local people. In 2022 the Accounts Commission announced that its approach to reporting on Best Value is changing from BV3 audits and will now report annually on specific themes from October 2023. This is intended to facilitate the exchange of ideas and performance data, as well as offering a detailed analysis of a specific aspect of the work of all councils. The first theme will be leadership. This will be accompanied by shorter Section 102 reports for each Council over a four year period.

The Council is currently developing a refreshed Corporate Improvement Plan to build on the now completed BV3 Action Plan and this will be brought forward to the Audit and Scrutiny Committee later in 2023.

[Accessibility](#)

Online service provision is only effective if it is easy to access. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website is currently being upgraded to ensure conformance with the latest WCAG 2.2 Guidance and will be relaunched in May 2023. In December 2022 the website had a 98% rating (excellent) and was the 14th highest ranking Council in the UK. Our current and new websites also have the Reachdeck accessibility toolbar for any user seeking additional assistance such as text to speech or translation facilities.

[Community Engagement](#)

The Council supports good community engagement through its recently established Engagement Group led by a Head of Service. 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 produced an engagement toolkit for services to use, and the council's Communities & Partnership Team has resources and expertise to support hard to reach groups, community organisations and remote communities to have a voice in decision making alongside advice and training on best practice in community engagement.

In addition to community engagement, the council's Community Development Officers (within the Communities & Partnership Team) provide a range of wider training and resources to help build the knowledge, skills and confidence of community groups alongside funding support to help empower community organisations to take forward priority projects and activities in their area. The Council continues to promote the [Community led action plan and toolkit](#) (developed in partnership with Scottish Community Development Centre) to help support communities interested in developing a local Community-led Action Plan.

The Community Planning and Community Development Team supports communities to submit Participation Requests to the Council, in line with Part 3 of the Community Empowerment (Scotland) Act 2015.

The Council also oversees the work of Community Learning (Youth Work and Adult Learning) through its www.argyll-bute.gov.uk

collaboration with its Arms-length External Organisation (ALEO) partner Live Argyll.

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.

During 2022/23 the Council has acknowledged the effects of the 'Cost of Living Crisis' within Argyll and Bute and as a result the Flexible Food and Fuel fund contract has been extended until March 2025, ensuring that the most vulnerable low income households and those using foodbanks in our area can access short-term grants to cover the cost of food and fuel and longer term support through provision benefit maximisation, money advice and energy advice services. In addition, this year the Council has issued 8,000 Scotland Loves Local Gift Cards to low income households in the year ensuring the £960,000 loaded onto the gift cards is spent in local businesses in Argyll and Bute. 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 and for the fourth year in a row, Argyll & Bute Council successfully reduced their operational carbon emissions. The Council's carbon footprint has reduced by around 33% in emissions since recording commenced in 2015/16. There are a number of factors that have contributed to this reduction such as direct interventions to make buildings more energy & heat efficient, replacing traditional lightbulbs with LED, moving to electric or hybrid vehicles and treating municipal waste in different ways.

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

Annual Governance Statement

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.

<u>Internal Financial Controls and Prevention</u>	<u>Are these in Place?</u>
Comprehensive budget systems	<input checked="" type="checkbox"/>
Financial and budget monitoring systems	<input checked="" type="checkbox"/>
Financial and Performance reporting systems	<input checked="" type="checkbox"/>
Clearly defined Capital Expenditure guidelines	<input checked="" type="checkbox"/>
Project Management processes and disciplines	<input checked="" type="checkbox"/>
An effective Internal Audit Section	<input checked="" type="checkbox"/>
An effective Counter Fraud Team	<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
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- 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 2022/23 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 2022/23

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 meet on a reduced frequency, reporting to the Executive Management Team and appropriate Committees. A number of the actions and priorities have been mainstreamed into operational service delivery, and the critical thematic groups which remain in place are building back stronger communities and economic and social recovery. These have been impacted by the cost of living crisis, higher fuel costs and other factors. Good progress has been made in delivering the Recovery document "Recovery, Renew and Restart" and a progress report will be prepared for consideration by the appropriate Committee late 2023.

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.

The financial outlook continues to be impacted by the COVID-19 pandemic along with the UK exit from the European Union, the Russian invasion of Ukraine and actions on Russian owned entities which have resulted in significant price increases as well as disruptions to the supply chain and longer lead in times. These all have resulted in significant levels of inflation over the last year impacting on the prices of goods and services.

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 either Argyll and Bute Council and NHS Highland, with a separate board of governance. The IJB comprises eight voting members with four Elected Members nominated by Argyll and Bute Council and four Board members of 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. 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 integrated 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 was carried out in 2022-23 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 2022-23 the IJB has progressed a number of initiatives to develop its governance arrangements including improving the use of Directions, the completion of the new Joint Strategic plan and Workforce Strategy. It has also focused upon re-mobilising services following the pandemic, progressing its service transformation program and upon strategic development. It has focused on taking action to manage strategic risks during the year, particularly in relation to care home and care at home services.

The financial position of the HSCP has also continued to improve. It repaid all of the debt it owed to the Council in 2021/22 and reported a significant underspend in 2022/23. The operating environment going forward does however remain challenging. The IJB approved a balanced budget for 2023/24 which initially indicated that additional funding from NHS Highland may be required during the year. This is now unlikely in the context of the confirmed underspend in 2022/23. That said, there remains a number of financial risks and challenges to deliver services within budget resource and to deliver the agreed savings.

UPDATE ON AREAS FOR DEVELOPMENT IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS

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

Area	2022/23 Update
Continue to engage with the Scottish Government and other local authorities to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complied with the 2025 Bio-degradable Municipal Waste Ban	<p>Specialist economic consultants now engaged on an options appraisal exercise to help inform the decision. This is to be reported to September's Economic Development & Infrastructure committee.</p> <p>Update: The options appraisal completed and presented to EDI Committee in December 2022. The Council has formally written to the Scottish Government to request a time limited derogation in the Waste PPP area to September 2026 for the municipal solid waste landfill ban which is due to be implemented on 1 January 2026. The Council has commenced contract discussions with our Waste PPP Contractor regarding landfill ban compliance from 1 January 2026 should the time limited derogation not be granted.</p>
Enhance reporting of workforce planning to the Strategic Management Team and Elected Members	<p>ELT have agreed the new draft People Strategy, which will include our workforce planning strategy. This is in the process of being finalised for P&R Committee. Quarterly Health of the Organisation Reports are presented to DMTs, which include information on Workforce Planning - age profile, turnover, vacancies and attendance. A risk based Workforce Planning Matrix is used to prioritise actions and support. This is developed from detailed meetings with managers and presented in a strategic report to SMT. Elected members' new priorities for performance reporting to strategic committees does not include workforce planning, but updates are provided to the Policy Lead regularly on key issues such as recruitment and retention.</p>
Continue to improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management	<p>Contract let and work underway to gather updated asset information for major buildings – new plans being drawn. Estates has continued to improve records with the property measurement contract providing new plans for properties. As part of the asset valuation process Estates are also building up property records and will use the details for the insurance valuation updates to be completed in 2022/23.</p> <p>Update: Valuations for Education properties completed in 22/23. This will be continued for general properties in 2023/24 and will also be beneficial for other projects where floorplans are required at short notice.</p>
Adopt the CIPFA Financial Management Code	<p>This action has been delayed due to resource issues and will be addressed during 2022/23 Completed in February 2023</p>

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2023/24, particularly in the context of continuous improvement within the Council:

- 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 (Head of Roads

Annual Governance Statement

and Infrastructure Services – March 2024

- Further enhance reporting of workforce planning to the Strategic Management Team (Head of Customer Support Services – March 2024)
- Continue to Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2024)
- Develop data/analytics business intelligence tool (Head of Customer Support Services – March 2024)
- Complete review of performance management (Head of Customer Support Services – March 2024)
- Complete the External Quality Assessment Framework (Head of Financial Services – March 2024)

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

The Remuneration Report

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 Audit Scotland. 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 2022-23 the salary for the Leader of Argyll and Bute Council is £39,148. 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 £29,361 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 £0.343m. 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 £29,361 to each appointed policy lead. Chairs of Area Committees without a policy lead remit are paid a salary of £23,448.

In 2022-23, 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 2022-23 was £0.293m. 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 CO/152 sets the amount of salary for the Chief Executive of Argyll and Bute Council for 2022-23. The salaries of Executive Directors are paid at SCP 43 with Heads of Service being paid at SCP 29.

The Remuneration Report

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:

2021-22 Actual £'000	Members Allowances	2022-23 Actual £'000
480	Basic Councillor Salaries	476
65	Leader and Provost's Salary	66
199	Senior Councillor Salaries	258
4	Other Expenses and Allowances paid to Members	29
748	Total Allowances	829

The annual return of councillors' salaries and expenses for 2022-23 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>.

The Remuneration Report

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:

The Remuneration Report

2021-22	Senior Members	Responsibility	2022-23		
			Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £
26,313	Councillor Rory Colville	Policy Lead - Roads and Infrastructure Services and Chair of Mid Argyll, Kintyre & the Islands Area Committee from 22-10-20	3,715	-	3,715
-	Councillor Garret Corner	Chair of Mid Argyll, Kintyre & the Islands Area Committee from 24-11-22	18,059	-	18,059
-	Councillor Maurice Corry	Provost from 19-05-22	24,932	-	24,932
37,148	Councillor Robin Currie	Leader from 24-09-20, Policy Lead for The Economy and Rural Growth from 22-10-20,	38,254	-	38,254
26,313	Councillor Mary-Jean Devon	Policy Lead for Support Services from 22-10-20	3,715	-	3,715
21,938	Councillor Bobby Good	Chair of Bute & Cowal Area Committee	3,098	-	3,098
26,313	Councillor Kieron Green	Policy Lead for Health and Social Care	28,648	-	28,648
-	Councillor Amanda Hampsey	Policy Lead for Care Services from 19-05-22	24,932	-	24,932
-	Councillor Andrew Kain	Policy Lead for Roads and Transport and Chair of Oban, Lorn & the Isles Area Committee from 19-05-22	24,932	-	24,932
27,862	Councillor David Kinniburgh	Provost from 26-11-20, Policy Lead for Planning and Regulatory Services from 22-10-20	3,934	-	3,934
-	Councillor James Lynch	Leader of the Largest Opposition Group from 19-05-22	22,675	-	22,675
-	Councillor John McAlpine	Policy Lead for Community Planning and Corporate Services and Chair of the Mid Argyll, Kintyre and the Islands Area Committee from 18-05-22 to 18-07-22	5,595	-	5,595
-	Councillor Liz McCabe	Policy Lead for Islands and Business Development and Chair of Bute & Cowal Area Committee from 19-05-22	27,554	-	27,554
26,313	Councillor Yvonne McNeilly	Policy Lead for Education	28,648	-	28,648
-	Councillor Ross Moreland	Policy Lead for Climate Change and Environment Services from 19-05-22	24,932	-	24,932
19,611	Councillor Aileen Morton	Chair of Helensburgh & Lomond Area Committee from 25-11-21	3,098	-	3,098
26,313	Councillor Gary Mulvaney	Depute Leader and Policy Lead for Financial Services and Major Projects from 26-09-19	28,648	-	28,648
-	Councillor Gemma Penfold	Chair of Helensburgh & Lomond Area Committee from 19-05-22	22,675	-	22,675
21,873	Councillor Alasdair Redman	Policy Lead for Business, Regeneration and Commercial Development from 22-10-20 to 20-08-21, Policy Lead for Economic Growth from 25-05-20 to 22-10-20	14,692	-	14,692
21,938	Councillor Elaine Robertson	Chair of Oban, Lorn & the Isles Area Committee	3,098	-	3,098

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 2022-23 which differ slightly from those stated on page 40 due to timing differences in regards to payroll.

