

2022-23 AUDITED ANNUAL ACCOUNTS

1. INTRODUCTION

- 1.1 This report provides Members with an update on the external audit of the Annual Accounts of the Council for the year ended 31 March 2023.
- 1.2 There has been a significant delay in the completion of the audit. The audit of the accounts for 2022-23 is complete and Mazars have issued an **unqualified opinion**.

2. RECOMMENDATION

- 2.1 It is recommended that the Council:
- Note that the audit is complete and Mazars have issued an unqualified opinion on the Council's Accounts for the year ended 31 March 2023.
 - Approve for signature the Council's audited annual accounts for 2022-23.
 - Consider Mazars Annual Audit Report and follow up letter for 2022-23.
 - Approve for signature the ISA 580 letter of representation.
 - Note that the Audit of the Charitable Trusts is expected to be completed in April and the Charitable Trust Accounts will be submitted to Council and Audit and Scrutiny Committee thereafter.

3. DETAIL

- 3.1 Mazars have been appointed as our external auditors from financial year 2022-23 for a period of 5 years.
- 3.2 There has been a significant delay in the completion of the audit. Mazars initially cited difficulties in recruitment as the primary cause of the delay, with resourcing being identified as a sector wide issue, particularly within the public sector. Audit work would normally commence in July each year but this was delayed until late September/early October. The key audit partner from Mazars was also absent during January and much of February 2024. Mazars have outlined their reasons for the delay on page 19 of their Audit Report.
- 3.3 The audit of the accounts for 2022-23 is complete and Mazars have issued an **unqualified opinion**.
- 3.4 The full draft External Audit report is included at Appendix 3 with a follow up letter detailing the conclusion of any outstanding matters at the time the audit report was

prepared included at Appendix 4. The key messages contained within the report are as follows:

- Financial Management
 - The Council has an appropriate financial management culture in place. It reviews its system of internal financial control annually.
 - The Council has appropriate budget monitoring and reporting arrangements in place.
 - The Council has appropriate arrangements to prevent and detect fraud and corruption.
- Financial Sustainability
 - The Council has effective financial planning with an established process to ensure there is early engagement of budget proposals.
- Vision, leadership and Governance
 - The Corporate Plan sets a clear vision for the Council for the four-year period.
 - The Corporate Plan sets out objectives, measures of success and key commitments under each priority.
 - The Council has appropriate governance arrangements in place.
 - The Council provides councillors with sufficient information to allow scrutiny of its finances and performance.
- Use of Resources
 - The Council's resource plans are aligned with its strategic plan.
 - The Council has identified how services will contribute to achievement of its strategic priorities and objectives.
 - The Council consults regularly with service users to understand how it can meet their needs.
 - The Council has clear priorities and suitable arrangements in place to measure improvement.
- Best Value
 - The Council has a clear vision.
 - The Council has appropriate Governance arrangements in place.
 - The Council's annual business plans, and workforce and digital strategies are aligned with its corporate plan.
 - The Council knows it needs to work effectively with citizens and communities to achieve its strategic objectives.
 - Actions to reduce inequalities and combat climate change underpin the Council's priorities and objectives.
 - Elected Members and officers worked together to agree clear strategic priorities, objectives and measures of success.

3.5 The main adjustments, in addition to some presentational changes, are summarised below and further detail is provided in Appendix 1:

- The reversal of a journal processed in error relating to Live Argyll Debtors Balances and Cash. This has no bottom line impact on the Balance Sheet.

- A Pensions Adjustment to reflect the Asset Ceiling calculations required by our external auditors and Audit Scotland.
- A late accrual for the consultancy fee payable to KPMG in relation to a claim submitted to HMRC for VAT on leisure fees dating back many years. This was slightly offset by additional income from this claim.
- Strathclyde Passenger Transport and the Strathclyde Concessionary Travel Scheme have been included as Related Parties for 2022-23 and removed as Associates from the Group Accounts as they were in previous years.

3.6 The balance of the General Fund reduced by £53k as a result of the adjustments noted in the paragraph above.

3.7 The financial position of the Council based on the Audited Accounts can be summarised as follows:

- Accounting Deficit on the provision of services for 2022-23 is £6.047m
- Revenue Budget underspend for 2022-23 is £3.273m
- Total assets less liabilities as at 31st March 2023 is £667.070m
- General Fund Balance as at 31st March 2023 is £86.356m.

3.8 The committed funds within the General Fund are £79.466m per the draft Audited Accounts. This leaves an unallocated General Fund balance of £6.890m. This equates to 2.6% of the Council's budgeted net expenditure for 2022-23 and exceeds the agreed contingency of 2% of approved budget as agreed as part of the 2022-23 budget.

3.9 It is disappointing that the Audit of the Trust Funds has not been completed yet. It is hoped that this will be completed in April and will be presented to Council thereafter with a copy also brought to the Audit and Scrutiny Committee's next meeting. However, it should be noted that the delay has meant we haven't been able to meet our obligations to submit the Audited Trust Fund accounts to OSCR by 31 December 2023.

3.10 The audit of the Housing Benefit Subsidy claim has still to be completed. This was due to be submitted to DWP by 31 January 2024, it is expected that this audit will be completed in March.

3.11 The audit process has been particularly disappointing and frustrating this year with a lack of sufficient engagement, in addition to the audit work being carried out much later than normal, which has resulted in staff who normally are focused on the Council budget work from October onwards having to manage both budget and annual accounts work. We are also about to commence our 2023-24 year-end process and to not have the 2022-23 Accounts signed off is less than ideal.

3.12 I have advised both Mazars and Audit Scotland of our dissatisfaction with the audit process this year. On conclusion of the audit there will be a lessons learned debrief with Mazars to mitigate similar issues arising again in the future and it is hoped that the process, communications and timescales will be improved for the 2023-24 audit.

4. CONCLUSION

4.1 This report advises Members on the conclusion of the audit of the accounts. The external auditors opinion is unqualified and minimal adjustments were made to the accounts during the audit process. Mazars have issued their annual audit report for 2022-23 which is predominantly positive.

5. IMPLICATIONS

5.1 Policy – None

5.2 Financial – Failure to comply with CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. Failure to adhere to deadlines from OSCR, DWP and Scottish Government.

5.3 Legal – Not expected to be any legal issues.

5.4 HR – Staff working on the audit usually move from audit work to budget work, however, since the audit had been delayed further pressure has been placed upon staff.

5.5 Fairer Duty Scotland:

5.5.1 Equalities – protected characteristics – None

5.5.2 Socio-economic Duty – None

5.5.3 Islands – None

5.6 Climate Change – None

5.7 Risk – None known at this time.

5.8 Customer Service - None

5.9 The Rights of the Child (UNCRC) - None

Kirsty Flanagan

Executive Director/ Section 95 Officer

18 March 2024

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

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APPENDICES

Appendix 1 - Summary of main changes to Financial Statements arising from audit

Appendix 2 - Argyll and Bute Council Draft Audited Accounts 2022-23 (Version correct as at 7 March 2024)

Appendix 3 - Draft Annual Audit Report 2022-23

Appendix 4 - Follow up letter from Mazars

Appendix 5 - Letter of Representation

Summary of main changes to Financial Statements arising from audit

Section of Financial Statements	Audited Accounts £'000	Unaudited Accounts £'000	Change £'000	Comments / Explanation
Comprehensive Income & Expenditure Account				
Other Comprehensive Income and Expenditure	154,350	247,409	(93,059)	Other Post Employment Benefits (Pensions)
Other Non-Departmental Costs	7,594	7,541	53	Flemming Income & Consultants Fees
Balance Sheet				
Impact on Assets and Liabilities				
Other Long term Debtors (Pensions)	139,014	232,073	(93,059)	Revised remeasurements plus asset ceiling adjustment (Pensions)
Cash & Cash Equivalents	823	-6,083	6,906	Reversal of a journal processed in error relating to Live Argyll balances
Debtors	27,186	34,080	(6,894)	Reversal of a journal processed in error relating to Live Argyll balances plus additional income re Flemming case
Creditors	(50,044)	(49,979)	(65)	Flemming Case Consultants Fees
Impact on Council Reserves				
General Fund Balance	86,356	86,409	(53)	Flemming Income & Consultants Fees
Pensions Reserve	139,014	232,073	(93,059)	Revised remeasurements plus asset ceiling adjustment

Section of Financial Statements	Audited Accounts £'000	Unaudited Accounts £'000	Change £'000	Comments / Explanation
Statement of Movement in Reserves				
Surplus or Deficit on Provision of Services	6,047	5,994	53	Net effect of Additional income in respect of Fleming Case plus consultants fees
Other Comprehensive Income and expenditure	154,350	247,409	(93,059)	Revised remeasurements plus asset ceiling adjustment (Pensions)

Section of Financial Statements	Audited Accounts £'000	Unaudited Accounts £'000	Change £'000	Comments / Explanation
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Group Comprehensive Income and Expenditure Account

Net Cost of Service	(178,364)	(271,365)	93,001	Revised remeasurements plus asset ceiling adjustment (Pensions) plus removal of SPT & Concessionary Fares Scheme from Group
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Group Balance Sheet

Long term Assets	904,488	1,001,478	(96,990)	Net of the adjustments above plus removal of SPT & Concessionary Fares Scheme from Group
Cash and Cash Equivalents	3,279	(3,627)	6,906	Reversal of a journal processed in error relating to Live Argyll balances
Debtors	27,256	34,150	(6,894)	Reversal of a journal processed in error relating to Live Argyll balances plus additional income re Flemming case
Creditors	(50,725)	(50,660)	(65)	Flemming Case Consultants Fees
Investment in Associates & Joint Ventures	8,927	10,950	(2,023)	Removal of SPT & Concessionary Fares Scheme from Group
Liabilities in Associates and Joint Ventures	(46)	(357)	311	Removal of SPT & Concessionary Fares Scheme from Group

Impact on Group Reserves

Total reserves	(695,840)	(794,596)	98,756	Net of the adjustments above
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Group Statement of Movement in Reserves

Group Comprehensive Income & Expenditure	(178,364)	(271,365)	93,001	Net of the adjustments below.
General Fund Balance	86,356	86,409	(53)	Net effect of Additional income in respect of Flemming Case plus consultants fees
Common Good	(9,431)	(9,431)	0	
Council Unusable Reserves	(573,295)	(666,354)	93,059	Revised remeasurements plus asset ceiling adjustment (Pensions)
Share of Reserves of Associates	(12,739)	(18,383)	5,644	Removal of SPT & Concessionary Fares Scheme from Group

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.

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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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	Page
Management Commentary	4-24
Statement of Responsibilities for the Annual Accounts	25
Annual Governance Statement	26-36
The Remuneration Report	37-46
Statement of Comprehensive Income and Expenditure	47-48
Balance Sheet	49-50
Statement of Movement in Reserves – Movement in 2022-23	51-52
Statement of Movement in Reserves – Comparative Movement in 2021-22	53-54
Cash Flow Statement	55
Notes to the Financial Statements (See Page 2-3)	56-121
Council Tax Income Account	122
Notes to the Council Tax Income Account	123
Non Domestic Rate Income Account	124
Notes to the Non Domestic Rate Income Account	125
Group Accounts - Introduction	126
Group Statement of Comprehensive Income and Expenditure	127
Group Balance Sheet	128-129
Group Statement of Movement in Reserves – Movement in 2022-23	130
Group Statement of Movement in Reserves – Comparative Movement 2021-22	131
Group Cash Flow Statement	132
Notes to the Group Financial Statements	133-137
Glossary of Terms	138-139
Appendix A: Trade Union Facility Time Statement 2022-23	140-141

Note No		Page
1	Summary of Significant Accounting Policies	56-69
2	Accounting Standards Issued But Not Yet Adopted	69
3	Critical Judgements in Applying Accounting Policies	69-70
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	70-72
5	Expenditure and Funding Analysis	73-76
6	General Fund Reserves	77
7	Supplementary Notes to the Statement of Comprehensive Income and Expenditure	78-79
8	Other Operating Income and Expenditure	79
9	Agency Services	79-80
10	Community Care and Health (Scotland) Act 2002	80
11	Fees Payable to External Auditors	81
12	Waste Management Public Private Partnership	81
13	Grant Income	82
14	Related Parties	83-84
15	Property, Plant and Equipment	85-90
16	Heritage Assets	90
17	Intangible Assets	91-92
18	Investment Property	92-93
19	Schools Built under Public Private Partnership Contracts (PPP)	93-97
20	Operating Leases	97-98
21	Finance Leases	98-99
22	Long Term Debtors	100
23	Debtors	100
24	Assets Held for Sale	101
25	Cash and Cash Equivalents	101
26	Creditors	102
27	Financial Instruments Disclosures	102-105
28	Other Liabilities	106

Note No		Page
29	Provisions	106-107
30	Capital Grants Received in Advance	107
31	Defined Benefit Pension Schemes	107-114
32	Unusable Reserves	115-116
33	Usable Reserves	116
34	Contingent Liabilities	117
35	Termination Benefits	117-118
36	Trust Funds and Other Third Party Funds	118
37	Common Good Funds	118-119
38	Tax Incremental Financing (TIF) Projects	119
39	Cash Flow Statement – Operating Activities	120
40	Cash Flow Statement – Investing Activities	120
41	Cash Flow Statement – Financing Activities	121

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.