The Remuneration Report

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:

2021-22 Number of Officers	Range £	2022-23 Number of Officers
140	£50,000 - £54,999	136
84	£55,000 - £59,999	83
41	£60,000 - £64,999	64
16	£65,000 - £69,999	19
4	£70,000 - £74,999	9
1	£75,000 - £79,999	3
7	£80,000 - £84,999	9
-	£85,000 - £89,999	1
1	£90,000 - £94,999	1
1	£95,000 - £99,999	1
-	£100,000 - £104,999	1
2	£105,000 - £109,999	-
-	£110,000 - £114,999	2
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
-	£125,000 - £129,999	-
1	£130,000 - £135,000	-
-	£135,000 - £139,999	1
298	Total	330

The Remuneration Report

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 2022-23 for senior officers:

Total Remuneration 2021-22 £	Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2022-23 £
133,285	Chief Executive - Pippa Milne	138,387	490	138,877
107,730	Executive Director - Douglas Hendry	111,663	743	112,406
107,752	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	111,518	642	112,160
40,600	Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson (from 14-09-21)	84,180		84,180
80,336	(Full year equivalent)			-
80,501	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	84,180	-	84,180

The Remuneration Report

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 2022-23 are as follows:

Whole time pay	Contribution Rate 2022-23
On earnings up to and including £22,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.50%
On earnings above £37,401 and up to £49,900	9.50%
On earnings above £49,901	12.00%

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 1/49th 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 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

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

The Remuneration Report



SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2023 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 2022		Senior Members	For the year to 31 March 2023		
In-year pension contributions £	Accrued pension benefits £'000		In-year pension contributions £	Accrued pension benefits £'000	
5,078	7	Councillor Rory Colville	Pension	717	11
	2		Lump Sum		4
-	-	Councillor Garret Corner	Pension	3,485	-
	-		Lump Sum		-
-	-	Councillor Maurice Corry	Pension	4,812	-
	-		Lump Sum		-
7,170	8	Councillor Robin Currie	Pension	7,383	8
	1		Lump Sum		1
4,234	2	Councillor Bobby Good	Pension	598	2
	-		Lump Sum		-
5,078	3	Councillor Kieron Green	Pension	5,529	4
	-		Lump Sum		-
-	-	Councillor Amanda Hampsey	Pension	4,812	-
	-		Lump Sum		-
-	-	Councillor Andrew Kain	Pension	4,812	-
	-		Lump Sum		-
5,377	7	Councillor David Kinniburgh	Pension	759	6
	2		Lump Sum		2
3,584	2	Councillor James Lynch	Pension	4,376	2
	-		Lump Sum		-
-	-	Councillor John McAlpine	Pension	1,080	-
	-		Lump Sum		-
-	-	Councillor Liz McCabe	Pension	5,318	1
	-		Lump Sum		-
5,078	3	Councillor Yvonne McNeilly	Pension	5,529	3
	-		Lump Sum		-
-	-	Councillor Ross Moreland	Pension	4,812	-
	-		Lump Sum		-
3,785	6	Councillor Aileen Morton	Pension	598	6
	-		Lump Sum		-
5,078	6	Councillor Gary Mulvaney	Pension	5,529	8
	2		Lump Sum		2
3,557	-	Councillor Gemma Penfold	Pension	4,376	1
	-		Lump Sum		-
4,221	2	Councillor Alasdair Redman	Pension	2,836	2
	-		Lump Sum		-

The Remuneration Report

SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2023 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 2022		Senior Officers		For the year to 31 March 2023	
In-year pension contributions £	Accrued pension benefits £'000			In-year pension contributions £	Accrued pension benefits £'000
25,586	64 106	Chief Executive - Pippa Milne	Pension	26,709	70
			<i>Lump Sum</i>		111
20,546	61 107	Executive Director of Customer Services - Douglas Hendry	Pension	21,495	66
			<i>Lump Sum</i>		112
20,546	33 31	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	Pension	21,495	37
			<i>Lump Sum</i>		32
8378	1	Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson (from 14-09-21)	Pension	16,247	8
			<i>Lump Sum</i>		-
15,537	31 38	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	Pension	16,247	33
			<i>Lump Sum</i>		38

The Remuneration Report

EMPLOYEE EXIT PACKAGES

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

2021-22						Exit Package Cost Band	2022-23					
Compulsory Redundancies		Other Departures		Total			Compulsory Redundancies		Other Departures		Total	
No	£	No	£	No	£		No	£	No	£	No	£
2	11,782	1	11,144	3	22,926	£0 - £20,000	1	4,038	2	30,305	3	34,343
-	-	-	-	-	-	£20,001 - £40,000	1	38,924	2	55,403	3	94,327
-	-	-	-	-	-	£40,001 - £60,000					-	-
-	-	1	70,992	1	70,992	£60,001 - £80,000			1	88,038	1	88,038
-	-	1	80,629	1	80,629	£80,001 - £100,000					-	-
-	-	1	133,113	1	133,113	£100,001 - £150,000	1	137,037	1	106,165	2	243,202
-	-	-	-	-	-	£150,001 - £200,000	1	161,869			1	161,869
2	11,782	4	295,878	6	307,660		4	341,868	6	279,911	10	621,779

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 2023.

Termination costs for all Council employees who have accepted redundancy by 31 March 2023 are recognised in the Exit Packages note in 2022-23, or in previous financial years. The total cost recognised in the Exit Packages note in 2022-23 is £0.622m for 10 employees and in 2021-22 was £0.308m for 6 employees.

The supplementary Termination Benefits Note 35 provides more information.

The Remuneration Report

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 2022 to 31 March 2023 are attached at Appendix A.

Statement of Comprehensive Income and Expenditure

2021-22			Service	Note	2022-23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
25,714	18,837	6,877	Chief Executive and Financial Services		26,810	18,209	8,601
			Executive Director Douglas Hendry				
389		389	Executive Director		436	-	436
21,022	3,498	17,524	Commercial Services		33,399	4,250	29,149
92,302	14,248	78,054	Education		106,026	13,620	92,406
11,769	4,228	7,541	Legal and Regulatory Support		10,857	(714)	11,571
			Executive Director Kirsty Flanagan				
337		337	Executive Director		418	-	418
11,374	708	10,666	Customer Support Services		11,859	674	11,185
23,172	11,634	11,538	Development and Economic Growth		25,256	14,380	10,876
70,602	22,504	48,098	Roads and Infrastructure		77,057	29,577	47,480
158,106	88,788	69,318	Social Work		174,434	94,948	79,486
10,538	251	10,287	Other Non-Departmental Costs		9,832	2,291	7,541
425,325	164,696	260,629	Net Cost of Services		476,384	177,235	299,149

Statement of Comprehensive Income and Expenditure



		Other Operating Income and Expenditure:	
	(103)	Net (Gain)/loss on Disposal of Long Term Assets	(437)
	1,836	Other Operating Income and Expenditure	1,643
	1,733	Total Other Operating Income and Expenditure	1,206
		Financing and Investment Income and Expenditure:	
	16,343	Interest Payable and Similar charges	10,514
	(805)	Interest and Investment Income	(2,966)
	1,864	Net Pension Interest Expense	141
	17,402	Total Financing and Investment Income and Expenditure	7,689
		Taxation and Non-Specific Grant Income:	
	(191,432)	General Government Grants	(191,775)
	(21,700)	Government Capital Grants and Other Capital Contributions	(22,549)
	(25,070)	Non-domestic Rates Redistribution	(33,179)
	(336)	Non-domestic Rates TIF	(647)
	(56,242)	Council Tax Income	(53,900)
	(294,780)	Total Taxation and Non-Specific Grant Income	(302,050)
	(15,016)	(Surplus)/Deficit on Provision of Services	5,994
	(26,631)	(Surplus)/Deficit on revaluation of Long Term Assets	(21,104)
	(110,648)	Other Post Employment Benefits (Pensions)	(247,409)
	(137,279)	Other Comprehensive Income and Expenditure	(268,513)
	(152,295)	Total Comprehensive Income and Expenditure	(262,519)

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 2022		Note	31 March 2023	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment	15	
414,852		- Other Land and Buildings		451,017
11,798		- Vehicles, Plant, Furniture and Equipment		10,872
230,478		- Infrastructure Assets		235,076
7,454		- Community Assets		8,892
1,408		- Surplus Assets		3,286
35,344		- Assets Under Construction		21,440
	701,334	Total Property Plant & Equipment		730,583
	2,099	Heritage Assets	16	2,345
	604	Intangible Assets	17	733
	2,428	Investment Property	18	2,553
	492	Long Term Investments	27	5,492
	5,792	Long-Term Debtors	22	5,880
	4,634	Other Long Term Debtors (Pensions)	31	232,073
	717,383	Total Long Term Assets		979,659
		Current Assets		
842		Inventories		1,130
18,263		Short Term Debtors (Net of Impairment)	23	34,080
1,509		Assets Held for Sale	24	1,554
82,500		Short Term Investments		60,000
19,728		Cash and Cash Equivalents	25	(6,082)
	122,842	Total Current Assets		90,682
		Current Liabilities		
(17,882)		Short-term Borrowing	27	(11,818)
(41,283)		Short-term Creditors	26	(49,978)
(2,231)		Provisions	29	(1,450)
(5,117)		Other Short Term Liabilities	28	(5,280)
	(66,513)	Total Current Liabilities		(68,526)
		Long-term Liabilities		
(161,657)		Borrowing Repayable within a Period in Excess of 12 Months	27	(132,155)
(112,313)		Other Long-term liabilities	28	(107,033)
(2,079)		Provisions	29	(2,444)
-		Other Long-term liabilities (Pensions)	30	-
	(276,049)	Total Long-term Liabilities		(241,632)
	497,663	Total Assets less Liabilities		760,183

Balance Sheet

31 March 2022		Note	31 March 2023	
£'000	£'000		£'000	£'000
		Unusable Reserves		
157,645		- Revaluation Reserve	174,952	
241,327		- Capital Adjustment Account	268,770	
(2,198)		- Financial Instruments Adjustment Account	(1,871)	
4,634		- Pensions Reserve	232,073	
(6,928)		- Accumulated Absences Account	(7,588)	
	394,480			666,336
		Usable Reserves		
4,414		- Capital Funds	4,503	
2,682		- Repairs and Renewals Funds	2,916	
96,087		- General Fund Balance	86,428	
	103,183			93,847
	497,663	Total Reserves		760,183

The Balance Sheet is a snapshot of the value as at the 31 March 2023 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

Statement of Movement in Reserves

Movements in 2022-23	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves £'000	
	General Fund Balance £'000	Repairs and Renewals Fund £'000		Capital Funds £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instrument Adjustment Account £'000	Accumulated Absences Account £'000		Total Unusable Reserves £'000
		£'000	£'000									
Balance at 31 March 2022	(96,081)	(2,682)	(4,414)	(103,177)	(157,644)	(241,331)	(4,634)	2,198	6,928	(394,483)	(497,660)	
(Surplus)/Deficit on Provision of Services	5,994			5,994						-	5,994	
Other Comprehensive Income and Expenditure					(21,104)		(247,409)			(268,513)	(268,513)	
Total Comprehensive Income and Expenditure	5,994	-	-	5,994	(21,104)	-	(247,409)	-	-	(268,513)	(262,519)	
Adjustments between accounting basis and funding basis under regulations:												
Disposal of Assets					173	(173)						
Amortisation of Intangible Assets				-		-				-	-	
Depreciation of Non-current Assets	(20,947)			(20,947)		20,947				20,947	-	
Impairment of Non-current Assets	(3,147)			(3,147)		3,147				3,147	-	
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

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									
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)	-
Total Statutory Adjustments	6,960	-	(568)	6,392	173	(26,868)	19,970	(327)	660	(6,392)	-	
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	12,954	-	(568)	12,386	(20,931)	(26,868)	(227,439)	(327)	660	(274,905)	(262,519)	
<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	-
(Increase)/Decrease in Year	9,653	(234)	(88)	9,331	(17,308)	(27,436)	(227,439)	(327)	660	(271,850)	(262,519)	
Balance at 31 March 2023 Carried Forward	(86,428)	(2,916)	(4,503)	(93,847)	(174,952)	(268,770)	(232,073)	1,871	7,588	(666,336)	(760,183)	

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.