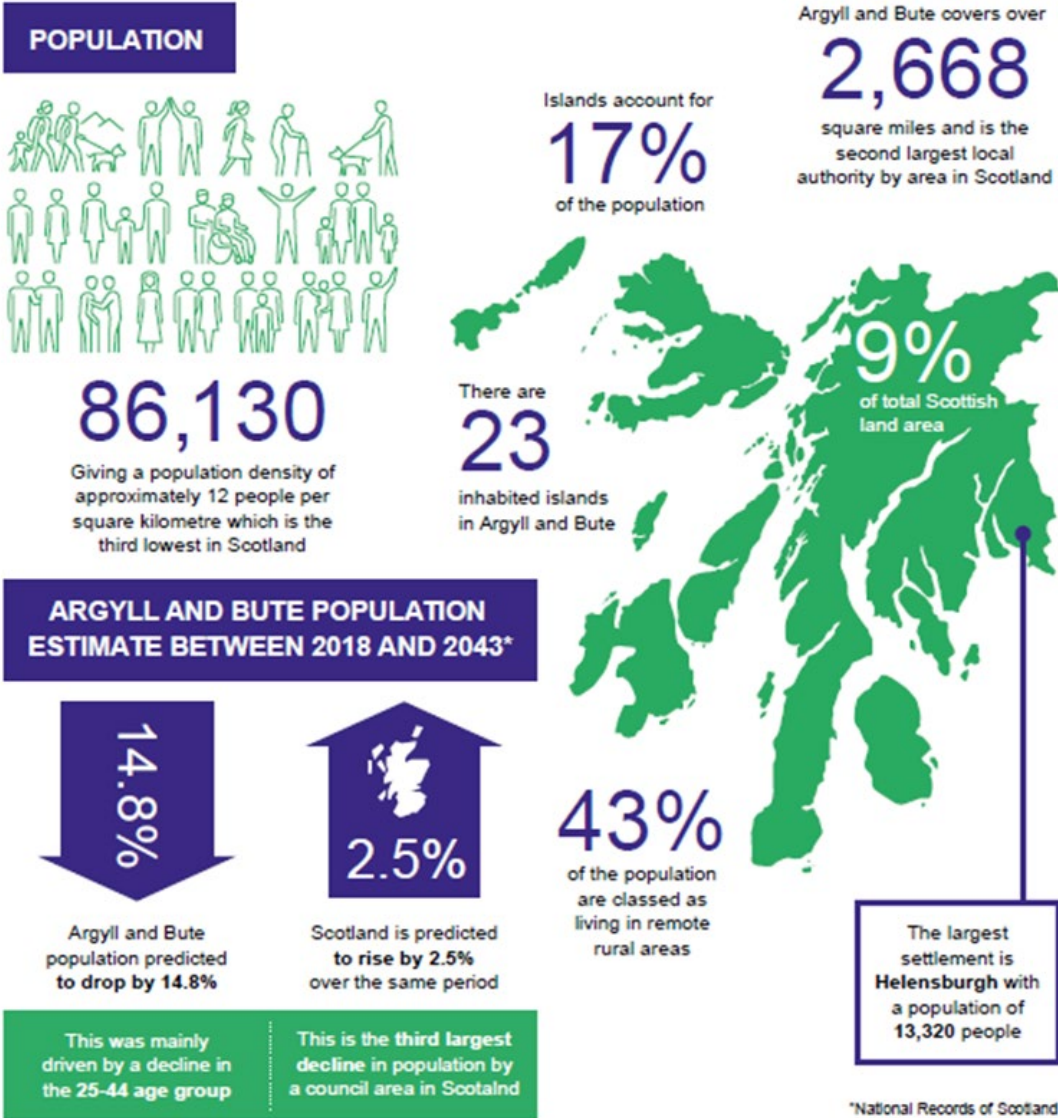
2. PROFILE OF ARGYLL AND BUTE COUNCIL

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

Argyll and Bute Facts – Our Profile



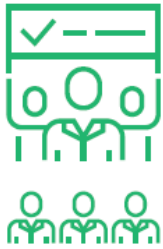
Argyll and Bute Facts – Place



Argyll and Bute Facts – Our Council



ELECTED MEMBERS



36 in total across Argyll and Bute.

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

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

ELECTORAL WARDS

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

THE COUNCIL IS A MAJOR EMPLOYER IN ARGYLL AND BUTE

4,536

Employed across Argyll and Bute Area (per workforce summary 22-23)



There are **3,785** full time equivalent employees.

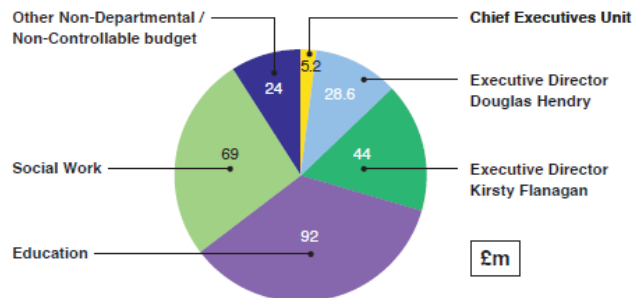


The Council set the revenue budget for 2022-23 on 24th February 2022.

The total revenue budget is

262.8M

Financed by Scottish Government Grant of £210m and Council tax of £55.3m (some of this funding was transferred to reserves).



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.

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.

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 Council's website ([Helensburgh Waterfront Development - updates \(argyll-bute.gov.uk\)](https://www.argyll-bute.gov.uk/helensburgh-waterfront-development-updates)).

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)

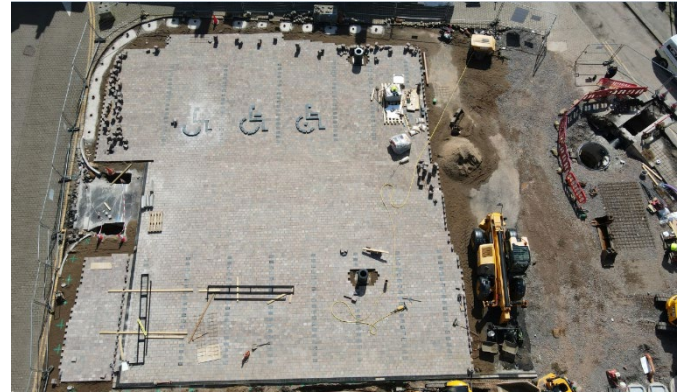
Roads and Infrastructure Services were successful in gaining and delivering a £1.025m bid which was one of the largest bids for any Local Authority in Scotland. The STTS funding is earmarked for projects which minimise the impact of timber lorries on our rural road network. It means that for every £1 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)).

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.



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.

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.

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 £3.273m, 1.06% 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	7,332	6,884	(449)	(6.52%)
Total Central Expenditure	29,526	36,411	6,885	18.91%
Social Work	74,391	74,391	0	0.0%
Total Social Work Expenditure	74,391	74,391	0	0.0%
Total Expenditure	289,226	296,457	7,231	2.44%
Total Funding	310,912	310,260	652	0.21%
UNDERSPEND			7,883	2.54%
Proposed Unspent Budget Earmarking Proposals			4,610	
UNDERSPEND AFTER PROPOSED EARMARKINGS			3,273	1.06%

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).

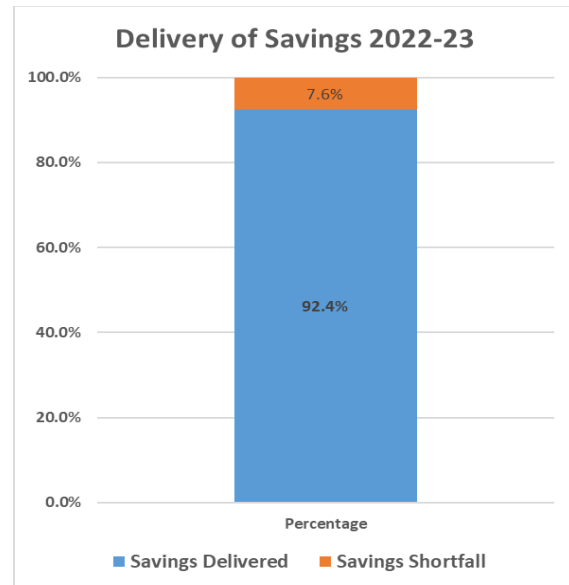
There was a favourable position in relation to Council Tax funding due to an increase in the Council tax base and a better performance in Council Tax collection which is likely to be partially linked to the cost of living grant awards where Scottish Government funding was credited to Council Tax accounts.

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.

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 current resources. 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 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 significant underspend 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

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 Deficit on the Provision of Services of £6.047m as noted in the CIES to the revenue budget outturn of £3.273m underspend is shown below.

Reconciliation of CIES to Revenue Budget Outturn

	£000	£000
Surplus/(Deficit) on Provision of Services		(6,047)
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	24,570	
Impairment of Assets charged to services	3,128	
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)	
		(3,678)
Movement In General Fund Balance		(9,672)
<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)		3,273

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 £169.407m from £497.663m as at 31 March 2022 to £667.070m 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	886,601	169,218	Revaluation of fixed assets and substantial increase of pension debtor due to an increase in investment returns.
Current Assets	122,842	90,693	(32,149)	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)	(68,592)	(2,079)	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	667,070	169,407	

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 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 £139.014m asset in 2022-23. This is a result of changing assumptions used by the actuary to estimate the level of investments and liabilities.

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	139,014

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 £178.812m from £394.483m as at 31 March 2022 to £573.295m 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 £9.402m from £103.177m as at 31 March 2022 to £93.775m as at 31 March 2023. This is due to a reduction in the General Fund of £9.725m offset by small increases in the Capital Fund outlined in Note 33.1 and the Repairs and Renewals Fund outlined in Note 33.2.

In respect of the General Fund Balance movement, there has been a decrease of £9.725m from a balance of £96.081m to £86.356m and the detail on the movement in the balance is summarised within the table below.

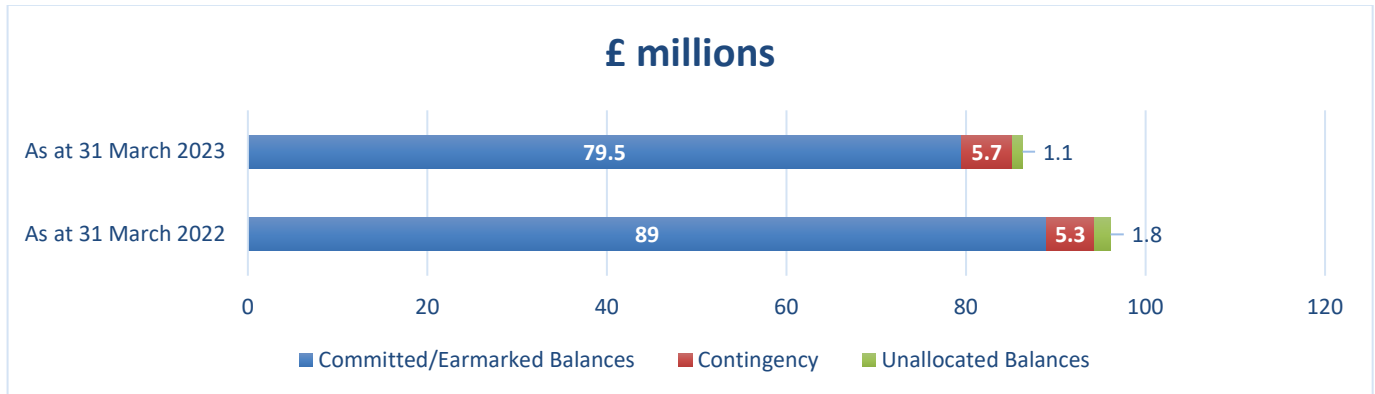
Movement on General Fund Balance

	£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	3,273
Balance on General Fund 31 March 2023	86,356

General Fund Balance

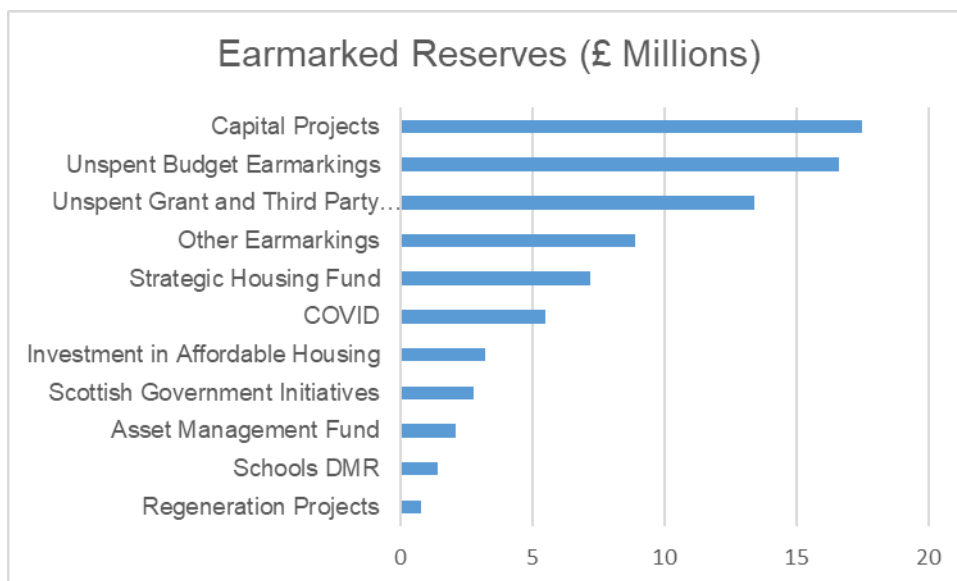
The chart below shows what is included within the General Balance as at 31 March 2023 with a comparison to the position as at 31 March 2022.

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



Group Accounts

The Group accounts include the Dunbartonshire and Argyll & Bute Valuation Joint Board, as an Associate, as the Council has “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 £28.770m. This gives an overall net asset position for the Group of £695.840m, an increase of £172.609m from the previous year. The most significant

increase is in the pension position of £142.842m in addition to an increase in non-current assets as a result of revaluations.

The Argyll and Bute Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the strategic planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. Argyll and Bute Council contributed £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

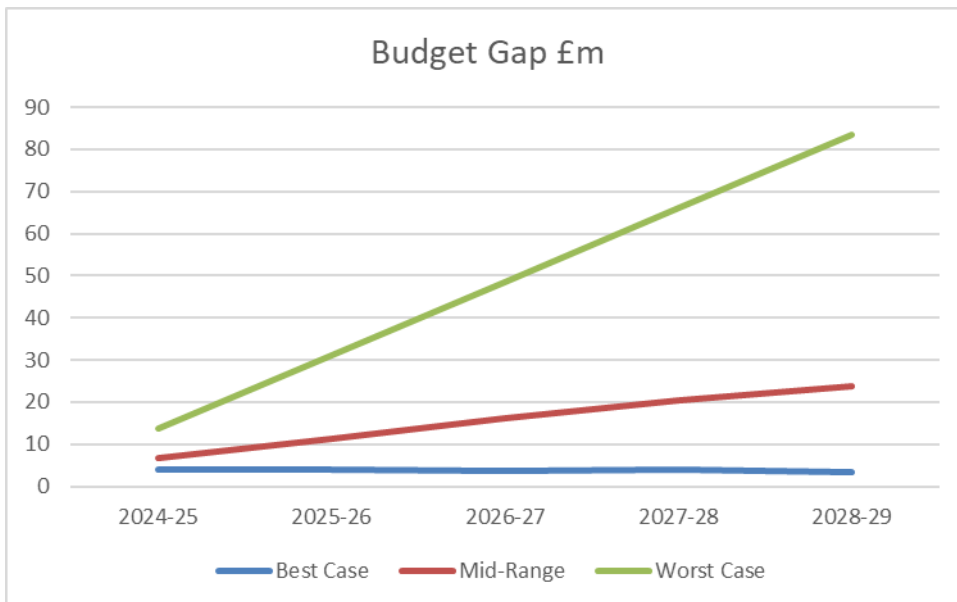
Financial Indicator	2021-22	2022-23	Comment
Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure	2.70%	2.44%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. The 2022-23 position is slightly 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%	£3.273m 1.06%	A measure of how the final outturn compares to the budgeted position. The surplus is a reflection of the effectiveness of the Council's financial management.
Capital Financing Requirement (CFR) for the current year	£307.100m	£291.782m	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. This ratio was particularly low during 2020-21 and 2021-22 due to significantly less capital works taking place due to the pandemic, however 2022-23 has seen this begin to rise again back towards pre-pandemic levels.

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 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.

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

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

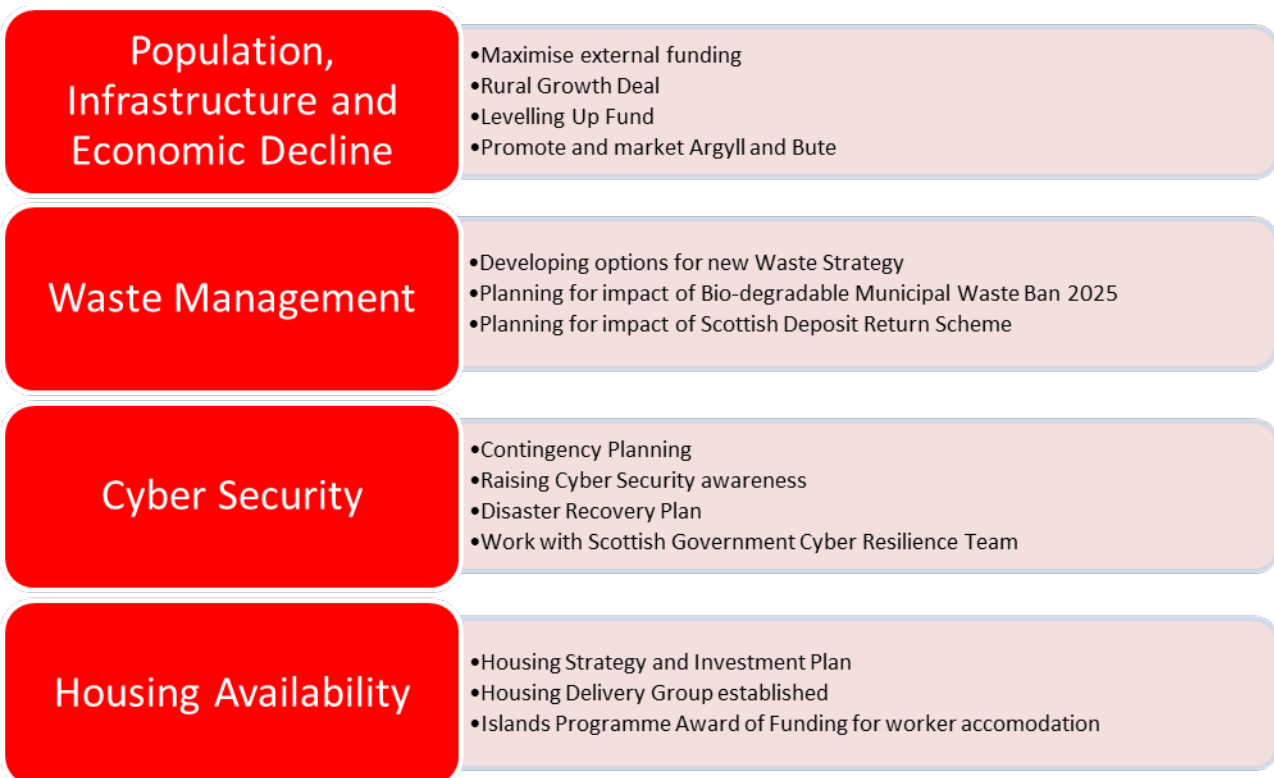
Argyll and Bute Council received an allocation from the UKSPF of just under £4.5m to support delivery over three financial years, specifically the final three months of 2022-23 and the next two financial years, 2023-24 and 2024-25, until the end of March 2025 are outlined in Table 1. A list of the projects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

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 \(argyll-bute.gov.uk\)](https://www.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.



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.

Councillor Robin Currie
Leader
25 March 2024

Pippa Milne
Chief Executive
25 March 2024

Kirsty Flanagan
Section 95 Officer
25 March 2024

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 25 March 2024.

Signed on behalf of Argyll and Bute Council

Councillor Robin Currie
Leader
25 March 2024

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
25 March 2024

1. BACKGROUND AND SCOPE OF RESPONSIBILITY

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

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

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

2. THE GOVERNANCE FRAMEWORK

The Code details how the Council will demonstrate compliance with the fundamental principles of corporate governance for public sector bodies. The seven key principles of our governance arrangements in 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.

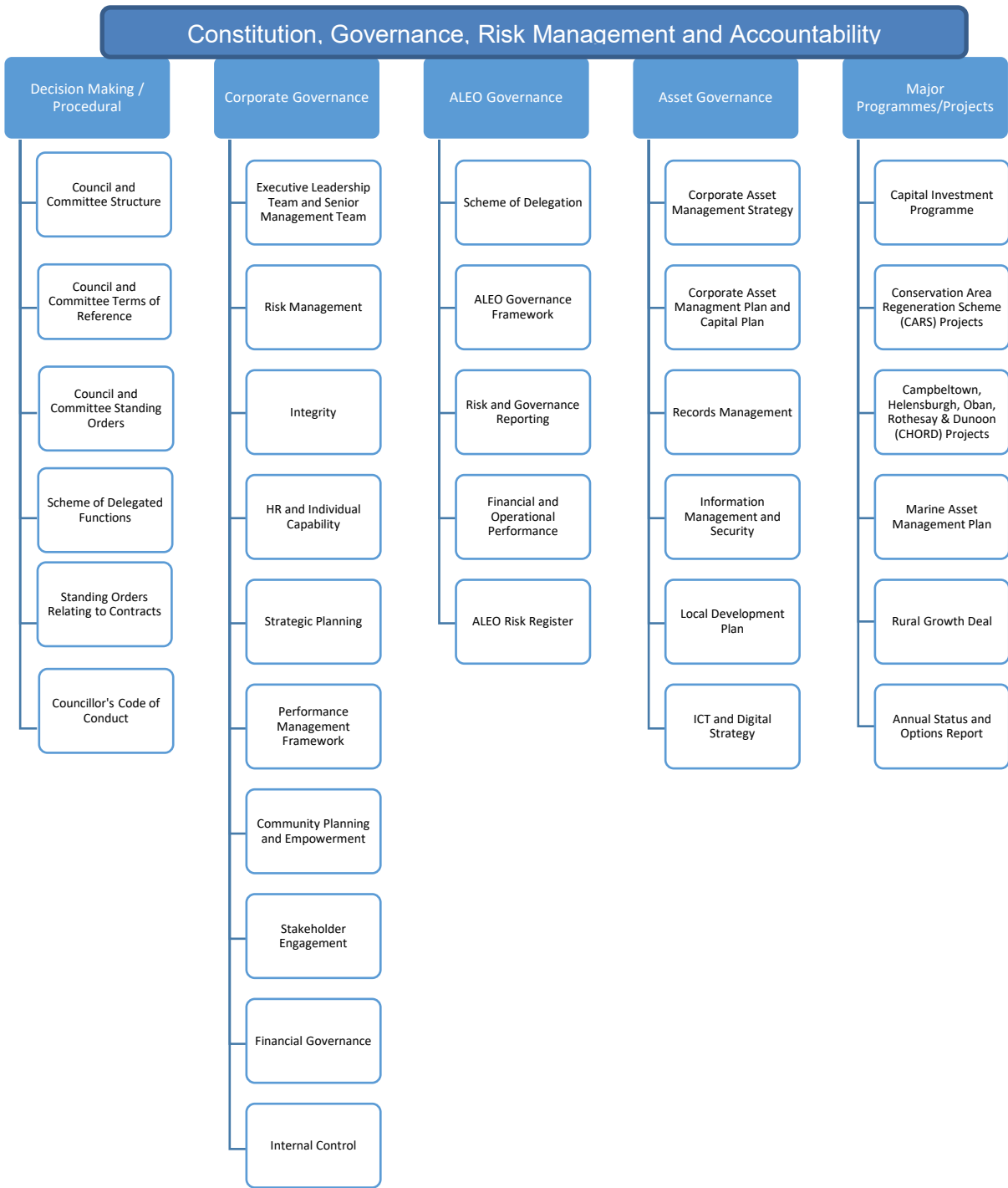
The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities and is incorporated into the Council's Constitution as part of the ethical framework which also includes a protocol for the Monitoring Officer. A [Register of Members Interests](#) is 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 Officer (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:



External and Internal Audit and other regulatory inspections

2. Ensuring openness and comprehensive stakeholder engagement.

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

[Consultation Diary](#)

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

These include for example, 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 has been upgraded to ensure conformance with the latest WCAG 2.2 Guidance and was relaunched in June 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 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.