Statement of Movement in Reserves

Comparative Movements in 2021-22	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	
Balance at 31 March 2021	(78,245)	(2,134)	(4,406)	(84,785)	(135,392)	(217,237)	82,314	2,524	7,206	(260,585)	(345,370)
(Surplus)/Deficit on Provision of Services	(15,016)			(15,016)						-	(15,016)
Other Comprehensive Expenditure and Income					(26,631)		(110,648)			(137,279)	(137,279)
Total Comprehensive Expenditure and Income	(15,016)	-	-	(15,016)	(26,631)	-	(110,648)	-	-	(137,279)	(152,295)
Adjustments between accounting basis and funding basis under regulations:											
Disposal of Assets					632	(632)					
Amortisation of Intangible Assets	(36)			(36)		36				36	-
Depreciation and of Non-current Assets	(19,579)			(19,579)		19,579				19,579	-
Impairment of Non-current Assets	13,182			13,182		(13,182)				(13,182)	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure	21,700			21,700		(21,700)				(21,700)	-
Capital Expenditure Charged to the General Fund	735			735		(735)				(735)	-
Net Gain or Loss on Sale of Non-current Assets	103		(815)	(712)		712				712	-
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	326			326				(326)		(326)	-
Employee Benefits	278			278					(278)	(278)	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(23,700)			(23,700)			23,700			23,700	-

Statement of Movement in Reserves

Comparative Movements in 2021-22	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	
Statutory Repayment of Debt - Loans Fund Advances	2,514			2,514		(2,514)				(2,514)	-
Statutory Repayment of Debt - Finance Leases	44			44		(44)				(44)	-
Statutory Repayment of Debt - NPDO Finance	4,800			4,800		(4,800)				(4,800)	-
Total Statutory Adjustments	367	-	(815)	(448)	632	(23,280)	23,700	(326)	(278)	448	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(14,649)	-	(815)	(15,464)	(25,999)	(23,280)	(86,948)	(326)	(278)	(136,831)	(152,295)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	553	(548)	807	812		(810)				(810)	2
<i>Other Transfers</i>											
Adjustments permitted by Accounting Standards for depreciation that is related to the revaluation balance rather than historic cost	(3,746)			(3,746)	3,746					3,746	-
(Increase)/Decrease in Year	(17,842)	(548)	(8)	(18,398)	(22,253)	(24,090)	(86,948)	(326)	(278)	(133,895)	(152,293)
Balance at 31 March 2022 Carried Forward	(96,087)	(2,682)	(4,414)	(103,183)	(157,645)	(241,327)	(4,634)	2,198	6,928	(394,480)	(497,663)

This Statement shows the movement in the 2021-22 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.

2021-22 £'000		Note	2022-23 £'000
(15,016)	Net (Surplus) on the Provision of Services		5,994
(6,652)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(14,352)
7,928	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,955
(13,740)	Net Cash Flows from Operating Activities	39	(2,403)
32,043	Net Cash Flows from Investing Activities	40	(14,323)
(2,393)	Net Cash Flows from Financing Activities	41	42,536
15,910	Net (Increase)/Decrease in Cash and Cash Equivalents		25,810
(35,638)	Cash and Cash Equivalents at the beginning of the Reporting Period		(19,728)
(19,728)	Cash and Cash Equivalents at the end of the Reporting Period	24	6,082

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. 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 2022-23, 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 2.7% (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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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

Notes to the Financial Statements

- 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:

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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:

Notes to the Financial Statements

- 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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 2023-24 Code where disclosures are required in the 2022-23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the code are:

- Annual Improvements to IFRS Standards 2018-2020.
- IAS 16 - Property Plant & Equipment: amendments - Proceeds before intended Use
- IAS 8 – Definition of Accounting Estimates
- IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 3 – Updating reference to Conceptual Framework

There will be no material impact in future years from the adoption of these amendments.

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.

Notes to the Financial Statements

- 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 2023 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 2022-23 financial statements in respect of the holiday pay accrual is £7.588m.

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 2023 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 £0.881m 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 program 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 & Bute Council includes schools. To mitigate this risk, a desktop assessment was undertaken for 2022-23 to estimate the potential increase in value of our assets valued using depreciated replacement cost using BCIS indices. An adjustment was made to the accounts of £25.062m to reflect this assessment.</p> <p>Consideration is 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 826"> <thead> <tr> <th data-bbox="1205 357 1621 501">Sensitivities at 31 March 2023</th> <th data-bbox="1621 357 1845 501">Approximate % Increase to Employer Liability</th> <th data-bbox="1845 357 2087 501">Approximate monetary amount £'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">10,974</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">24,915</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">1,044</td> </tr> <tr> <td data-bbox="1205 759 1621 826">0.1% increase in pension increase rate</td> <td data-bbox="1621 759 1845 826">2%</td> <td data-bbox="1845 759 2087 826">10,091</td> </tr> </tbody> </table>	Sensitivities at 31 March 2023	Approximate % Increase to Employer Liability	Approximate monetary amount £'000	0.1% decrease in real discount rate	2%	10,974	1 Year increase in the member life expectancy	4%	24,915	0.1% increase in salary increase rate	0%	1,044	0.1% increase in pension increase rate	2%	10,091
Sensitivities at 31 March 2023	Approximate % Increase to Employer Liability	Approximate monetary amount £'000															
0.1% decrease in real discount rate	2%	10,974															
1 Year increase in the member life expectancy	4%	24,915															
0.1% increase in salary increase rate	0%	1,044															
0.1% increase in pension increase rate	2%	10,091															

5.1 EXPENDITURE AND FUNDING ANALYSIS

2021-22			Service	2022-23		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis (Note 31) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis (Note 31) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
5,790	1,087	6,877	Chief Executive and Financial Services	7,547	1,054	8,601
			Executive Director Douglas Hendry			
330	59	389	Executive Director	365	71	436
9,471	8,053	17,524	Commercial Services	15,408	13,741	29,149
86,427	(8,373)	78,054	Education	87,176	5,230	92,406
9,466	(1,925)	7,541	Legal and Regulatory Support	12,651	(1,080)	11,571
			Executive Director Kirsty Flanagan			
305	32	337	Executive Director	368	50	418
7,553	3,113	10,666	Customer Support	8,487	2,698	11,185
9,752	1,786	11,538	Development and Economic Growth	8,964	1,912	10,876
30,914	17,187	48,098	Roads and Infrastructure	33,249	14,234	47,480
67,080	2,238	69,318	Social Work	73,537	5,949	79,486
10,974	(687)	10,287	Other Non-Departmental Costs	8,149	(608)	7,541
238,062	22,570	260,629	Net Cost of Services	255,901	43,251	299,149

Notes to the Financial Statements

(255,904)	(19,741)	(275,645)	Other Income and Expenditure	(246,248)	(46,909)	(293,155)
(17,842)	2,829	(15,016)	(Surplus) / Deficit	9,653	(3,658)	5,994
(78,245)			Opening General fund Balance	(96,081)		
(17,842)			Plus (Surplus) or Deficit on General Fund Balance	9,653		
(96,087)			Closing General Fund Balance	(86,428)		

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 2022-23				
	Adjustments for Capital Purposes Note (i) £'000	Net change for Pension Adjustments Note (ii) £'000	Capital element of Schools NPDO payment Note (iii) £'000	Other Adjustments Note (iv) £'000	Total Adjustments £'000
Chief Executive and Strategic Finance		1,047		7	1,054
Executive Director (Douglas Hendry)					
Executive Director (Douglas Hendry)		71		-	71
Commercial Services	11,869	1,866	-	6	13,741
Education	318	4,514		398	5,230
Legal and Regulatory Support	3,194	796	(5,071)	-	(1,081)
Executive Director (Kirsty Flanagan)					
Executive Director (Kirsty Flanagan)		50		-	50
Head of Customer Support	1,402	1,296		-	2,698
Head of Development and Economic Growth	345	1,535		32	1,912
Roads and Infrastructure	10,479	3,666		89	14,234
Social Work	226	5,623		101	5,950
Other Non-Departmental Costs	-	(635)		27	(608)
	-	-			
Net Cost of Services	27,833	19,829	(5,071)	660	43,251
Other Income and Expenditure	(46,355)	141	-	(695)	(46,909)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(18,522)	19,970	(5,071)	(35)	(3,658)

(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.

Notes to the Financial Statements

6 GENERAL FUND RESERVES

The Council has ring-fenced £79.466m of the balance on the General Fund.

Ring-fenced Balances	Balance 1 April 2022 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed 2022-23 £'000	New Earmarking at end of 2022-23 £'000	Balance 31 March 2023 £'000
Strategic Housing Fund (Revenue from Additional Council Tax on Second Homes)	6,590	(1,574)			2,231	7,247
Investment in Affordable Housing	3,300		(137)			3,163
Capital Projects	24,722	(16,914)		6,845	1,406	16,059
Lochgilphead and Tarbert Regeneration	2,271	(811)				1,460
Support for Rural Growth Deal	1,058	(302)				756
Asset Management	2,607	(65)	(492)		48	2,098
Piers and Harbours Investment Fund	1,643				1,146	2,789
Scottish Government Initiatives	3,141	(1,485)			1,178	2,834
CHORD	349				29	378
Devolved School Management Scheme (DSM)	1,982	(1,717)			1,129	1,394
Energy Efficiency Fund	218					218
Unspent Budget Required for Existing Legal Commitments	475	(15)	16			476
Unspent Third Party Contributions	12,834	(4,031)	18		4,358	13,179
Contributions Carried Forward	166				99	265
Other Previous Council Decisions	4,343	(432)	(149)		46	3,808
Redundancy Reserve	1,732	(154)				1,578
Supporting Organisational Change	1,588	(162)				1,426
One Council Property	-		369		197	566
Fleet - Timing Delay	499				159	658
Hermitage Park	4				15	19
Electric Vehicle Chargers	-	-			17	17
COVID-19	8,964	(3,499)	(470)		517	5,512
Unspent Budget Carried Forward	10,504	(2,732)	(279)	235	5,838	13,566
Total Ring-fenced	88,990	(33,893)	(1,124)	7,080	18,413	79,466
Contingency	5,256	-	435		-	5,691
Unallocated	1,835	-	6,516	(7,080)	-	1,271
Total General Fund Balance	96,081	(33,893)	5,827	-	18,413	86,428

The contingency balance of £5.691m is 2% of the Council's budgeted net expenditure for 2023-24.

Notes to the Financial Statements

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:

2021-22 £'000	Expenditure/Income	2022-23 £'000
	Expenditure	
184,092	Employee benefits expenses	196,213
168,222	Other services expenses	170,691
62,870	Contribution to Argyll and Bute Integration Joint Board	74,391
10,141	Depreciation, amortisation, impairment	35,089
18,207	Interest payments	10,655
1,400	Precepts and levies	1,253
417	Other operating expenditure	390
(103)	Net Loss/(Gain) on the disposal of assets	(437)
445,246	Total Expenditure	488,245
	Income	
(101,826)	Fees, charges and other service income	(102,844)
(62,870)	Income to fund social care services (Argyll and Bute Integration Joint Board)	(74,391)
(805)	Interest and investment income	(2,966)
(81,648)	Income from council tax and non-domestic rates	(87,726)
(213,132)	Government grants and contributions	(214,324)
(460,281)	Total Income	(482,251)
(15,035)	(Surplus)Deficit on the Provision of Services	5,994

Notes to the Financial Statements

7.2 Revenue from Contracts with Service Recipients

31 March 2022 £'000		31 March 2023 £'000
23,449	Revenue from contracts with service recipients	28,063
23,449	Total Included in Comprehensive Income and Expenditure Statement	28,063

8 OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.643m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

2021-22 Actual £'000	Other Operating Income and Expenditure	2022-23 Actual £'000
1,419	Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,253
(16)	Equal Pay Settlements and Legal Costs	(20)
433	Other Operating Income and Expenditure not attributable to Services	410
1,836	Total	1,643

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 a small number of funding streams from the Scottish and UK Governments in 2022/23 to support financial hardship experienced by individuals. 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

2021-22 Actual £'000	Agency Income	2022-23 Actual £'000
25,070	Scottish Government - Contributions (to)/from the non-domestic rates pool	33,179
14,317	Domestic water and sewerage charges collected	15,106
(14,317)	Domestic water and sewerage charges paid over to Scottish Water	(15,106)
289	Service income from Scottish Water for collection of domestic water and sewerage	265
7	Service income BID levy - Dunoon	7
7	Service income BID levy - Oban	7
-	Service income BID levy - Bute	7
-	Scottish Child Payment - amount paid out	(714)
-	Scottish Child Payment - amount received from the Scottish Government	714
-	BIES Energy Grant - amount paid out	(73)
-	BIES Energy Grant - amount received from the Scottish Government	73
(1,405)	COVID - Financial Hardship and Self-Isolation grants paid out	(167)
1,405	COVID - Financial Hardship and Self-Isolation funding received from Scottish Government	167
(5,160)	COVID - Business Grant Scheme paid out	-
5,160	COVID - Business Grant Scheme funding received from Scottish Government	-
(17,543)	COVID - Strategic Framework grants paid out	-
17,543	COVID - Strategic Framework funding received from Scottish Government	-
(7,445)	COVID - Other support for businesses (including furlough support) paid out	-
7,445	COVID - Other support for businesses (including furlough support) funding received from Scottish Government	-
25,373	Total	33,465

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 2022-23 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 2022-23 income received by the Council from this source amounted to £7.594m and the related expenditure was £10.544m. This can be analysed as follows:

Notes to the Financial Statements

2021-22		Purpose of Services	2022-23	
Income £'000	Expenditure £'000		Income £'000	Expenditure £'000
3,355	5,203	Care of the Elderly	3,300	5,402
2,857	3,279	Provision of Services for People with Learning Disabilities	2,914	3,615
1,454	1,628	Provision of Services for People with Mental Health Needs	1,380	1,527
7,666	10,110		7,594	10,544
2,362	2,241	Additional Covid Response Funding received via NHS for 2022-23	833	833
10,028	12,351	TOTAL	8,427	11,377

Notes to the Financial Statements

11 FEES PAYABLE TO AUDIT SCOTLAND

In 2022-23 the following fees relating to external audit and inspection were incurred:

2021-22 £'000	Auditor's Remuneration	2022-23 £'000
272	Fees payable to Mazars with regard to external audit services carried out by the appointed Auditor	310
272	Total Remuneration	310

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

Audit Scotland were the Council's external auditors for 2021-22 and Mazars have been appointed as external auditors for 2022-23.

Audit Scotland and Mazars did not undertake any non-audit work in 2021-22 or 2022-23.

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 £6.514m which represents the value of the service provided from 1 April 2022 to 31 March 2023 (£6.028m for 2021-22). Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2023-2024	6,807
2024-2026	14,064
2026-2027	2,336
Total	23,207

The average service charge equates to £5.163m 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 in 2022-23:

2021-22 £'000	Grant Income	2022-23 £'000
	Credited to Taxation and Non Specific Grant Income	
191,432	Revenue Support Grant	191,265
25,070	Non Domestic Rates	33,179
285	Specific Capital Grant	344
10,822	General Capital Grant	19,187
137	Heritage Lottery Fund	44
1,299	Scottish Timber Transport Strategy	728
1,126	Scottish Government	1,353
195	Strathclyde Partnership for Transport (SPT)	90
189	SUSTRANS	-
27	Revenue Contribution to Capital Projects	55
2,620	Other Grants	748
5,000	Other Government Capital Grants	-
238,202	Total	246,993
	Credited to Services	
12,830	Scottish Government Specific Grants	12,869
-	Scottish Government Specific Grants - Scotland's Schools for the Future	
558	General Capital Grant - Private Sector Housing Improvement Grants	809
17,809	Housing Benefit Subsidy	16,581
5,751	Other Revenue Government Grants	14,787
36,948	Total	45,046

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.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022-23 is shown in the Remuneration Report.

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

2021-22 Expenditure £'000	Transactions in which Members have a significant interest	2022-23 Expenditure £'000
0	Argyll and Bute Rape Crisis	21
0	S & C Crawford Building Contractors Ltd	81
28	Bookfan Ltd Trading as South Peak Services	69
-	Total	171

Notes to the Financial Statements

14.2 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:

2021-22 Expenditure £'000	Related Bodies	2022-23 Expenditure £'000
4,630	Transactions with related bodies during the year totalled	3,582
	<i>Of these, transactions with the following exceeded £10,000:</i>	
32	ACHA	210
	Dunbritton Housing Association Limited	579
1,827	LINK Group Ltd	34
168	West Highland Housing Association Ltd	96
	Fyne Homes	14
514	Oban and Lorn Community Enterprise - Atlantis Leisure	548
15	Argyll and the Isles Tourism Ltd	-
215	Islay and Jura Community Enterprise	100
139	Mid Argyll Community Enterprise	70
71	Scotland Excell	73
48	Argyll and Bute Citizens Advice Bureaux	97
149	Bute Advice	227
132	Kintyre Recycling	-
158	SEEMIS	92
220	Argyll and the Isles Coast & Countryside Trust	178
380	Carr Gorm	411
122	Argyll & Bute Women's Aid	127
178	Argyll & Bute Care & Repair	241
149	HELP	161
71	COSLA	97
	- Glengorm Partnership	60
	- North West Mull Community Woodland Company	91
	- Mull & Iona Community Trust (MICT)	41
4,588	Total	3,547

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 130 to 136.

Notes to the Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

15.1 Movement in Property, Plant and Equipment

Movements in 2022-23	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2022-23 £'000	Infrastructure Assets £'000
Cost or Valuation							
At 1 April 2022	428,437	44,428	7,463	1,405	35,344	517,077	
Additions	8,671	2,024	1,438	283	10,212	22,628	13,110
Additions financed under a new leasing arrangement						-	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,481			1,237		3,718	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,235)			(18)		(8,253)	
Derecognition - Disposals	(1,451)	(12)				(1,463)	
Assets reclassified (to)/from Held for Sale	(381)			376		(5)	
Other movements in cost or valuation	24,116				(24,116)	-	
At 31 March 2023	453,638	46,440	8,901	3,283	21,440	533,702	
Depreciation and Impairments							
At 1 April 2022	(13,585)	(32,630)	(9)	3	-	(46,221)	
Depreciation Charge for 2022-23	(13,068)	(2,944)				(16,012)	(8,512)
Depreciation written out to the Revaluation Reserve	17,296					17,296	
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,288					5,288	
Impairment losses/(reversals) recognised in the Revaluation Reserve						-	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						-	
Derecognition - Disposals	1,443	6				1,449	
Other movements in depreciation and impairment	5					5	
At 31 March 2023	(2,621)	(35,568)	(9)	3	-	(38,195)	
Balance Sheet amount at 31 March 2023	451,017	10,872	8,892	3,286	21,440	495,507	235,076
Balance Sheet amount at 31 March 2022	414,852	11,798	7,454	1,408	35,344	470,856	230,478

Notes to the Financial Statements

Comparative Movements in 2021-22	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2021-22 £'000	Infrastructure Assets £'000
Cost or Valuation							
At 1 April 2021	402,408	41,727	5,959	1,634	25,599	477,327	
Additions	9,161	4,564	1,504	22	12,210	27,461	15,434
Additions financed under a new leasing agreement	-	-	-	-	-	-	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,420			35		6,455	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	8,290			(122)	-	8,168	
Derecognition - Disposals	(6)	(1,863)		-		(1,869)	
Assets reclassified (to)/from Held for Sale	(248)			(164)		(412)	153
Other movements in cost or valuation	2,412	-		-	(2,465)	(53)	53
At 31 March 2022	428,437	44,428	7,463	1,405	35,344	517,077	
Depreciation and Impairments							
At 1 April 2021	(26,267)	(31,782)	(9)	3	-	(58,055)	
Depreciation Charge for 2021-22	(12,508)	(2,711)				(15,219)	(8,106)
Depreciation written out to the Revaluation Reserve	20,042					20,042	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	5,133					5,133	
Derecognition - Disposals		1,863				1,863	
Other movements in depreciation and impairment	15					15	(3)
At 31 March 2022	(13,585)	(32,630)	(9)	3	-	(46,221)	
Balance Sheet amount at 31 March 2022	414,852	11,798	7,454	1,408	35,344	470,856	230,478
Balance Sheet amount at 31 March 2021	376,141	9,945	5,950	1,637	25,599	419,272	222,947

Notes to the Financial Statements

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:

- 15.2.1 Infrastructure, community assets and assets under construction are valued at historical cost.
- 15.2.2 Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for fair value.
- 15.2.3 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 2023 was £3.286m. 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 2023 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.