2. 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 and 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.

3. 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

4. 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.

5. Managing risks and performance through robust internal control and strong public financial management.

Internal Financial Control

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

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

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

The Council has a system of internal financial control designed to manage risk to a reasonable level. It is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

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

<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
- 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 Chief Internal Auditor performs an annual strategic risk assurance mapping exercise.

6. 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</p>

	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.
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 2022-23. 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	This action has been delayed due to resource issues and will be addressed during 2022-23 Completed in February 2023

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 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.

Councillor Robin Currie
Leader
25 March 2024

Pippa Milne
Chief Executive
25 March 2024

Kirsty Flanagan
Section 95 Officer
25 March 2024

BACKGROUND

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

REMUNERATION POLICY AND ARRANGEMENTS

Councillors

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

The Regulations also provide for the banding of local authorities. Argyll and Bute is in Band B and the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 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.

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>.

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:

2021-22 Total Remuneration £	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 to 04-05-22	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 24-10-20 and Policy Lead for The Economy and Rural Growth to 04-05-22, Policy Lead for Economy and Rural Growth from 19-05-22 to 23-11-22, Policy Lead for Strategic Development from 24-11-22	38,254	-	38,254
26,313	Councillor Mary-Jean Devon	Policy Lead for Support Services to 04-05-22	3,715	-	3,715
21,938	Councillor Bobby Good	Chair of Bute & Cowal Area Committee to 04-05-22	3,098	-	3,098
26,313	Councillor Kieron Green	Policy Lead for Health and Social Care to 04-05-22, Policy Lead for Planning & Regulatory Services from 19-05-22	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 and Policy Lead for Planning and Regulatory Services to 04-05-22	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 to 04-05-22	3,098	-	3,098
26,313	Councillor Gary Mulvaney	Depute Leader from 26-09-19 and Policy Lead for Financial Services and Major Projects to 04-05-22, Policy Lead for Finance and Commercial Services from 19-05-22	28,648	-	28,648
-	Councillor Gemma Penfold	Chair of Helensburgh & Lomond Area Committee from 19-05-22	22,675	-	22,675
21,873	Councillor Alastair Redman	Policy Lead for Business, Regeneration and Commercial Development to 20-08-21, Policy Lead for Economic Growth and Corporate Services from 24-11-22	14,692	-	14,692
21,938	Councillor Elaine Robertson	Chair of Oban, Lorn & the Isles Area Committee to 04-05-22	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 37 due to timing differences in regards to payroll. There is no compensation/loss of office payments within the period and there were no benefits or bonuses paid during the year.

EMPLOYEES' REMUNERATION

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

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

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

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

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)			-

The following table sets out the remuneration disclosures for 2022-23 for Live Argyll:

Total Remuneration 2021-22 £	Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2022-23 £
80,501	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	84,180	-	84,180

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 £23,000	5.50%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.50%
On earnings above £38,601 and up to £51,400	9.50%
On earnings of £51,401 and above	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.

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	1
	-		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	1
	-		Lump Sum		-
-	-	Councillor Andrew Kain	Pension	4,812	1
	-		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 Alastair Redman	Pension	2,836	2
	-		Lump Sum		-

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		In-year pension contributions	Accrued pension benefits	
£	£'000		£	£'000	
25,586	64	Chief Executive - Pippa Milne	Pension	26,709	70
	106		Lump Sum		111
20,546	61	Executive Director - Douglas Hendry	Pension	21,495	66
	107		Lump Sum		112
20,546	33	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	Pension	21,495	37
	31		Lump Sum		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
			Lump Sum		-

Live Argyll Senior Employees' Pension Benefits

For the year to 31 March 2022		Senior Officers	For the year to 31 March 2023		
In-year pension contributions	Accrued pension benefits		In-year pension contributions	Accrued pension benefits	
£	£'000		£	£'000	
15,537	31	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	Pension	16,247	33
	38		Lump Sum		38

EMPLOYEE EXIT PACKAGES

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

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.

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

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.

Councillor Robin Currie
Leader
25 March 2024

Pippa Milne
Chief Executive
25 March 2024

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		15,942	4,371	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		71,971	24,491	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		9,897	2,303	7,594
425,325	164,696	260,629	Net Cost of Services		476,448	177,246	299,202

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	6,047
	(26,631)	(Surplus)/Deficit on revaluation of Long Term Assets	(21,104)
	(110,648)	Other Post Employment Benefits (Pensions)	(154,350)
	(137,279)	Other Comprehensive Income and Expenditure	(175,454)
	(152,295)	Total Comprehensive Income and Expenditure	(169,407)

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		451,018
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		730,584
	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	139,014
	717,383	Total Long Term Assets		886,601
		Current Assets		
842		Inventories		1,130
18,263		Short Term Debtors (Net of Impairment)	23	27,186
1,509		Assets Held for Sale	24	1,554
82,500		Short Term Investments		60,000
19,728		Cash and Cash Equivalents	25	823
	122,842	Total Current Assets		90,693
		Current Liabilities		
(17,882)		Short-term Borrowing	27	(11,818)
(41,283)		Short-term Creditors	26	(50,044)
(2,231)		Provisions	29	(1,450)
(5,117)		Other Short Term Liabilities	28	(5,280)
	(66,513)	Total Current Liabilities		(68,592)
		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)
	(276,049)	Total Long-term Liabilities		(241,632)
	497,663	Total Assets less Liabilities		667,070

31 March 2022			Note	31 March 2023	
£'000	£'000			£'000	£'000
		Unusable Reserves	32		
157,645		- Revaluation Reserve		174,952	
241,327		- Capital Adjustment Account		268,788	
(2,198)		- Financial Instruments Adjustment Account		(1,871)	
4,634		- Pensions Reserve		139,014	
(6,928)		- Accumulated Absences Account		(7,588)	
	394,480				573,295
		Usable Reserves	33		
4,414		- Capital Funds		4,503	
2,682		- Repairs and Renewals Funds		2,916	
96,087		- General Fund Balance		86,356	
	103,183				93,775
	497,663	Total Reserves			667,070

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).

The unaudited Annual Accounts were issued on 30th June 2023 and the Audited Annual Accounts were authorised for issue on 25 March 2024.

Kirsty Flanagan
Section 95 Officer
25 March 2024

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	£'000	£'000	£'000	£'000	£'000	£'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	6,047			6,047						-	6,047
Other Comprehensive Income and Expenditure					(21,104)		(154,350)			(175,454)	(175,454)
Total Comprehensive Income and Expenditure	6,047	-	-	6,047	(21,104)	-	(154,350)	-	-	(175,454)	(169,407)
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	(3,128)			(3,128)		3,128				3,128	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	22,549			22,549		(22,549)				(22,549)	-
Capital Expenditure Charged to the General Fund	2,938			2,938		(2,938)				(2,938)	-
Net Gain or Loss on Sale of Non-current Assets	437		(568)	(131)		131				131	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	327			327				(327)		(327)	-
Employee Benefits	(660)			(660)					660	660	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(19,970)			(19,970)			19,970			19,970	-

Statement of Movement in Reserves

Movements in 2022-23	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves £'000
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Statutory Repayment of Debt - Loans Fund Advances	20,317			20,317		(20,317)				(20,317)	-
Statutory Repayment of Debt - Finance Leases	46			46		(46)				(46)	-
Statutory Repayment of Debt - NPDO Finance	5,070			5,070		(5,070)				(5,070)	-
Total Statutory Adjustments	6,979	-	(568)	6,411	173	(26,887)	19,970	(327)	660	(6,411)	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	13,026	-	(568)	12,458	(20,931)	(26,887)	(134,380)	(327)	660	(181,865)	(169,407)
<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	9,725	(234)	(88)	9,403	(17,308)	(27,455)	(134,380)	(327)	660	(178,810)	(169,407)
Balance at 31 March 2023 Carried Forward	(86,356)	(2,916)	(4,503)	(93,775)	(174,952)	(268,788)	(139,014)	1,871	7,588	(573,295)	(667,070)

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 Statement	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	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
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)/Deficit on the Provision of Services		6,047
(6,652)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(21,310)
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	(9,308)
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		18,905
(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	25	(823)

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.

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

1.5 Charges to Revenue for Non-Current Assets

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

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

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

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

1.6 Employee Benefits

1.6.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees. These benefits are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.6.2 Termination Benefits

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

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

1.6.3 Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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

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

Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 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

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

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

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

1.6.4 Post Employment Discretionary Benefits

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

1.7 Events after the Reporting Period

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

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

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

1.8 Financial Liabilities

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

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

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

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

1.9 Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

- Instruments with quoted market prices – the market price

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

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

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

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

Expected Credit Loss Model

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

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Heritage Assets

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

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

The Art Collections

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

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

Inveraray Jail and Courthouse and “Other” Historic Buildings

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

Archaeology and “Other” Museum Exhibits

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

Heritage Assets – General

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

1.12 Intangible Assets

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

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

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

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

1.13 Interests in Companies and Other Entities

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

1.14 Inventories

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

1.15 Investment Properties

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

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

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

1.16 Leases

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

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

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

1.16.1 The Council as Lessee

a) Finance Leases

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

Lease payments are apportioned between:

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

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

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

b) Operating Leases

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

1.16.2 The Council as Lessor

a) Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

b) Operating Leases

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

1.17 Overheads and Support Services

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

1.18 Assets Held for Sale

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

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

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

1.19 Property, Plant and Equipment

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

1.19.1 Recognition

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

1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

1.19.3 Impairment

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

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

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

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

1.19.4 Disposals and Non-current Assets Held for Sale

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

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

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

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

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

1.19.5 Depreciation

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

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

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

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

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

1.21 Provisions and Contingent Liabilities

1.21.1 Provisions

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

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

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

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

1.21.2 Contingent Liabilities

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

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

1.22 Reserves

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

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

1.23 VAT

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The standards introduced by the 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.
- 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	<p>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>	<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 £0.884m for every year that useful lives had to be reduced.</p>
Rolling Programme Valuation	<p>The Council employs professional valuers who are registered with the Royal Institution of Chartered Surveyors. These valuers carry out regular reviews of the assets reported in the Balance Sheet and any significant changes in value are processed as an asset revaluation or impairment. These valuations are based on their professional opinion using available market information at the time of assessment. Due to the high number of assets, a rolling programme of asset valuations has been established for many years, with the aim of revaluing one fifth of the portfolio each financial year which is made up of various asset types. This is in addition to those assets which are valued annually; Surplus Assets, Investment Properties, Held for Sale assets and those where capital spend has exceeded £0.1m in the current year.</p>	<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 820"> <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 820">0.1% increase in pension increase rate</td> <td data-bbox="1621 759 1845 820">2%</td> <td data-bbox="1845 759 2087 820">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 5.2) £'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 5.2) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
5,790	1,087	6,877	Chief Executive and Financial Services	7,538	1,063	8,601
			Executive Director Douglas Hendry			
330	59	389	Executive Director	366	70	436
9,471	8,053	17,524	Commercial Services	10,616	18,533	29,149
86,427	(8,373)	78,054	Education	95,943	(3,537)	92,406
9,466	(1,925)	7,541	Legal and Regulatory Support	9,859	1,711	11,571
			Executive Director Kirsty Flanagan			
305	32	337	Executive Director	369	49	418
7,553	3,113	10,666	Customer Support	8,139	3,046	11,185
9,752	1,786	11,538	Development and Economic Growth	9,070	1,806	10,876
30,914	17,187	48,098	Roads and Infrastructure	31,855	15,628	47,480
67,080	2,238	69,318	Social Work	73,976	5,510	79,486
10,974	(687)	10,287	Other Non-Departmental Costs	8,226	(632)	7,594
238,062	22,570	260,629	Net Cost of Services	255,957	43,247	299,202

(255,904)	(19,741)	(275,645)	Other Income and Expenditure	(246,232)	(46,924)	(293,155)
(17,842)	2,829	(15,016)	(Surplus) / Deficit	9,725	(3,677)	6,047
(78,245)			Opening General fund Balance	(96,081)		
(17,842)			Plus (Surplus) or Deficit on General Fund Balance	9,725		
(96,087)			Closing General Fund Balance	(86,356)		