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 £'000
31 March 2023	191,882
31 March 2022	104,252
31 March 2021	58,032
31 March 2020	26,108
31 March 2019	45,683
Total Cost or Valuation	425,958

Notes to the Financial Statements

15.3 Depreciation

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

- 15.3.1 Buildings – straight-line allocation over the useful life of the property as estimated by the valuer (20 to 60 years)
- 15.3.2 Infrastructure – straight-line allocation over 40 – 60 years
- 15.3.3 Vessels – straight line allocation over 25 years
- 15.3.4 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 2022-23 total spending on capital projects was £36.170m.

2021-22 £'000		2022-23 £'000
294,752	Opening Capital Financing Requirement	307,100
	Capital Investment:	
9,157	Property Plant and Equipment: Other Land and Buildings	8,543
4,564	Vehicles, Plant, Furniture and Equipment	2,024
15,434	Infrastructure Assets	13,110
1,504	Community Assets	1,438
22	Surplus Assets	283
12,210	Assets Under Construction	10,212
4	Property Plant and Equipment acquired under Finance Leases: Other Land and Buildings - DBFM Schools	128
13	Heritage Assets	246
68	Intangible Assets	174
	Investment Assets	12
	Assets Held for Sale	
42,976	Total Capital Investment	36,170
	Sources of Finance:	
(838)	Capital Receipts	-
(21,700)	Government Grants	(22,549)
(735)	Capital Financed from Current Revenue	(2,938)
(2,514)	Net Borrowing	(20,317)
(4,844)	Assets Aquired under Finance Leases/Schools NPDO	(5,116)
3	Capital Receipts transferred to/(from) Capital Fund	(568)
(30,628)	Total Funding	(51,488)
307,100	Closing Capital Financing Requirement	291,782

Notes to the Financial Statements

15.5 Commitments under Capital Contracts

At 31 March 2023, the Council had commitments on capital contracts of £14.937m. 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 2022 were £8.224m. The major commitments are:

	2022-23 £'000
Campbeltown Flood Scheme	8,824
Climate Change Project - NDEEF1	1,370
Kilmory Business Park	979
St Muns Primary School - Roof Upgrade	480
Tobermory Harbour Railings and Sea Wall	398
Gibraltar Street, Oban, Public Realm	250
Dunoon Cycle Bothy	246
Clyde Cottage Landscaping Works	230
Park Primary School Landscaping Works	198
Aqualibrium Remedial Works	194
Corran Halls Stage Equipment Replacement	158
Application Project	151
Other projects each less than £0.150m in value	1,458
Total Capital Commitments	14,937

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:

	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
Movements in 2022-23			
Cost or Valuation			
Net Book Value at 1 April 2022	1,600	499	2,099
Additions	-	246	246
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	-	-
At 31 March 2023	1,600	745	2,345

Notes to the Financial Statements

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

Notes to the Financial Statements

Comparative Movements in 2021-22	Purchased Software Licences	Total Intangible Assets
	£'000	£'000
Cost or Valuation		
At 1 April 2021	2,207	2,207
Additions	68	68
Disposals	-	-
Revaluations	-	-
Reclassifications	-	-
At 31 March 2022	2,275	2,275
Amortisation and Impairments		
At 1 April 2021	(1,635)	(1,635)
Charge for 2021-22	(36)	(36)
Disposals	-	-
At 31 March 2022	(1,671)	(1,671)
Balance Sheet amount at 31 March 2022	604	604
Balance Sheet amount at 31 March 2021	572	572

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 2023. Revaluations of investment properties were carried out at 31 March 2023 in house by the Estates Service.

18.1 Movement in Investment Property

The movement in investment property during 2022-23 was:

Movements in 2022-23	Investment Properties
	£'000
Cost or Valuation	
At 1 April 2022	2,428
Acquisitions	12
Disposals	-
Net Gains/Losses from fair value adjustments	130
Transfers	(17)
At 31 March 2023	2,553

Notes to the Financial Statements

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:

2021-22 £'000		2022-23 £'000
148	Rental income from investment property	141
(4)	Direct operating expenses arising from investment property	(4)
144		137

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, it is expected at that point in time each school will have an estimated life of 30 years remaining.

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

Notes to the Financial Statements

Comparative Movements in 2021-22	Schools DBFM - Other Land & Buildings £'000	Schools NPDO - Other Land & Buildings £'000	Total Schools Built under PFI Contracts £'000
Cost or Valuation			
At 1 April 2021	59,224	132,836	192,060
Additions at Cost	4	-	4
Transfers	-	-	-
Revaluations	6,790	4,126	10,916
At 31 March 2022	66,018	136,962	202,980
Depreciation and Impairments			
At 1 April 2021	(5,538)	(8,630)	(14,168)
Charge for 2021-22	(1,748)	(3,089)	(4,837)
Transfers	-	-	-
Revaluations	7,286	11,719	19,005
At 31 March 2022	-	-	-
Balance Sheet amount at 31 March 2022	66,018	136,962	202,980
Balance Sheet amount at 31 March 2021	53,686	124,206	177,892

Notes to the Financial Statements

19.2 Schools NPDO Finance Lease Liability

The finance lease liability arising from the Schools NPDO contract is as follows:

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

Comparative Movements in 2021-22	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
Balance at 1 April 2021	(55,909)	(65,175)	(121,084)
Additions	-	-	-
Repayments	2,033	2,767	4,800
Prior year repayment adjustment	-	-	-
Schools Finance Lease Liability at 31 March 2022	(53,876)	(62,408)	(116,284)
Split:			
Obligations payable within 1 year	(2,000)	(3,071)	(5,071)
Obligations payable after 1 year	(51,876)	(59,337)	(111,213)
Schools Finance Lease Liability at 31 March 2022	(53,876)	(62,408)	(116,284)

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 £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2023 - 2024	3,262	411	6,200	5,843	15,716
2024 - 2028	15,149	2,401	20,851	26,391	64,792
2028 - 2033	28,824	3,582	15,894	37,404	85,704
2033 - 2035	12,103	873	2,384	11,494	26,854
Total	59,338	7,267	45,329	81,132	193,066

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 £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2023 - 2024	1,970	2,244	920	5,134
2024 - 2028	8,270	8,206	4,351	20,827
2028 - 2033	10,722	8,471	7,550	26,743
2033 - 2038	13,057	3,424	11,145	27,626
2038 - 2043	17,857	2,208	7,762	27,827
Total	51,876	24,553	31,728	108,157

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 in 2022-23 were as follows:

2021-22 £'000		2022-23 £'000
226	Land and Buildings	552
1,322	Vehicles	1,407
176	Plant and Equipment	180
1,724	Total	2,139

Notes to the Financial Statements

20.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2023 to making payments of £2.734m under operating leases comprising the following elements:

31st March 2022			31st March 2023	
Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000		Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
161	286	Due within 1 year	213	184
574	314	Due between 1 and 5 years	691	162
1,579	76	Due after 5 years	1,479	5
2,314	676	Value at 31 March	2,383	351

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 2022-23 was as follows:

2021-22 £'000		2022-23 £'000
63	Plant and Equipment	63
63	Total	63

21.2 Assets Held Under Finance Leases

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

2021-22 £'000	Vehicles, Plant and Equipment	2022-23 £'000
427	Value at 1 April	376
-	Additions	-
(51)	Depreciation	(51)
376	Value at 31 March	325

Notes to the Financial Statements

21.3 Finance Lease Liability

The Council was committed at 31 March 2023 to making payments of £0.349m under finance leases comprising the following elements:

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

Comparative Movements in 2021-22	£'000
Balance at 1 April 2021	(440)
Additions	-
Repayments	44
Finance Lease Liability at 31 March 2022	(396)
Split:	
Obligations payable within 1 year	(63)
Obligations payable between 1 and 5 years	(251)
Obligations payable after 5 years	(155)
Finance Lease Obligations at 31 March 2022	(469)
Less Interest element of lease	73
Finance Lease Liability at 31 March 2022	(396)

Notes to the Financial Statements

22 LONG TERM DEBTORS

31st March 2022 £'000		31st March 2023 £'000
13	House Loans	12
750	Waste PPP Historic Contamination Fund	750
1,465	Charging Orders - Care Home Fees	1,801
3,229	Strategic Housing Fund Loans to Registered Social Landlords	3,024
335	Other Long Term Debtors	293
5,792	Total Long Term Debtors	5,880

23 DEBTORS

31 March 2022			31 March 2023	
£'000	£'000		£'000	£'000
19,410		Arrears of Local Taxation	18,990	
(16,910)		Less: Impairment of Bad Debts	(16,844)	
	2,500			2,146
974		Housing Benefits Overpayments	435	
(910)		Less: Impairment of Bad Debts	(299)	
	64			136
3,351		Debtor Accounts	3,382	
(1,067)		Less: Impairment of Bad Debts	(1,172)	
	2,284			2,210
	721	Net Debtor to Scottish Government for Non Domestic Rates		2,742
	2,436	VAT Recoverable from HMRC		4,316
	68	Strategic Housing Fund Loans due within 1 Year		139
	4,449	Accrued Income		7,444
	5,741	Other Debtors		14,947
	18,263	Total Debtors		34,080

Notes to the Financial Statements

24 ASSETS HELD FOR SALE

The movement in assets held for sale during 2022-23 was:

2021-22 £'000	Movements	2022-23 £'000
1,865	Balance Sheet amount at 1st April 2022	1,509
228	Assets newly classified as "Held for Sale" (Property, Plant and Equipment)	17
-	Additions	-
(12)	Revaluation losses	-
134	Revaluation gains	144
-	Impairment losses	-
-	Assets declassified as "Held for Sale" (Property, Plant and Equipment)	-
(706)	Assets Sold	(116)
1,509	Balance Sheet amount at 31st March 2023	1,554

25 CASH AND CASH EQUIVALENTS

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

31 March 2022 £'000		31 March 2023 £'000
1	Cash held by the Authority	4
74	Cash in transit	(218)
5,117	Short term deposits with banks	1,976
19,600	Short term deposits in Money Market Funds	6,850
(5,064)	Bank Current Accounts	(14,694)
19,728	Total Cash and Cash Equivalents	(6,082)

Notes to the Financial Statements

26 CREDITORS

31 March 2022 £'000		31 March 2023 £'000
7,544	Accrued Payrolls and Superannuation	11,707
2,880	Accrued Employer's National Insurance Contributions and PAYE	3,092
6,927	Accrual for Short Term Accumulating Absences	7,588
11	Creditors System Liability	96
12,117	Accrued Expenditure	9,030
2,148	Health and Social Care Partnership Creditor	5,006
387	RCGF Grant Income	1,022
-	Housing Benefit Subsidy	-
856	Trust Funds	854
-	Net Creditor to Scottish Government for Non Domestic Rates	-
8,413	Other Creditors	11,582
41,283	Total Creditors	49,977

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 2022			31 March 2023	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Investments and Lending		
6,284	38,434	Loans and Receivables	11,372	87,994
		Borrowing		
273,969	64,282	Financial Liabilities at amortised cost	239,187	66,947

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:

27.2.1 Estimated interest rates at 31 March 2023 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.

27.2.2 No early repayment or impairment is recognised.

Notes to the Financial Statements

27.2.3 Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.

27.2.4 The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2022			31 March 2023	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
44,718	44,954	Lending Loans and Receivables	99,366	99,366
338,251	401,463	Borrowing Financial Liabilities	306,134	324,323

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.

Notes to the Financial Statements

	Amount at 31 March 2023 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2023 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Deposits with Banks and Money Market Funds	8,826	-	-

The information in respect of the Council's debtors can be found in note 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.

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 2022 £'000	Maturity analysis of financial liabilities	31 March 2023 £'000
64,281	Less than one year	72,715
5,284	Between one and two years	5,357
17,690	Between two and five years	19,048
250,996	More than five years	209,014
338,251		306,134

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.

Notes to the Financial Statements

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 the 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”.

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 2023, with all other variables held constant:

	31 March 2023 £'000
Impact on tax-payer	
Increase on interest payable on variable rate borrowings	104
Increase in interest receivable on variable rate lending	-
Increases in government grant receivable for “loan charges”	-
Net effect on Statement of Comprehensive Income & Expenditure	104

	31 March 2023 £'000
Other accounting presentational changes	
A decrease in the “fair value” of fixed rate borrowing (disclosure confined to the notes to the financial statements)	(1,289)

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

Notes to the Financial Statements

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 2022 £'000		31 March 2023 £'000
24,717	Banks and Money Market Funds	8,826

27.11 Soft Loans

The Council has no material soft loans at 31 March 2023, 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 2023 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 2022 £'000		31 March 2023 £'000
139	Common Good	144
856	Trust Funds	854

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 £112.313m as at 31 March 2023 and comprise the following:

Notes to the Financial Statements

Movements in 2022-23	Opening Balance 1 April 2022 £'000	Movement in Year £'000	Closing Balance 31 March 2023 £'000
Finance Lease Liability (See note 20.3)	(396)	47	(349)
Schools Finance Lease Liability (See note 18.2)	(116,284)	5,070	(111,214)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(117,430)	5,117	(112,313)
Split:			
Short Term Liabilities (due within 1 year)			(5,280)
Long Term Liabilities (due after 1 year)			(107,033)
Total Other Liabilities			(112,313)

29 PROVISIONS

	Opening Balance 1 April 2022 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2023 £'000
Equal Pay Claims	(43)			30	(13)
Employee Settlement Provision		(51)			(51)
SRC Intromissions	-	(19)			(19)
Income due to Registered Social Landlords	(90)	(18)			(108)
Commercial Rent Balances	(174)	(53)		174	(53)
Service Choices Redundancy Costs	(77)	(14)	64	11	(16)
Landfill Sites - Restoration and Aftercare Costs	(1,989)	(347)			(2,336)
Utilities Provision	(223)	(48)		34	(237)
Litigation Claims	(221)		25		(196)
Insurance Excess Provision	(10)			10	-
NPDO and Hub DBFM Payments	(1,480)	(584)	153	1,046	(865)
Total Provisions	(4,307)	(1,134)	242	1,305	(3,894)
Split:					
Short Term Provisions (due within 1 year)					(1,450)
Long Term Provisions (due after 1 year)					(2,444)
Total Other Liabilities					(3,894)

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.

A provision has been created in respect of Employee Settlement costs of £0.051m.

Notes to the Financial Statements

A provision in respect of Strathclyde Regional Council Intromissions for £0.019m has been created mainly in relation to historic cases.

The Council reduced the discount on Council Tax from second homes to 10% during 2005-06. The additional Council Tax income invoiced during 2022-23 amounted to £2.231m; 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 £0.108m.

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 2023 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2023, a provision of £0.016m 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 landfill sites were revalued at 31 March 2023 and the provision for restoration and aftercare increased to £2.336m. 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, £0.048m has been reversed during 2022-23 and a further £0.034m additional provision has been added resulting in a total provision of £0.237m.

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 which relate 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 which relate to disputed performance deductions.

30 CAPITAL GRANTS RECEIVED IN ADVANCE

There were no Capital Grants received in advance for 2022-23.

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:

Notes to the Financial Statements

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 2023. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2023. The amounts are as follows:

- 31.1.1 Local Government Pension Scheme – £1.837m
- 31.1.2 Teachers' Scheme – £1.104m

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 2023 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:

Notes to the Financial Statements

2021-22 £'000		2022-23 £'000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services:	
	<i>Service cost comprising:</i>	
37,756	Current Service Cost	36,689
197	Past Service Cost (Including Curtailments)	637
37,953	Net Cost of Services	37,326
1,864	Net Interest Expense	141
39,817	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	37,467
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(46,314)	Return on Assets (excluding amounts included in net interest)	43,497
1,795	Other Experience (see note (i) below)	46,257
(66,129)	Change in Financial and Demographic Assumptions	(337,163)
(70,831)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(209,942)
	Statement of Movement in Reserves:	
(23,700)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(19,970)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
16,117	Employer's Contributions Payable to the Scheme	17,497

- (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)*

Notes to the Financial Statements

31.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

2021-22 £'000		2022-23 £'000
897,836	Defined Benefit Obligation at 1 April 22	871,242
37,756	Current Service Cost	36,689
197	Past Service Costs including Curtailments	637
18,152	Interest Cost	23,775
4,457	Contributions by Scheme Participants	4,833
(64,334)	Re-measurement (Gains) and Losses	(290,906)
(22,822)	Estimated Benefits Paid	(23,398)
871,242	Defined Benefit Obligation at 31 March 23	622,872

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

2021-22 £'000		2022-23 £'000
815,522	Fair Value of Employer Assets at 1 April 22	875,876
	<i>Re-measurement (Gains) and Losses:</i>	
46,314	Expected Rate of Return on Pension Fund Assets	(43,497)
-	Actuarial (Gains) and Losses	-
16,288	Interest Income on Plan Assets	23,634
16,117	Employers Contributions	17,497
4,457	Contributions by Scheme Participants	4,833
(22,822)	Estimated Benefits Paid	(23,398)
875,876	Fair Value of Employer Assets at 31 March 23	854,945

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.

31.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

2021-22 £'000	Local Government Pension Scheme	2022-23 £'000
(846,815)	Present Value of Funded Liabilities	(602,697)
(24,427)	Present Value of Unfunded Liabilities	(20,175)
875,876	Fair Value of Employer Assets	854,945
4,634	Surplus/(Deficit) in the Scheme	232,073

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

Notes to the Financial Statements

31.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2023 comprised:

2021-22 £'000		2022-23 £'000
22,287	Cash and Cash Equivalents	16,196
	Equity Instruments (by industry type)	
41,032	Consumer	38,354
38,595	Manufacturing	47,672
9,115	Energy and Utilities	4,279
24,122	Financial Institutions	18,201
29,269	Health and Care	30,411
50,860	Information Technology	29,565
-	Other	-
192,993	Sub-total Equity Instruments	168,482
	Bonds (by sector)	
-	Corporate	-
-	Government	-
-	Sub-total Bonds	-
	Real Estate	
73,866	UK Property	70,490
-	Overseas Property	-
73,866	Sub-total Real Estate	70,490
171,465	Private Equity (All)	210,135
	Investment Funds and Unit Trusts	
324,322	Equities	283,323
88,462	Bonds	98,598
301	Commodities	334
769	Infrastructure	5,490
1,411	Other	1,898
415,265	Sub-total Investment Funds and Unit Trusts	389,643
	Derivatives	
-	Forward Foreign Exchange Contracts	(1)
-	Other	-
-	Sub-total Derivatives	(1)
875,876	Total Assets	854,945

Notes to the Financial Statements

2021-22 £'000	Fair Value of Pension Fund Assets	2022-23 £'000
	Equity Securities	
192,575	Quoted in an Active Market	166,949
418	Not Quoted in an Active Market	1,533
192,993	Sub-total Equity Securities	168,482

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:

2021-22 Years	Mortality assumptions	2022-23 Years
19.6	Longevity at 65 for current pensioners: Men	19.3
22.4	Women	22.2
21.0	Longevity at 65 for future pensioners: Men	20.5
24.5	Women	24.2
2021-22 %	Financial Assumptions	2022-23 %
3.2%	Rate of Inflation (CPI)	3.0%
3.9%	Rate of Increase in Salaries	3.7%
3.2%	Rate of Increase in Pensions (CPI)	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%
2021-22 %	Long-term Expected Rate of Return on Assets in the Fund	2022-23 %
2.7%	Equity Investments	4.8%
2.7%	Bonds	4.8%
2.7%	Property	4.8%
2.7%	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.

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.

Notes to the Financial Statements

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 19.3% for 2023-2024.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £15.563m. This is based on an assumed pensionable payroll of £80.636m.

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 2023, the council's own contributions equate to 1.48%.

2021-22		2022-23
9,497	Amount Paid Over (£'000)	9,853
23.00%	Rate of Contribution (%)	23.00%
514	Amount of Added Years Awarded by the Council (£'000)	508

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £10.883m.

Notes to the Financial Statements

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

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 2022-23	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2022	2,877	1,537	4,414
Proceeds of Disposals	-	568	568
Transfer to Capital Adjustment Account	-	(568)	(568)
Contribution to Capital Fund From Revenue	-	-	-
Interest Earned	57	31	88
Balance at 31 March 2023	2,934	1,568	4,502

33.2 Repairs and Renewals Fund

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

Movements in 2022-23	Balance at 1 April 2022 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2023 £'000
Education	2,682	(816)	49	1,001	2,916
Total	2,682	(816)	49	1,001	2,916

Notes to the Financial Statements

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% - 0.2% of gross obligations. This would amount to £0.623m at 0.1% for the Council or £1.246m at 0.2%. 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 2023 are recognised in the Exit Packages note in 2022-23, or in previous financial years. The total cost recognised in the Exit Packages note in 2022-23 is £0.622m for 10 employees and in 2021-22 was £0.308m for 6 employees. These costs are detailed further in the Remuneration Report on page 41.

Notes to the Financial Statements

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 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	Expenditure	Net Assets	Reserves
	£'000	£'000	£'000	£'000
Argyll Education Trust	17	17	658	658
GM Duncan Trust	1	3	68	68
MacDougall Trust	30	29	1,089	1,089
Various Other Trust Funds	10	16	458	458
Total Trust Funds	58	65	2,273	2,273

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 2023. 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 within the Chief Executive's Unit.

Notes to the Financial Statements

37.1 Common Good Income and Expenditure Account for the year ended 31 March 2023

2021-22				2022-23		
Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000		Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000
160	39	199	Expenditure	258	74	332
(217)	(134)	(351)	Income	(57)	(42)	(99)
(57)	(95)	(152)	(Surplus)/Deficit for the Year	201	32	233

Notes to the Financial Statements

37.2 Common Good Balance Sheet at 31 March 2023

2021-22				2022-23		
Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000		Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000
5,858	319	6,177	Tangible Fixed Assets	5,711	319	6,030
2,014	1,193	3,207	Investments	1,939	1,148	3,087
153	169	322	Current Assets	147	183	330
(42)	-	(42)	Current Liabilities	(15)	-	(15)
7,983	1,681	9,664	Total Assets less Liabilities	7,782	1,650	9,432
5,858	323	6,181	Revaluation Reserve	5,711	323	6,034
2,125	1,358	3,483	Common Good Fund	2,071	1,327	3,398
7,983	1,681	9,664	Total Net Worth	7,782	1,650	9,432

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 2023, to be funded from borrowing, in respect of TIF assets totalled £0.023m (2021-22 £0.049m). This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 14.4. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2023, has been calculated in accordance with finance circular No. 4/2014 at £1.011m (2021-22 £0.987m).