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 Financial Services	-	1,047	-	16	1,063
Executive Director (Douglas Hendry)					
Executive Director (Douglas Hendry)	-	71	-	(1)	70
Commercial Services	11,864	1,866	-	4,803	18,533
Education	318	4,514	-	(8,369)	(3,537)
Legal and Regulatory Support	3,195	796	(5,071)	2,791	1,711
Executive Director (Kirsty Flanagan)					
Executive Director (Kirsty Flanagan)	-	50	-	-	49
Head of Customer Support	1,402	1,296	-	348	3,046
Head of Development and Economic Growth	345	1,535	-	(74)	1,806
Roads and Infrastructure	10,479	3,666	-	1,483	15,628
Social Work	226	5,623	-	(339)	5,510
Other Non-Departmental Costs	-	(635)	-	3	(632)
Net Cost of Services	27,829	19,829	-	661	43,247
Other Income and Expenditure	(46,370)	141	-	(695)	(46,924)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(18,541)	19,970	-	(34)	(3,677)

(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	-	6,444	(7,080)	-	1,199
Total General Fund Balance	96,081	(33,893)	5,755	-	18,413	86,356

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	178,016
62,870	Contribution to Argyll and Bute Integration Joint Board	74,391
10,141	Depreciation, amortisation, impairment	27,828
18,207	Interest payments	10,655
1,419	Precepts and levies	1,253
417	Other operating expenditure	390
(103)	Net Loss/(Gain) on the disposal of assets	(437)
445,265	Total Expenditure	488,309
	Income	
(101,826)	Fees, charges and other service income	(102,855)
(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	(482,262)
(15,016)	(Surplus)Deficit on the Provision of Services	6,047

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	32,900
23,449	Total Included in Comprehensive Income and Expenditure Statement	32,900

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:

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 EXTERNAL AUDITORS

In 2022-23 the following fees relating to external audit and inspection were incurred alongside comparative figures for 2021-22:

2021-22 £'000	Auditor's Remuneration	2022-23 £'000
272	Fees payable to External Auditors 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:

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.

14.2 Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 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
	- Argyll and Bute Rape Crisis	21
	- S & C Crawford Building Contractors Ltd	81
28	Bookfan Ltd Trading as South Peak Services	69
28	Total	171

Notes to the Financial Statements

14.3 Other Related Bodies

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

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

2021-22 Expenditure £'000	Related Bodies	2022-23 Expenditure £'000
5,251	Transactions with related bodies during the year totalled	4,197
	<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 Excel	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 Gomm	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
415	Strathclyde Passenger Transport	411
206	Strathclyde Concessionary Travel Scheme	204
5,209	Total	4,162

It should be noted that Strathclyde Passenger Transport and the Strathclyde Concessionary Travel Scheme have been included as Related Parties. In previous years they were included in the Group Accounts as Associates.

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 126 to 137.

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	2,499			1,237		3,736	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,252)			(18)		(8,270)	
Derecognition - Disposals	(1,451)	(12)				(1,463)	
Assets reclassified (to)/from Held for Sale	(376)			376		-	
Other movements in cost or valuation	24,116				(24,116)	-	
At 31 March 2023	453,644	46,440	8,901	3,283	21,440	533,708	
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	17,284					17,284	
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,300					5,300	
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						-	
At 31 March 2023	(2,626)	(35,568)	(9)	3	-	(38,200)	
Balance Sheet amount at 31 March 2023	451,018	10,872	8,892	3,286	21,440	495,508	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:

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

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

Assets identified as Corporate Surplus Assets are valued in accordance with IFRS 13 - Fair Value Measurement. The Balance Sheet value of Corporate Surplus assets at 31 March 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. For assets not valued in-year a desktop assessment was undertaken for 2022-23 to estimate the potential increase in value of those assets valued using depreciated replacement cost using BCIS indices. An adjustment was made to the accounts of £25.061m to reflect this assessment.

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

Valued at Fair Value as at:	Other Land & Buildings		
	Estates Valuation £'000	Desktop Valuation £'000	Current Valuation £'000
31 March 2023	190,677	5,109	195,786
31 March 2022	104,224	10,914	115,138
31 March 2021	57,725	3,915	61,640
31 March 2020	26,109	1,714	27,823
31 March 2019	47,222	3,409	50,631
Total Cost or Valuation	425,957	25,061	451,018

Notes to the Financial Statements

15.3 Depreciation

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

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

15.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and Council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 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)
(5,065)	Net Borrowing	(4,276)
2,551	Earmarked Reserves	(16,041)
(4,844)	Assets Acquired 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

15.5 Commitments under Capital Contracts

At 31 March 2023, the Council had commitments on capital contracts of £13.745m. 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:

Commitments Under Capital Contracts	2022-23 £'000
Campbeltown Flood Scheme	8,824
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
Climate Change Project - NDEEF1	178
Other projects each less than £0.150m in value	1,458
Total Capital Commitments	13,745

16 HERITAGE ASSETS

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

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

Movements in 2022-23	Art Collections £'000	Heritage Property £'000	Total £'000
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

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 2023	733	733
Balance Sheet amount at 31 March 2022	604	604

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

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.

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

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

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

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

Notes to the Financial Statements

19.1 Assets Held under Schools NPDO and DBFM Contracts

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 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

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

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)

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 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 lease 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

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)

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		7,456
	5,741	Other Debtors		8,041
	18,263	Total Debtors		27,186

24 ASSETS HELD FOR SALE

The movement in assets held for sale 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	84
134	Revaluation gains	60
-	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	(7,789)
19,728	Total Cash and Cash Equivalents	823

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	9,095
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	11,584
41,283	Total Creditors	50,044

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	78,669
		Borrowing		
273,969	64,282	Financial Liabilities at amortised cost	239,187	58,190

27.2 Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- Estimated interest rates at 31 March 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.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Notes to the Financial Statements

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
38,554	38,790	Lending Loans and Receivables	90,041	90,041
332,367	395,579	Borrowing Financial Liabilities	297,377	315,566

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

27.3 Gains and Losses on Financial Instruments

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

27.4 Nature and Extent of Risks arising from Financial Instruments

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

27.5 Credit Risk

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

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

	Amount at 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

Notes to the Financial Statements

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	63,958
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		297,377

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

27.7 Market Risk

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

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

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

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

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

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

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

Notes to the Financial Statements

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 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

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

Notes to the Financial Statements

28 OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £112.313m as at 31 March 2023 and comprise the following:

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 21.3)	(396)	47	(349)
Schools Finance Lease Liability (See note 19.2)	(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 relates to disputed performance deductions and unbilled utility costs. The HUB DBFM provision for withheld sums from the Monthly Service Payment paid to Hub North Scotland (O&C) Ltd relates to disputed performance deductions.

30 CAPITAL GRANTS RECEIVED IN ADVANCE

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:

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.

Notes to the Financial Statements

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:

- Local Government Pension Scheme – £1.837m
- 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:

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)	37,377
1,795	Other Experience (see note (i) below)	46,257
(66,129)	Change in Financial and Demographic Assumptions	(337,163)
-	IAS 19 Asset Ceiling Adjustment	99,179
(70,831)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(116,883)
	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
(88,761)	Re-measurement (Gains) and Losses	(311,081)
(22,822)	Estimated Benefits Paid	(23,398)
846,815	Defined Benefit Obligation at 31 March 23	602,697
24,427	Present Value of Unfunded Liabilities	20,175
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
	Re-measurement (Gains) and Losses:	
46,314	Expected Rate of Return on Pension Fund Assets	(37,377)
-	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	861,065

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. An asset ceiling adjustment is included to ensure compliance with IAS 19 which limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

31.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

2021-22 £'000	Local Government Pension Scheme	2022-23 £'000
(846,815)	Present Value of Funded Liabilities	(602,697)
875,876	Fair Value of Employer Assets	861,065
-	IAS19 Asset Ceiling Adjustment	(99,179)
29,061	Surplus/(Deficit) in the Scheme	159,189
(24,427)	Present Value of Unfunded Liabilities	(20,175)
4,634	Net Surplus/(Deficit) in the Scheme	139,014

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	16,312
	Equity Instruments (by industry type)	
41,032	Consumer	38,629
38,595	Manufacturing	48,013
9,115	Energy and Utilities	4,310
24,122	Financial Institutions	18,331
29,269	Health and Care	30,629
50,860	Information Technology	29,776
-	Other	-
192,993	Sub-total Equity Instruments	169,688
	Bonds (by sector)	
-	Corporate	-
-	Government	-
-	Sub-total Bonds	-
	Real Estate	
73,866	UK Property	70,994
-	Overseas Property	-
73,866	Sub-total Real Estate	70,994
171,465	Private Equity (All)	211,640
	Investment Funds and Unit Trusts	
324,322	Equities	285,352
88,462	Bonds	99,304
301	Commodities	336
769	Infrastructure	5,529
1,411	Other	1,911
415,265	Sub-total Investment Funds and Unit Trusts	392,432
	Derivatives	
-	Forward Foreign Exchange Contracts	(1)
-	Other	-
-	Sub-total Derivatives	(1)
875,876	Total Assets	861,065

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	168,144
418	Not Quoted in an Active Market	1,544
192,993	Sub-total Equity Securities	169,688

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.

For sensitivity analysis on the net pension liability please see Note 4 on page 72.

31.7 Asset and Liability Matching (ALM) Strategy

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

31.8 Impact on the Council's Cash Flow

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

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	4,503

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

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 45.

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

Notes to the Financial Statements

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

36 TRUST FUNDS AND OTHER THIRD PARTY FUNDS

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

Funds for which the Council act as sole trustee:

	Income	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	11	463	463
Total Trust Funds	58	60	2,278	2,278

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.

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

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 15.4. 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	6,047
	<i>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</i>	
(3,379)	Statutory Adjustments through Statement of Movement in Reserves	3,356
553	Transfer to/from Other Statutory Reserves	322
(58)	Increase/(Decrease) in Inventories	288
(2,487)	Increase/(Decrease) in Debtors	6,355
3,312	(Increase)/Decrease in Creditors and Provisions	(6,503)
2,551	Earmarked Reserves	(16,041)
(735)	Capital Financed from Current Revenue	(2,938)
(4,986)	Loans Fund Repayments	(4,277)
(1,423)	Other Revenue Adjustments	(1,872)
(6,652)		(21,310)
	<i>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</i>	
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	(9,308)
	<i>The cash flows for Operating Activities include the following items:</i>	
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

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.

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	160,700	25,514	135,186
105,485	34,846	70,639	Executive Director - Kirsty Flanagan	109,504	39,545	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	10,228	2,303	7,925
2,125	9,390	(7,265)	Associates and Joint Ventures Accounted for on an Equity Basis	1,579	(837)	2,416
432,004	177,301	254,703	Net Cost of Services	483,255	179,682	303,573
			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			10,320
		(27,995)	(Surplus)/Deficit on revaluation of Fixed Assets			(21,104)
		(113,865)	Other Post Employment Benefits (Pensions)			(164,071)
		(2,111)	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			(3,509)
		(143,971)	Other Comprehensive Income and Expenditure			(188,684)
		(165,263)	Total Comprehensive Income and Expenditure			(178,364)

31 March 2022			31 March 2023	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment		
414,852		- Other Land and Buildings	451,018	
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		736,614
	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)		143,926
	4,521	Investment in Associates and Joint Ventures		3,858
	727,738	Total Long Term Assets		904,488
		Current Assets		
863		Inventories	1,145	
18,382		Short Term Debtors (Net of Impairment)	27,256	
1,509		Assets Held for Sale	1,554	
82,500		Short Term Investments	60,000	
22,535		Cash and Cash Equivalents	3,279	
13,161		Investment in Associates and Joint Ventures	8,927	
	138,950	Total Current Assets		102,161
		Current Liabilities		
(17,745)		Short-term Borrowing	(11,676)	
(42,034)		Short-term Creditors	(50,725)	
(2,231)		Provisions	(1,450)	
(5,117)		Other Short Term Liabilities	(5,280)	
(281)		Liabilities in Associates and Joint Ventures	(46)	
	(67,408)	Total Current Liabilities		(69,177)
		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		695,840

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	268,788	
1,084		- Financial Instruments Adjustment Account	(1,871)	
(6,928)		- Pensions Reserve	143,926	
		- Accumulated Absences Account	(7,588)	
	390,930			578,207
		Usable Reserves		
4,414		- Capital Funds	4,503	
2,682		- Repairs and Renewals Funds	2,916	
96,087		- General Fund Balance	86,356	
	103,183			93,775
	19,456	Group Reserves		14,427
	9,662	Common Good Reserves		9,431
	523,231	Total Reserves		695,840

The Unaudited Annual Accounts were issued on 30th June 2023 and the Audited Annual Accounts were authorised for issue on 25 March 2024.

Kirsty Flanagan
Section 95 Officer
25 March 2024

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	£'000	£'000					
Balance at 31 March 2022	(96,081)	(2,682)	(4,414)	(103,177)	(394,483)	(497,660)	(11,648)	(2,055)	3,551	(9,664)	(517,476)
(Surplus)/Deficit on Provision of Services	6,047	-	-	6,047	-	6,047	2,418	1,625	-	233	10,323
Other Comprehensive Income and Expenditure	-	-	-	-	(175,454)	(175,454)	(3,509)	(9,721)	-	-	(188,685)
Total Comprehensive Income and Expenditure	6,047	-	-	6,047	(175,454)	(169,407)	(1,091)	(8,096)	-	233	(178,362)
Total Statutory Adjustments (See Page 49 to 50)	6,979	-	(568)	6,411	(6,411)	-	-	8,463	(8,463)	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	13,026	-	(568)	12,458	(181,865)	(169,407)	(1,091)	367	(8,463)	233	(178,362)
<i>Other Transfers required by Statute</i>											
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	9,725	(234)	(88)	9,403	(178,810)	(169,407)	(1,091)	367	(8,463)	233	(178,362)
Balance at 31 March 2023 Carried Forward	(86,356)	(2,916)	(4,503)	(93,775)	(573,295)	(667,070)	(12,739)	(1,688)	(4,912)	(9,431)	(695,840)

Group Statement of Movement in Reserves



Comparative Movements in 2021-22	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	£'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 51 to 52)	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		10,320
(10,436)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(26,157)
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	(10,028)
41,442	Investing Activities	9	(13,252)
(2,393)	Financing Activities	10	42,536
15,476	Net (Increase)/Decrease in Cash and Cash Equivalents		19,256
(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		(3,279)

1. GROUP ACCOUNTING POLICIES

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

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

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.

It should be noted that Strathclyde Passenger Transport and Strathclyde Concessionary Fare Scheme have now been treated as Related Parties of Argyll and Bute Council rather than Associates as per previous years.

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.

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 £28.770m. This gives an overall net asset position for the Group of £695.840m.

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

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.

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 47 to 48) 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 118 to 119 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £9.432m.

8. GROUP CASH FLOW STATEMENT – OPERATING ACTIVITIES

2021-22 £'000		2022-23 £'000
(21,292)	Net (Surplus)/Deficit on Provision of Services	10,320
	Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:	
(1,540)	Statutory Adjustments through Statement of Movement in Reserves	11,819
553	Transfer to/from Other Statutory Reserves	322
(5,309)	Transfer Group Other Comprehensive Income and Expenditure	(13,230)
(45)	Increase/(Decrease) in Inventories	282
(2,463)	Increase/(Decrease) in Debtors	6,306
3,056	(Increase)/Decrease in Creditors and Provisions	(6,433)
2,551	Earmarked Reserves	(16,041)
(735)	Capital Financed from Current Revenue	(2,938)
(5,065)	Loans Fund Repayments	(2,477)
(1,439)	Other Revenue Adjustments	(3,767)
(10,436)		(26,157)
	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	(10,028)
	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	25,637
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	1,093
(17,345)	Other Receipts from Investing Activities	(21,914)
41,442	Net Cash Outflow from Investing Activities	(13,252)

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

Independent auditor's report to the members of Argyll and Bute Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on the financial statements

We certify that we have audited the financial statements in the annual accounts of Argyll and Bute Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Statement of Comprehensive Income and Expenditure, the Balance Sheet, the Statement of Movement in Reserves, the Cash Flow Statement and notes to the financial statements, including significant accounting policies, the Group Statement of Comprehensive Income and Expenditure, the Group Balance Sheet, the Group Statement of Movement in Reserves, the Group Cash Flow Statement and notes to the group financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of Argyll and Bute Council (the Council) and its group as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the Council and its group's current or future financial sustainability. However, we report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

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

Responsibilities of the Section 95 Officer and the Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Section 95 Officer is responsible for the preparation of financial statements, that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Section 95 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Section 95 Officer is responsible for assessing each year the Council and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the Council and its group's operations.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its group;
- inquiring of the Section 95 Officer as to other laws or regulations that may be expected to have a fundamental effect on the Council and its group;
- inquiring of the Section 95 Officer concerning the Council's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements**Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report**

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

Other information

The Section 95 Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Cameron Waddell
For and on behalf of Mazars LLP
Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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 2022-23

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%

Draft Annual Audit Report

Argyll and Bute Council – Year
ended 31 March 2023

March 2024



Contents

- [01 Executive summary](#)
- [02 Status of the audit](#)
- [03 Audit approach](#)
- [04 Significant findings](#)
- [05 Internal control recommendations](#)
- [06 Summary of misstatements](#)
- [07 Wider scope](#)
- [08 Best Value](#)

[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

[Appendix E: Wider scope and Best Value ratings](#)

Our reports are prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 18 May 2022 through which the Accounts Commission has appointed us as external auditor of Argyll and Bute Council (the Council) for financial years 2022/23 to 2026/27. We undertake our audit in accordance with Part VII of the Local Government (Scotland) Act 1973, as amended; and our responsibilities as set out within Audit Scotland's Code of Audit Practice 2021.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and made available to Audit Scotland, the Accounts Commission and the Controller of Audit. We take no responsibility to any member or officer in their individual capacity or to any other third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



01 March 2024

Argyll and Bute Council

Lochgilphead

Argyll

PA31 8RT

Dear Committee Members and Controller of Audit,

Annual Audit Report – Year ended 31 March 2023

We are pleased to present our Annual Audit Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions and findings from our considerations of the wider scope audit specified in the Code of Audit Practice 2021 namely, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 3 May 2023 to the Audit Committee. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the Council's team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07813752053.

Yours faithfully

Cameron Waddell (Partner)

Mazars LLP

Mazars LLP – 26 Mosley Street – Newcastle upon Tyne – NE1 1DF

Tel: 0141 227 2400 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

Mazars LLP

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01

Section 01:

Executive summary

1. Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from Part VII of the Local Government (Scotland) Act 1973 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of Controls
- Valuation of the net defined benefit liability
- Valuation of property, plant and equipment
- Accounting for PFI and PPP contracts
- IT system change

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, some matters remain outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Conclusions from our audit testing and audit opinion

We have concluded our audit in respect of the financial statements for the year ended 31 March 2023. Based on our audit work completed to date we have the following conclusions:



Audit opinion

We expect to issue an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Matters on which we report by exception

We are required by to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Governance Statement

We are required to report on whether the information given in the Annual Governance Statement is materially inconsistent with the financial statements; has not been properly prepared in accordance with the Delivering Good Governance in Local Government Framework 2016; or is materially misstated.

We have no matters to report in respect of the Annual Governance Statement.

1. Executive summary (continued)

Conclusions from our audit testing and audit opinion (continued)



Other information

We are required to report on whether the other information (comprising of Management's Commentary, Statement of Responsibilities and the unaudited parts of the Remuneration Report), is materially inconsistent with the financial statements; has not been properly prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; or is materially misstated.

No inconsistencies have been identified and we are proposing to issue an unmodified opinion in this respect.



Whole of Government Accounts (WGA)

The Council is below the threshold for auditor assurance set by the Scottish Government for all public bodies in Scotland. We are therefore not required to perform any examination of the Council's WGA return.



Wider powers

Section 101 of the Local Government (Scotland) Act 1973 requires us to give any person interested, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any such correspondence from electors.

1. Executive summary (continued)

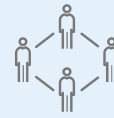
Best Value and Wider Scope conclusions

As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of the Council's performance of Best Value and community planning duties and make recommendations for improvement and, where appropriate, conclude on the Council's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

It remains the responsibility of the Council to ensure that it makes proper financial stewardship of public funds, complies with relevant legislation, and establishes effective governance of their activities. The Council is also responsible for ensuring that they establish arrangements to secure continuous improvement in performance and, in making those arrangements, ensure resources are being used to improve strategic outcomes and demonstrate the economy, efficiency, and effectiveness throughout the use of its resources. These arrangements should be proportionate to the size and type of the Council, appropriate to the nature of the Council and the services and functions that it has been created to deliver.



Wider Scope

We have not identified any risks in arrangements to report in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes arrangements that the Council has in place. Further detail on our Wider Scope work is provided in section 7 of this report.



Best Value

We have not identified any risks to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Best Value work is provided in section 8 of this report including any significant risks identified.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Risk of material adjustment or significant change	Description of the outstanding matters
Audit quality control and completion procedures	Medium	Completion of Manager and Partner review and our quality control processes in respect of the audit. Review of post balance sheet events up to the point at which we sign our audit report.
Annual report and accounts and letter of representation	Low	We will complete our final review of the annual report and accounts upon receipt of the final signed version of the accounts and letter of representation.
Trust Accounts	Low	We are still performing procedures in regard to the Trust's audit. We plan to complete the Trust's Audit within March 2024.
Property, Plant and Equipment Valuation	Low	We are finalising our work in this area
Income Cut Off	Low	We are finalising our work in this area
Expenses Cut Off	Low	We are finalising our work in this area
Loans and borrowings	Low	We are finalising our work in this area
Grant Income	Low	We are finalising our work in this area

High - Likely to result in material adjustment or significant change to disclosures within the financial statements.

Medium - Potential to result in material adjustment or significant change to disclosures within the financial statements.

Low - Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £8.907m for the Council and £8.997m for its group using a benchmark of 2% of gross revenue expenditure at surplus/deficit level. Our final assessment of materiality, based on the final financial statements, is £9.529m for the Council and £9.665m for the group using the same benchmark.

We set a clearly trivial level at the planning stage of the audit of £267k for the Council and £269k for the group. We have capped this at £250k to comply with the maximum threshold allowed by Audit Scotland.

Use of experts

We used our experts to assist us in obtaining sufficient appropriate audit evidence in relation to specific areas of the accounts. In addition to the experts listed in our Audit Strategy Memorandum, we used Mazars' Real Estate Valuation Team to review the Council's valuation methodology on DRC and EUV assets, consider the Council's non-revalued assets methodology on DRC assets and review the Council's approach to non-revalued EUV assets.

Charitable Trusts

At the planning stage of the audit, we set separate materialities for each of the charitable trusts. We have reviewed our methodology and set a single materiality to reflect that the charitable trusts financial statements are covered by a single audit opinion. Our provisional materiality at the planning stage of the audit was set at £15,500. Our final assessment of materiality, based on the final financial statements, is £15,359 using the same benchmark.

We have provided our consideration of our independence as part of the Council engagement and Charitable Trust engagement in Appendix C.

3. Audit approach (continued)

Group audit approach

Group component	Approach adopted	Key points or other matters to report
Argyll and Bute Integration Joint Board	Desktop review procedures	No key points to report
Dunbartonshire and Argyll & Bute Valuation Joint Board	Desktop review procedures	No key points to report
Strathclyde Partnership for Transport	Desktop review procedures	Consolidation basis challenged and amended
Strathclyde Concessionary Travel Scheme Joint Committee	Desktop review procedures	Consolidation basis challenged and amended
Live Argyll	Audit of one or more account balances, classes of transactions or disclosures. i.e. pensions related transactions, balances and disclosures.	Assurances were not received from the Strathclyde Pension Fund auditor in relation to Live Argyll's pension figures, leading to the audit team needing to perform alternative procedures. .
Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan	Desktop review procedures	No key points to report

Full audit

Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures

Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures

Performance of specific audit procedures on the component's financial information

Review procedures

Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 19 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls (Council and Charitable Trusts)**Description of the risk**

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through:

- Reviewing the key areas of the financial statements where management has used judgement and estimation techniques and considering whether there is evidence of unfair bias;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and
- Considering and testing any significant transactions outside the normal course of business or otherwise unusual.

Audit conclusion

Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material issues to bring to your attention.

4. Significant findings (continued)

Valuation of property, plant and equipment**Description of the risk**

The Council held land and buildings (including council dwellings) with a net book value of £415 million at 31 March 2022, and £451 million at 31 March 2023. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five-year cycle. This may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have been revalued in year is materially different from the year end fair value.

Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk through:

- Assessing the scope and terms of engagement with the in-house Valuer;
- Assessing the competence, skills and objectivity of the in-house Valuer;
- Assessing how management use the in-house Valuer's report to value land and buildings included in the financial statements;
- Testing the accuracy of the data used in valuations;
- Challenging the Council and in-house Valuer's assumptions and judgements applied in the valuations;
- Reviewing the valuation methodology used, including the appropriateness of the valuation basis; and
- Considering the reasonableness of the valuation by comparing the valuation output with market intelligence.
- Testing a sample of revaluations in the year, by agreeing the revaluations recorded in the Annual Accounts to the in-house valuer's reports. As part of this testing, we have confirmed that the movements have been accounted for in accordance with the Code.
- Challenging management's assessment for those assets not subject to valuation in the year and consulted with our internal property experts.
- For those valued on Existing Use Value on a market comparable basis, our property experts assisted us in checking market movements and confirmed immaterial potential movement for 2022/23.
- For those valued on a Depreciated Replacement Cost basis, which would be impacted by changes in build costs during the year, we tested management's analysis of changes in the Build Costs Information Service (BCIS) index with no exceptions noted.

We engaged the Mazars Real Estate Valuation Team to assist us with the above.

Audit conclusion

Except for the work highlighted in section 2 of this report, our work in this area is substantially complete, and we do not expect to report any material issues for your attention. We note that there was robust discussion with management and additional audit effort on assumptions around assets not revalued in the year measured at Existing Use Value, in arriving at this conclusion.

4. Significant findings (continued)

Valuation of the net defined benefit liability/surplus**Description of the risk**

The Council had a net defined benefit surplus of £4.6 million at 31 March 2022, and a net defined benefit surplus of £232 million in the unaudited accounts at 31 March 2023. Estimation of the net pension asset or liability depends on several complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk through:

- reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators (Strathclyde Pension Fund).
- assessing the skill, competence and experience of the Fund's actuary;
- challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation. We for example challenged the basis for the computation of asset ceiling used by the actuary in terms of the time horizon of funding applied to the Council in computing the present value of past service contributions, leading to a revision in time horizon applied in the computation from the initial 12 years to indefinite period/perpetuity. This resulted in the Council revising its pension asset down to £139.014m from the £232m in the unaudited accounts for 2022/23.
- carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation;
- Obtaining assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary. In this regard, we noted from the assurance received a net understatement error in pension assets, which when applied to the Council based on a proportion of council's pension assets to total pension fund assets resulted in an estimated unadjusted error/understatement of pension assets of £2.417m. See Section 6.
- Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund Annual Accounts;

Audit conclusion

Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material unadjusted issues to bring to your attention. We note that there was robust discussion with management and additional audit effort on assumptions around the value of pension assets recognised in the financial statements. Subsequently management passed audit adjustments to the financial statements in respect of revised asset ceilings, see Section 6.

4. Significant findings (continued)

Key areas of management judgement and enhanced risk

Accounting for PFI and PPP contracts**Description of the risk**

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. Therefore, the assets are included on the Council’s 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” has not been created and that the Council does not have significant control over the services being provided. Therefore, the asset has not been included on the Council’s Balance Sheet and payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account.

The method of accounting for PFI and PP assets can be complex and involves management judgement as set out in Note 3 to the financial statements. Therefore, there is a potential risk of material misstatement if the Council fails to appropriately account for these assets.

How we addressed this risk

We addressed this risk through reviewing the Council’s adopted approach for accounting for its PFI and PPP schemes.

Audit conclusion

Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material unadjusted issues to bring to your attention

4. Significant findings (continued)

Key areas of management judgement and enhanced risk

IT system change

Description of the risk

During the year, the Council changed its core financial accounting system to Oracle Fusion. At the time of implementation, the Council undertook detailed mapping and matching exercises to ensure that 2021/22 balances and 2022/23 transactions were accurately and completely transferred from the old to the new system.

How we addressed this risk

We undertook a high-level assessment of the data migration governance to address the completeness and accuracy of the system implementation. As part of our work we undertook sample testing of balances being transferred between the systems to ensure their completeness and accuracy.

Audit conclusion

Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material unadjusted issues to bring to your attention

4. Significant findings (continued)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

The unaudited annual report and accounts were received from the Council and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- **First year audit procedures.** Auditing standards require us to carry out additional specific procedures for the first year of an audit. These include: seeking professional clearance confirmations from the predecessor auditor, reviewing the predecessor auditor's working papers and reports and specific procedures over brought forward balances. As part of this work, we discussed controls in place for key information systems with management.
- **Audit of areas with Complex Accounting Estimates.** As outlined in the previous section, we discussed with management and tested the areas of valuation of defined benefit liability/assets and property, plant and equipment as areas involving complex estimations and judgement. These areas took significant audit effort.
- **Consideration of Consolidation Basis.** We discussed with management in detail the consolidation basis for its related parties, in particular the Strathclyde Partnership for Transport and the Strathclyde Concessionary Travel Scheme Joint Committee, which were initially accounted for as associates in the Group Accounts of the Council but did not appear to meet the criteria set in the Code and accounting standards.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management.

The Council did not meet the submission date of 30 September 2023, specified in the Local Authority Accounts (Scotland) Regulations 2014, for approval of its audited annual accounts. Mazars has discussed the implications of this with Audit Scotland who confirmed there are no consequences for the Council.

The main reasons the submission date was not met include:

- Significant difficulties in recruiting auditors with relevant skills and experience. Whilst these have been resolved, the delay in recruitment significantly impacted on our ability to deliver the audit on a timely basis.
- The need to undertake additional work in the first year of the audit to gain assurance over the opening balances in the financial statements and understand the Council.
- The need to address the implementation of International Standard on Auditing (ISA) 315 Revised. This required the audit team to spend additional time on the audit
- Areas of the audit that required further attention upon commencement of the fieldwork phase due to complexity/judgement.

4. Significant findings (continued)

Wider responsibilities

The 1973 Act gives rights to any person interested, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

We are required to notify the Controller of Audit when circumstances indicate that a statutory report may be required.

- Section 102(1) of the 1973 Act allows us to prepare a report to the Commission about the Council's accounts; matters that have arisen during the audit that should be brought to the attention of the public; or the performance of the Council in their duties relating to Best Value and community planning.
- Section 102(3) of the 1973 Act allows us to make a special report to the Commission if an item of account is contrary to law; there has been a failure on someone's part to bring into account a sum which ought to have been brought into account; a loss has been incurred or deficiency caused by the negligence or misconduct of a person, or by the failure of a body to carry out a duty imposed on them by any enactment; or a sum which ought to have been credited or debited to one account of a body has been credited or debited to another account and the body has not taken, or is not taking, steps to remedy the matter.
- Section 97A of the 1973 Act allows us to undertake or promote comparative and other studies to make and publish recommendations for the securing by local government bodies of Best Value, improving economy, efficiency and effectiveness in the provision of services by local government bodies and improving the financial or other management of local government bodies.

We have no indication that a statutory report may be required.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Audit Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations (continued)

Other deficiencies in internal control – Level 2

Description of deficiency – Property Plant and Equipment Valuation Reconciliations

The Council does not as regular practice maintain a summary of the results of the inhouse valuation undertaken under Programme 1 and Programme 2, showing total values of assets revalued under each category and reconciling the assets revalued as part of the 5-year rolling programme to the valuation certificates and to the amounts recorded in the Fixed Assets Register and General Ledger.

Potential effects

The lack of this summary/reconciliation could mean that the completeness and valuation of Property, Plant and Equipment are misstated. The lack of this reconciliation also contributed to making this audit area difficult and time consuming to reconcile the valuation reports with the fixed asset register with the general ledger. This also led to additional requests being made during the audit process.

Recommendation

As regular practice, management should prepare and maintain a reconciliation of the results of any revaluation exercises conducted with the fixed asset registers/general ledger and maintain summaries that agree as appropriate.

Management response

We currently carry out a reconciliation/check between the General Ledger, Asset Register and Valuation Certificates, however, there is no summary spreadsheet that demonstrates this 3 way check, only the check between the General Ledger and Asset register is recorded. We will look to provide a summary spreadsheet to assist the audit process in future years.

Other deficiencies in internal control – Level 2

Description of deficiency – Errors in Exit Packages

Our testing of payroll identified four (4) exit packages that had errors on the redundancy request forms and amounts per workings. The differences were likely due to the two information systems used by the Council that is the HR system and the redundancy forms which would have been signed prior to the member leaving.

Potential effects

Amounts paid out to former staff may be inaccurate and could lead to complaints and further action by affected staff and reputational risk for the Council.

Recommendation

Management should use one system (HR system) for the calculation of exit packages.

Management response

The redundancy forms are signed off at an early stage in the process of allowing an employee to leave and the figures at that time are an estimate of the costs that will be incurred. As this form is authorised several weeks before the official agreed leaving date the figures can change and the actual amount due to the employee can be different from the original estimate. The four differences picked up by MAZARS had already been identified during the accounts preparation process, checked with HR and the appropriate back-up was provided to Mazars as part of the audit. There will always be a small movement in figures between the date the form is signed and the leaving date. This is not an error and is unavoidable but provides the best estimate at that point in time.

5. Internal control recommendations (continued)

Other recommendations in internal control – Level 2

Description of deficiency – Related Parties Declarations

Our testing of identified several Annual Declaration forms for the Councillors had not been signed and the form initially submitted for audit had no dates, signatures. As the audit progressed more forms were subsequently obtained and provided to us.

Potential effects

Councillors/management not acting in the best interest of Council or with conflicts of interest may not be identified in a timely manner.

Recommendation

Management should establish and improve the procedures around annual declaration forms for related party transactions and work closely with Councillors and other relevant related parties to ensure the declarations are appropriately completed and signed off, in a timely manner.

Management response

We will consider how to revise our current process to ensure that we receive completed forms back from all Elected Members in a timely manner.

5. Internal control recommendations (continued)

Follow up on previous internal control points

Description of deficiency

The Charities Accounts (Scotland) Amendment Regulations 2010 permits a single set of accounts for connected charities. However, Argyll and Bute Council does not apply the connected charities provision and currently prepares a separate set of annual accounts for each Section 106 charity.

Potential effects

Duplication of efforts on the Finance Team.

Recommendation

The Council should apply the connected charities provision to reduce the number of annual accounts prepared for its Section 106 charities.

2022/23 update

For 2022/23 the Council has applied the connected charities provision as recommended. Resolved.

Follow up on previous internal control points

Description of deficiency

The previous auditors requested that management, in consultation with a qualified valuer, carried out an additional assessment of the value of assets that had not been valued in 2021/22.

Potential effects

As a result of this work, the estimated value of non-current assets increased by £29.9 million.

Recommendation

Management should put in place a process to ensure that an assessment of the value of assets not revalued in year is carried out on an annual basis.

2022/23 update

In 2022/23 management had in place a process to ensure that they assessed the value of assets not revalued in year. We noted one exception to this in terms of assets valued under Existing Use Value, but upon further discussion, the estimated difference in value for these assets was not significant. Resolved.

06

Section 06:

Summary of misstatements

6. Summary of misstatements - Council

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £250k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1	Debit: Pension Asset			2,417		To adjust for error apportioned to Argyll and Bute Council from Strathclyde Pension Fund for understatement of private equity, debt infrastructure and direct impact portfolio
1	Credit: CIES Remeasurement of net defined liability		2,417			
Total unadjusted misstatements			2,417	2,417		

6. Summary of misstatements – Council (Continued)

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £250k. There were no unadjusted misstatements. The table outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements

	Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1 Debit: Pension Reserve			99,179		To adjust pension liability for the asset ceiling
1 Credit: Pension Liability				99,179	-
2 Debit: Pension Liability			6,120		To recognise revised remeasurements in Other Comprehensive Income and Expenditure from amended Actuary's report
2 Credit: Pension Reserve				6,120	-
3 Debit: Expenditure Bank Account			1,586		Reversal of Matching adjustments to reflect previously done adjustments.
3 Credit: Live Argyll Expenditure Bank Account				1,586	-
4 Debit: Expenditure Bank Account			1,554		Reversal of Matching adjustments to reflect previously done adjustments.
Credit: Live Argyll Expenditure Bank Account				1,554	-

6. Summary of misstatements – Council (Continued)

Adjusted misstatements (Continued)

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
5	Debit: Expenditure Bank Account			1,443		Reversal of Matching adjustments to reflect previously done adjustments.
1	Credit: Live Argyll Expenditure Bank Account				1,443	-
6	Debit: Expenditure Bank Account			1,346		Reversal of Matching adjustments to reflect previously done adjustments.
2	Credit: Pension Reserve				1,346	-
7	Debit: Expenditure Bank Account			629		Reversal of Matching adjustments to reflect previously done adjustments.
3	Credit: Live Argyll Expenditure Bank Account				629	-
8	Debit: Expenditure Bank Account			348		Reversal of Matching adjustments to reflect previously done adjustments.
	Credit: Live Argyll Expenditure Bank Account				348	-
	Total adjusted misstatements			112,205	112,205	-

6. Summary of misstatements (continued)

Disclosure amendments

We identified the following disclosure adjustments during our audit that have been corrected by management:

- Remuneration report:- Minor disclosure narrative amendments to the remuneration report
- The figure for depreciation in the unaudited accounts within Note 7.1 was incorrect at £35,089. The council amended the Note to correct this figure to £27,828.
- The amount originally disclosed for the climate change project NDEEF1 contract was incorrect - originally £1,370k, this was amended to £1,192k following audit testing
- Amount disclosed under IFRS15 changed on Note 7.2 – with the IFRS15 revenue disclosed increasing from £28,063k to £32,900k within the note
- Note 27.1 Financial instruments was amended to eliminate assets and liabilities whose nature meant they were excluded from recognition as financial instruments in line with the Code.
- Note 36 in the audited Financial Statements updated total net assets for trusts to £2,278k from £2,273k in the unaudited financial statements.
- There were other adjustments to the annual report and accounts for minor disclosure, consistency or presentational matters.