There is a retention of £0.623m of TIF income during 2022-23 (2021-22 £0.336m) to repay the notional borrowing for TIF. Principal sums accumulated by 2022-23 amount to £0.137m (2021-22 £0.137m) and cumulative interest £0.117m (2021-22 £0.117m) resulting in a net cumulative surplus of £1.749m (2021-22 £1.103m) which will be used to pay down TIF debt per the TIF agreement and the balance of £0.875m will be placed in earmarked reserves to be used in future years to repay debt costs.

Notes to the Financial Statements

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:

2021-22 £'000		2022-23 £'000
(15,016)	Net (Surplus)/Deficit on Provision of Services	5,994
	Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:	
(3,379)	Statutory Adjustments through Statement of Movement in Reserves	3,337
553	Transfer to/from Other Statutory Reserves	322
(58)	Increase/(Decrease) in Inventories	288
(2,487)	Increase/(Decrease) in Debtors	13,249
3,312	(Increase)/Decrease in Creditors and Provisions	(6,437)
(4,593)	Other Revenue Adjustments	(25,111)
(6,652)		(14,352)
	Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:	
12,772	Non Cash Capital	11,071
(4,844)	Capital Element of Finance Lease Payments	(5,116)
7,928		5,955
(13,740)	Net Cash Flows from Operating Activities	(2,403)
	The cash flows for Operating Activities include the following items:	
7,074	Interest Paid on Borrowings	6,742
4,844	Interest Paid on Finance Leases	8,887
(241)	Interest Received on Bank Deposits	(748)
11,677	Net Cash Outflow from Servicing of Finance	14,881

40 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

2021-22 £'000		2022-23 £'000
30,203	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	25,659
20,000	Investments made/(disposed of) during year	(17,500)
(815)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(568)
(17,345)	Other Receipts from Investing Activities	(21,914)
32,043	Net Cash Outflow from Investing Activities	(14,323)

Notes to the Financial Statements

41 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

2021-22 £'000		2022-23 £'000
(10,184)	Cash Receipts of Short and Long Term Borrowing	(35,228)
1,892	Other Receipts from Financing Activities	2,021
4,844	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	5,116
1,055	Repayments of Short and Long Term Borrowing	70,627
(2,393)	Net Cash (Inflow)/Outflow from Financing Activities	42,536

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.

2021-22 Actual £'000		2022-23 Actual £'000
71,280	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	72,340
	Less:	
(14,516)	Other Discounts and Reductions	(13,269)
	Cost of living contribution (grant funded)	(4,300)
(1,358)	Provision for Bad and Doubtful Debts	(1,411)
55,406	Total	53,360
836	Adjustment to Previous Years' Community Charge and Council Tax	540
56,242	Transfers to General Fund	53,900

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 2022-23 was as follows:

Band	Valuation Band	Ratio Band D	£ per year
A	Up to £27,000	6/9	939.17
B	£27,001 - £35,000	7/9	1,095.70
C	£35,001 - £45,000	8/9	1,252.23
D	£45,001 - £58,000	9/9	1,408.76
E	£58,001 - £80,000	473/360	1,850.95
F	£80,001 - £106,000	585/360	2,289.24
G	£106,001 - £212,000	705/360	2,758.82
H	Over £212,000	882/360	3,451.46

2. CALCULATION OF THE COUNCIL TAX BASE 2022-23

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,456	10,072	9,522	6,322	7,715	4,441	3,003	255	48,786
Less - Exemptions / Deductions	983	768	892	489	605	238	159	50	4,182
- Adjustment for Single Chargepayers	888	1,093	794	472	443	218	114	6	4,028
Effective Number of Properties	5,585	8,212	7,837	5,361	6,667	3,986	2,730	199	40,576
Band D Equivalent Factor (ratio)	67%	78%	89%	100%	131%	163%	196%	245%	
Band D Equivalent Number of Properties	3,724	6,387	6,966	5,361	8,760	6,477	5,347	488	43,510
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									521
Nominal Tax Yield									44,031
Less Provision for Council Tax Reduction Scheme					9.0%				3,981
Council Tax Base 2022-23 - Number of Band D equivalents									40,050

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.

2021-22 Actual £'000		2022-23 Actual £'000
55,736	Gross rates levied and Contributions in Lieu	56,489
	Less:	
(25,366)	Reliefs and other deductions	(17,430)
-	Payment of Interest	-
(304)	Write-off of Uncollectable Debts and Allowance for Impairment	(391)
30,066	Total Net Non-Domestic Rate Income	38,668
(4,024)	Adjustments for prior years	(3,487)
-	Business Rate Incentivisation Scheme (BRIS) NDR Income Retained	-
(336)	Tax Incremental Finance (TIF) Scheme NDR Income Retained	(647)
25,706	Contribution to National Non-Domestic Rate Pool	34,534
(636)	Difference between Distributable and Contributable NDR Income amounts	(1,355)
25,070	Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement	33,179

Notes to the Non Domestic Rate Income Account

1. ANALYSIS OF RATEABLE VALUES

2021-22 £		2022-23 £
9,355,020	Industrial and freight transport subjects	9,490,265
75,263,110	Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	74,472,465
	Commercial subjects:	
13,964,305	Shops	13,921,035
5,871,270	Offices	5,773,370
9,503,760	Hotels, Boarding Houses etc.	8,818,450
1,921,820	Others	1,916,145
115,879,285	Total Rateable Value	114,391,730

2. NON-DOMESTIC RATE CHARGE

2021-22 Pence		2022-23 Pence
49.0p	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.

Group Accounts - Introduction

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2022-23: Based on International Financial Reporting Standards, places a requirement on Councils to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the Council is required to prepare a full set of group accounts in addition to those prepared for Argyll and Bute Council. The Group Accounts are designed to show “a true and fair view” of the financial performance and position of the Council’s Group.

THE GROUP ACCOUNTS

The Group Accounts comprise the following financial statements:

- **Group Statement of Comprehensive Income and Expenditure:** this statement shows the accounting cost in the year of providing the Council’s services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.
- **Group Balance Sheet:** The Balance Sheet is a snapshot of the value at the 31 March 2023 of the assets and liabilities recognised by the Council and its share of the net assets or liabilities of its associates and Common Good funds. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).
- **Group Statement of Movement in Reserves:** this statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Common Good reserves are also fully consolidated into the Group Accounts. The Council’s reserves are analysed into those which are “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council’s share of the reserves of Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation). The Council’s Statement of Movement in Reserves gives a more detailed analysis of the movement in the Council’s usable and unusable reserves during 2022-23.
- **Group Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its associates Common Good Funds. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group’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 Group.

Group Statement of Comprehensive Income and Expenditure

2021-22			Service	2022-23		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
25,714	18,837	6,877	Chief Executive and Financial Services	26,810	18,209	8,601
129,856	25,189	104,667	Executive Director - Douglas Hendry	155,620	20,429	135,191
105,485	34,846	70,639	Executive Director - Kirsty Flanagan	114,590	44,631	69,959
158,106	88,788	69,318	Health and Social Care Integration	174,434	94,948	79,486
10,718	251	10,467	Other Non-Departmental Costs	10,163	2,291	7,872
2,125	9,390	(7,265)	Associates and Joint Ventures Accounted for on an Equity Basis	2,107	(230)	2,337
432,004	177,301	254,703	Net Cost of Services	483,724	180,278	303,446
			Other Operating Income and Expenditure:			
		(103)	Net (Gain)/loss on Disposal of Fixed Assets			(437)
		1,836	Other Operating Income and Expenditure			1,643
		1,733	Total Other Operating Income and Expenditure			1,206
			Financing and Investment Income and Expenditure:			
		15,993	Interest Payable and Similar charges			10,416
		(805)	Interest and Investment Income			(2,966)
		1,864	Net Pension Interest Expense			141
		17,052	Total Financing and Investment Income and Expenditure			7,591
			Taxation and Non-Specific Grant Income:			
		(191,432)	General Government Grants			(191,775)
		(21,700)	Government Capital Grants and Other Capital Contributions			(22,549)
		(25,406)	Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS)			(33,826)
		(56,242)	Council Tax Income			(53,900)
		(294,780)	Total Taxation and Non-Specific Grant Income			(302,050)
		(21,292)	(Surplus)/Deficit on Provision of Services			10,193
		(27,995)	(Surplus)/Deficit on revaluation of Fixed Assets			(21,104)
		(113,865)	Other Post Employment Benefits (Pensions)			(257,130)
		(2,111)	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			(3,319)
		(143,971)	Other Comprehensive Income and Expenditure			(281,553)
		(165,263)	Total Comprehensive Income and Expenditure			(271,360)

Group Balance Sheet

31 March 2022			31 March 2023	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment		
414,852		- Other Land and Buildings	451,017	
11,798		- Vehicles, Plant, Furniture and Equipment	10,872	
230,478		- Infrastructure Assets	235,076	
13,631		- Community Assets	14,922	
1,408		- Surplus Assets	3,286	
35,344		- Assets Under Construction	21,440	
	707,511	Total Property Plant & Equipment		736,613
	2,099	Heritage Assets		2,345
	604	Intangible Assets		733
	2,428	Investment Property		2,553
	5,792	Long-Term Debtors		5,880
	3,699	Long-Term Investments		8,579
	1,084	Other Long-Term Debtors (Pensions)		236,985
	4,521	Investment in Associates and Joint Ventures		7,790
	727,738	Total Long Term Assets		1,001,478
		Current Assets		
863		Inventories	1,145	
18,382		Short Term Debtors (Net of Impairment)	34,150	
1,509		Assets Held for Sale	1,554	
82,500		Short Term Investments	60,000	
22,535		Cash and Cash Equivalents	(3,626)	
13,161		Investment in Associates and Joint Ventures	10,950	
	138,950	Total Current Assets		104,173
		Current Liabilities		
(17,745)		Short-term Borrowing	(11,676)	
(42,034)		Short-term Creditors	(50,659)	
(2,231)		Provisions	(1,450)	
(5,117)		Other Short Term Liabilities	(5,280)	
(281)		Liabilities in Associates and Joint Ventures	(357)	
	(67,408)	Total Current Liabilities		(69,422)
		Long-term Liabilities		
(161,657)		Borrowing Repayable within a Period in Excess of 12 Months	(132,155)	
(112,313)		Other Long-term liabilities	(107,033)	
(2,079)		Provisions	(2,444)	
-		Capital Grant Receipts in Advance	-	
-		Other Long-term liabilities (Pensions)	-	
-		Liabilities in Associates and Joint Ventures	-	
	(276,049)	Total Long-term Liabilities		(241,632)
	523,231	Total Assets less Liabilities		794,597

Group Balance Sheet



31 March 2022			31 March 2023	
£'000	£'000		£'000	£'000
157,645		Unusable Reserves		
241,327		- Revaluation Reserve	174,952	
(2,198)		- Capital Adjustment Account	268,770	
1,084		- Financial Instruments Adjustment Account	(1,871)	
(6,928)		- Pensions Reserve	236,985	
		- Accumulated Absences Account	(7,588)	
	390,930			671,248
		Usable Reserves		
4,414		- Capital Funds	4,503	
2,682		- Repairs and Renewals Funds	2,916	
96,087		- General Fund Balance	86,428	
	103,183			93,847
	19,456	Group Reserves		20,071
	9,662	Common Good Reserves		9,431
	523,231	Total Reserves		794,597

The Unaudited Annual Accounts were issued on 29 June 2023.

Kirsty Flanagan
Section 95 Officer
29 June 2023

Group Statement of Movement in Reserves



Movements in 2022-23	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000							
Balance at 31 March 2022	(96,081)	(2,682)	(4,414)	(103,177)	(394,483)	(497,660)	(17,401)	(2,055)	3,551	(9,664)	(523,229)
(Surplus)/Deficit on Provision of Services	5,994	-	-	5,994	-	5,994	2,337	1,625	-	233	10,189
Other Comprehensive Income and Expenditure	-	-	-	-	(268,513)	(268,513)	(3,319)	(9,721)	-	-	(281,553)
Total Comprehensive Income and Expenditure	5,994	-	-	5,994	(268,513)	(262,519)	(982)	(8,096)	-	233	(271,364)
Total Statutory Adjustments (See Page 53 to 54)	6,960	-	(568)	6,392	(6,392)	-		8,463	(8,463)	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	12,954	-	(568)	12,386	(274,905)	(262,519)	(982)	367	(8,463)	233	(271,364)
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	322	(234)	480	568	(568)	-	-	-	-	-	-
Adjustments permitted by Accounting Standards	(3,623)	-	-	(3,623)	3,623	-					
(Increase)/Decrease in Year	9,653	(234)	(88)	9,331	(271,850)	(262,519)	(982)	367	(8,463)	233	(271,364)
Balance at 31 March 2023 Carried Forward	(86,428)	(2,916)	(4,503)	(93,847)	(666,336)	(760,183)	(18,383)	(1,688)	(4,912)	(9,431)	(794,597)

Group Statement of Movement in Reserves



Comparative Movements in 2021-22	Argyll and Bute Council										
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council	Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(78,245)	(2,134)	(4,406)	(84,785)	(260,585)	(345,370)	(8,024)	(1,836)	5,389	(8,129)	(357,970)
Surplus/(Deficit) on Provision of Services	(15,016)	-	-	(15,016)	-	(15,016)	(7,265)	1,159	-	(170)	(21,292)
Other Comprehensive Expenditure and Income	-	-	-	-	(137,279)	(137,280)	(2,111)	(3,217)	-	(1,364)	(143,972)
Total Comprehensive Expenditure and Income	(15,016)	-	-	(15,016)	(137,279)	(152,296)	(9,376)	(2,058)	-	(1,534)	(165,263)
Total Statutory Adjustments (See Page 55 to 56)	367	-	(815)	(448)	448	-	-	1,839	(1,839)	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(14,649)	-	(815)	(15,464)	(136,831)	(152,296)	(9,376)	(219)	(1,839)	(1,534)	(165,263)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	553	(548)	807	812	(810)	-	-	-	-	-	2
<i>Other Transfers</i>											
Adjustments permitted by Accounting Standards	(3,746)			(3,746)	3,746						
(Increase)/Decrease in Year	(17,842)	(548)	(8)	(18,398)	(133,895)	(152,296)	(9,376)	(219)	(1,839)	(1,534)	(165,261)
Balance at 31 March 2022 Carried Forward	(96,087)	(2,682)	(4,414)	(103,183)	(394,480)	(497,666)	(17,400)	(2,055)	3,550	(9,663)	(523,231)

Group Cash Flow Statement

2021-22 £'000		Group Note	2022-23 £'000
(21,292)	Net Deficit on the Provision of Services		10,193
(10,436)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(19,013)
8,155	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,809
(23,573)	Net Cash OutFlow from Operating Activities	8	(3,011)
41,442	Investing Activities	9	(13,364)
(2,393)	Financing Activities	10	42,536
15,476	Net (Increase)/Decrease in Cash and Cash Equivalents		26,161
(38,011)	Cash and Cash Equivalents at the beginning of the Reporting Period		(22,535)
(22,535)	Cash and Cash Equivalents at the end of the Reporting Period		3,626

Notes to the Group Financial Statements

1. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements.

- The Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee financial statements have been prepared under the historic cost convention.

2. COMBINING ENTITIES

The Council has an interest in a number of Associate Entities. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's significant influence over Joint Boards and other entities.

The Associates which have been incorporated are:

- Dunbartonshire and Argyll & Bute Valuation Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

Under accounting standards, the Council is required to include the results of the above organisations as "associates" because it has "significant influence" over their financial and operating policies. The Council has no shares in or ownership of any of these organisations which are entirely independent of the Council under law and for taxation.

Two of the three Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent Councils and the Joint Boards.

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.

The accounting period for all entities is 31 March 2023.

3. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council has an interest in Scotland Excel. Scotland Excel took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish Local Authority sector on 1 April 2008. Renfrewshire Council prepare the financial statements for Scotland Excel in its role as lead authority. Scotland Excel is a not-for-profit organisation funded mainly by the 32 participating Scottish Local Authorities. The Council contributed £0.073m towards Scotland Excel in the 2022-23 financial year.

The Council also has an interest in the Highlands and Islands Transport Partnership (HITRANS). The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport (Scotland) Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic well-being; promote safety; social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other partnerships.

The Council has an interest in 57 Trust Funds where it acts as sole or custodian trustee. The funds do not represent assets of the Council.

These entities are part of the Council's group for the purposes of Group Accounts. As such it is recognised that the nature of the relationship with these bodies should be included within these notes. However, it has been decided that the Council's share of the net worth of these entities is not material to a fair understanding of the financial position of the Council, and so they have not been consolidated into the Group Accounts.

The Council inherited its interest in these entities following the reorganisation of local government in 1996.

Notes to the Group Financial Statements

4. ARGYLL AND BUTE INTEGRATION JOINT BOARD

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between the Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working)(Scotland) Act 2014 and associated Regulations. The 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. The Council contributed £74.391m towards the Argyll and Bute Integration Joint Board in the 2022-23 financial year.

The Council and NHS Highland are required to treat the IJB as a Joint Venture in their annual accounts and recognise a share of the overall surplus or deficit of the IJB for the year.

5. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates, Joint Ventures, Subsidiaries and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £34.414m. This gives an overall net asset position for the Group of £769.534m.

All associates and subsidiaries have prepared their accounts on a 'going concern' basis. For Strathclyde Partnership for Transport and the Joint Valuation Board funding arrangements between the Scottish Government and constituent authorities remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue.

6. FURTHER DETAILS ON CONSOLIDATION

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.405m or 1.14% of the Board's estimated net running costs during 2022-23 and accounted for £5.392m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. During 2022-23 the Council contributed £0.204m or 5.02% of the net annual running costs and accounted for £0.252m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

Live Argyll

Live Argyll was established by Argyll and Bute Council and is limited by guarantee and was fully incorporated and commenced trading on 2 October 2017. The Trust is a charitable company registered in Scotland and provides a wide range of services within the Argyll and Bute area including libraries, leisure facilities, halls, sports development and community centres the assets of which are owned by the Council. During 2022-23 Argyll and Bute Council paid £4.075m in the form of a Management Fee to Live Argyll and increased the overall net worth of the Group Balance Sheet by £6.6m.

The board is made up of 3 independent board members, 3 Councillors and a Trade Union representative.

Notes to the Group Financial Statements

Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in October 1995 at Local Government reorganisation by a Statutory Instrument and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2022-23 Argyll and Bute Council contributed £1.264m towards estimated running costs and accounted for £0.046m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and will be available from the Valuation Joint Board's website [www.saa.gov.uk /dab-vjb/](http://www.saa.gov.uk/dab-vjb/) and West Dunbartonshire Council's website <https://www.west-dunbarton.gov.uk/council/performance-and-spending/service-performance/financial-performance/> from 1 July 2023.

The following disclosures are also required for Dunbartonshire and Argyll and Bute Valuation Joint Board because the Council's interest exceeds the 25% threshold for accounting purposes:-

2021-22 £'m		2022-23 £'m
	Argyll and Bute Council has a 44.34% share of:	
2.958	Gross Income	2.851
0.245	Net (Surplus)/Deficit	0.456
0.674	Long Term Assets	0.668
0.994	Current Assets	0.972
(0.065)	Liabilities due within one year	(0.104)
-	Liabilities due over one year	
(0.507)	Pension Asset/(Liability)	8.032
(2.110)	Capital and Revenue Reserves	9.568

7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 52 to 53) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 37 of the Notes to the Financial Statements on pages 122 to 123 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £9.431m.

Notes to the Group Financial Statements

8. GROUP CASH FLOW STATEMENT – OPERATING ACTIVITIES

2021-22 £'000		2022-23 £'000
(21,292)	Net (Surplus)/Deficit on Provision of Services	10,193
	Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:	
(1,540)	Statutory Adjustments through Statement of Movement in Reserves	11,802
553	Transfer to/from Other Statutory Reserves	322
(5,309)	Transfer Group Other Comprehensive Income and Expenditure	(13,043)
(45)	Increase/(Decrease) in Inventories	282
(2,463)	Increase/(Decrease) in Debtors	13,200
3,056	(Increase)/Decrease in Creditors and Provisions	(6,367)
(4,688)	Other Revenue Adjustments	(25,209)
(10,436)		(19,013)
	Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:	
12,999	Non Cash Capital	10,925
(4,844)	Capital Element of Finance Lease Payments	(5,116)
8,155		5,809
(23,573)	Net Cash Flows from Operating Activities	(3,011)
	The cash flows for Operating Activities include the following items:	
7,074	Interest Paid on Borrowings	6,742
4,844	Interest Paid on Finance Leases	8,887
(241)	Interest Received on Bank Deposits	(748)
11,677	Net Cash Outflow from Servicing of Finance	14,881

9. GROUP CASH FLOW STATEMENT – INVESTING ACTIVITIES

2021-22 £'000		2022-23 £'000
30,244	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	25,636
20,000	Investments made/(disposed of) during year	(17,500)
(815)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(568)
9,358	Net Receipts from Investment in Associates and Joint Ventures	982
(17,345)	Other Receipts from Investing Activities	(21,914)
41,442	Net Cash Outflow from Investing Activities	(13,364)

Notes to the Group Financial Statements

10. GROUP CASH FLOW STATEMENT – FINANCING ACTIVITIES

2021-22 £'000		2022-23 £'000
(10,184)	Cash Receipts of Short and Long Term Borrowing	(35,228)
1,892	Other Receipts from Financing Activities	2,021
4,844	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	5,116
1,055	Repayments of Short and Long Term Borrowing	70,627
-	Other Payments from Financing Activities	-
(2,393)	Net Cash (Inflow)/Outflow from Financing Activities	42,536

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 2021-22

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	23	22.4
Education Function	10	10

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	8
1% - 50%	22	1
51% - 99%	1	0
100%	0	1

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	£105,399	£68,702
The total pay bill (Finance figures)	£111,639,440	£59,102,978
The percentage of the total pay bill spent on facility time	0.09%	0.12%

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: (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%

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