We identified the following minor disclosure adjustment during our audit that has not been corrected by management:

- The Statement of Cashflows was presented in a manner slightly inconsistent with established practice, in that the movements in operating cash flow were represented in the direction opposite to the expectation for example increase in debtors represented as a positive cash flow movement rather than negative.

6. Summary of misstatements – Group

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £250k.

Adjusted misstatements

	Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1	Debit: Comprehensive Income and Expenditure Statement		5,644		To derecognize the consolidated Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee
1	Credit: Investment in Associates and Joint Ventures (previously accounted for on an equity basis)			5,644	
Total Adjusted misstatements			5,644	5,644	

07

Section 07: **Wider scope**

7. Commentary on Wider Scope

Overall summary



7. Commentary on Wider Scope

Wider scope summary





As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of the Council's performance of Best Value and community planning duties and make recommendations for improvement and, where appropriate, conclude on the Council's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
 Financial management	33	No	No	No
 Financial sustainability	39	Yes – see risk 1 on page 40	No	No
 Vision, leadership and governance	42	No	No	No
 Use of resources to improve outcomes	46	No	No	No

7. Commentary on Wider Scope

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



7. Financial management

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial management culture	<p>The Council has approved a Local Code of Corporate Governance. This sets out its commitment to achieving good governance. The Code covers how the Council will manage risks and its performance through robust internal control and strong public financial management.</p> <p>The Council has a system of internal control which is designed to manage risk to a reasonable level. Key features include:</p> <ul style="list-style-type: none"> • Codes of conduct for employees and members • Scheme of delegation, standing orders and financial regulations • Regular management information, financial regulations and a system of delegation and accountability • A risk management framework and strategic risk register • An induction programme for new and returning councillors and regular training seminars. 	<p>The Council has an appropriate financial management culture in place. It reviews its system of internal financial control annually.</p>	<p>No significant issues identified.</p>

7. Financial management (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Accountability	<p>Officers regularly presented financial performance reports to the Council during 2022/23 to update members on the Council’s position against budget and the progress of savings programmes. The reports provide sufficient detail for Council members to effectively scrutinise the Council’s finances.</p> <p>In 2022/23, the Council recorded an accounting deficit of £6.047 million within the Comprehensive Income and Expenditure Statement.</p> <p>There was an overall underspend against the revenue budget of £3.273 million.</p>	The Council has appropriate budget monitoring and reporting arrangements in place.	No significant issues identified.

7. Financial management (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption	<p>The Council has established arrangements for preventing and detecting fraud and corruption. These include:</p> <ul style="list-style-type: none"> • Whistleblowing policy • Anti-fraud strategy • Codes of conduct for councillors and officers. <p>The Council has a dedicated counter-fraud team which sits within its internal audit function to investigate fraudulent claims covering tenancy, procurement, council tax reduction, Scottish Welfare Fund, social care, employee, insurance, council tax exemptions and discounts and blue badges. Individuals can report concerns by phone, email or through an online form on the Council’s website.</p>	<p>The Council has appropriate arrangements to prevent and detect fraud and corruption.</p>	<p>No significant issues identified.</p>

7. Commentary on Wider Scope

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



7. Financial sustainability

Significant risks

We have outlined below the risks of significant risks in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1	<p>Financial sustainability Councils continue to face significant financial challenges with pressures on funding and increasing demand for services.</p> <p>Budget estimates (prior to setting the 2024/2025 budget) anticipate an in-year budget gap of £10.167 million for 2024/25, rising to a cumulative budget gap of £39.471 million by the end of 2028/29 based upon a ‘midrange’ scenario. The Council’s ‘worst case’ scenario highlights a potential £90.133 million cumulative budget gap by the end of 2028/29. These figures do not include potential future years options e.g. fees and charges inflationary increase, council tax increase, etc.</p> <p>This represents a risk in relation to financial sustainability, impacting on the future provision of services in the Council’s area.</p>	<p>Work undertaken We reviewed the Council’s:</p> <ul style="list-style-type: none"> • medium to long term financial strategy; • financial position and track record in delivering planned recurrent and non-recurrent savings in 2022/23; • financial performance in 2023/24 and updates to its financial planning during the year, including the implications for general reserves balances; • regular reporting to members on financial performance, savings plans and financial risks; and • progress in developing plans to address future year budget gaps. <p>Results of our work</p> <ul style="list-style-type: none"> • The Council achieved planned savings in 2022/23. • The Council reported an overall accounting deficit within its Comprehensive Income and Expenditure Statement. • The Council had an underspend on the revenue budget in 2022/23 of £3.273 million. • Officers present regular financial updates and budgetary control reports to Council meetings. These provide an update on the general services revenue budget and the Council’s capital programme. Reports include additional information on budget variances and updates on the progress of agreed savings. • The Council has established a cross-party budget working group to ensure that there is early engagement on budget proposals. • The Budget for 2024/25 has been approved in February 2024, with the Council being the first in Scotland to approve a Council Tax increase, with this set to be at 10%, against the backdrop of the Scottish Government’s council tax freeze. This shows the ability of the Council to make tough decisions in order to maintain its provision of services.

7. Financial sustainability (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial planning	<p>Officers present four financial updates a year to Council meetings. These provide an update on the financial challenges facing the Council and estimated revenue budget gaps under best case, worst case and mid-range scenarios. Scenarios are based on financial planning assumptions that are updated by officers on an ongoing basis.</p> <p>The Council faces a very challenging financial position. Its mid-range case scenario, after some assumptions on future years options, and after the 2024/25 budget was approved, projects the following in-year budget gaps:</p> <ul style="list-style-type: none"> • £4.908 million in 2025/26 • £5.479 million in 2026/27 • £5.782 million in 2027/28 • £3.122 million in 2028/29 <p>The Council has established a cross-party budget working group to ensure that there is early engagement on budget proposals. The Council has approved a Council Tax increase of 10% for Argyll and Bute area for 2024/25 to enable sustainability of provision of services.</p>	<p>The Council has effective financial planning, with an established process to ensure there is early engagement of budget proposals. Councillors and officers need to continue working together to make the difficult decisions to respond to the Council's challenging financial position.</p>	<p>No significant issues identified.</p>

7. Commentary on Wider Scope

Vision, leadership and governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



7. Vision, leadership and governance

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Clarity of plans to implement the vision	<p>The Council adopted its Strategic Plan 2023 – 2027, known as the Corporate Plan. This sets a clear vision and key commitments for the Council over the period. The Council’s priorities for 2023 to 2027 are categorised under the themes of:</p> <ul style="list-style-type: none"> • Education; • Roads, Amenities and Infrastructure; • Potential and Growth - turning opportunities into reality; and • Partnership and Action - everyone has a part to play in Argyll and Bute's success. 	<p>The Corporate Plan sets a clear vision for the Council for the four-year period. This focuses on working with residents, communities, and businesses to deliver the best possible services and targeting resources to those most in need.</p>	<p>No significant issues identified.</p>
Strategy and priorities	<p>The Council has described what success will look like for each of its objectives. The Corporate Plan also includes measures of success for each priority and sets out key commitments.</p> <p>The Corporate Plan measures are based on improving key performance indicators over the four years of the plan. Services are responsible for setting targets for these measures in delivery plans and regularly monitoring and reporting progress.</p>	<p>The Corporate Plan sets out objectives, measures of success and key commitments under each priority.</p>	<p>No significant issues identified.</p>

7. Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Governance arrangements	<p>The Council’s governance arrangements are centred on Council meetings, service committees and the Audit and Scrutiny Committee.</p> <p>Council and Audit and Scrutiny Committee meetings are well attended by councillors and papers are subject to a good level of scrutiny.</p> <p>Council and committee meeting papers and minutes are available on the Council’s website and meetings are open to the public. Deputations can be heard at meetings of the Council and its principal committees. In addition, the Council Area Committees have a standing agenda item for Public Questions to be put and answered.</p>	<p>The Council has appropriate governance arrangements in place. We found evidence of effective scrutiny and challenge, and transparent decision making at Council and Audit Committee meetings.</p>	<p>No significant issues identified.</p>

7. Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Financial and performance information	<p>Officers present regular financial updates and budgetary control reports to Council meetings. The budgetary control reports provide an update on the general services revenue budget and the Council's capital programme. These reports include additional information on budget variances and updates on the progress of agreed savings.</p> <p>The Council reports progress against delivery plans to councillors through its service committees. These reports show the performance of each service against its performance indicator targets and progress in delivering agreed actions.</p>	<p>The Council provides councillors with sufficient information to allow effective scrutiny of its finances and performance. The Council's annual performance report is clearly presented and accessible.</p>	<p>No significant issues identified.</p>

7. Commentary on Wider Scope

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.



7. Use of resources to improve outcomes

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Resources deployed to improve strategic outcomes	<p>The Council has a workforce planning process in place. It covers the strategic and team specific levels . This includes a risk matrix to identify areas of priority. Workforce issues appear on risk registers where appropriate and action plans are also in place. The strategic workforce plan is being integrated into the new people strategy to create a single delivery plan.</p> <p>The Council's 2023/24 budget, agreed in February 2023, reflected its strategic priorities. There is evidence of budget decisions that support the council's priorities.</p>	<p>The Council's resource plans are aligned with its strategic plan. It can demonstrate 2023/24 budget decisions which reflected its strategic priorities.</p>	<p>No significant issues identified.</p>

7. Use of resources to improve outcomes (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
<p>Needs of service users being met</p>	<p>The Council’s delivery plans set out how it will achieve its strategic priorities. There is a Council-wide annual business plan as opposed to individual service delivery plans.</p> <p>The Annual Business Plan sets out the strategic priorities for all services and demonstrates how they align with the Council’s priorities and the Local Outcomes Improvement Plan.</p>	<p>The Council, through its Annual Business Plan, has identified how services will contribute to achievement of its strategic priorities and objectives. The Council consults regularly with service users to understand how it can meet their needs.</p>	<p>No significant issues identified.</p>

7. Use of resources to improve outcomes (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Arrangements to deliver continuous improvements in priority services	The Council's corporate plan sets clear objectives and highlights the services it plans to prioritise. This plan measures are based on improving key performance indicators over the four years of the plan. Services are responsible for setting targets for these measures in delivery plans and regularly monitoring and reporting progress.	The Council has clear priorities and suitable arrangements in place to measure improvement. The Council is looking at opportunities to make efficiencies through service innovation.	No significant issues identified.

08

Section 08: **Best Value**

8. Best Value

Best Value summary

Under the Code of Audit Practice, the audit of Best Value is fully integrated within our annual audit work. We are required to assess the seven Best Value themes at the Council over the period of the audit appointment. We have used a risk-based approach that is proportionate to the size and type of the body, to assess whether the Council has made proper arrangements for securing Best Value and is complying with its community planning duties. We have also followed up on previously reported Best Value findings which has assessed the pace and depth of improvement.

We will also conduct thematic reviews as directed by the Accounts Commission. In 2022/23 this will be on the effectiveness of council leadership in developing new strategic priorities following the elections in May 2022. We have prepared a separate management report to document the findings of this work which can be found on Audit Scotland's website.

At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Council is included in the first year of the programme which runs from October 2023 to August 2024.

At the planning stage of the audit, we undertook work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant risks in those arrangements. We have kept our understanding of arrangements under review and updated our risk assessment throughout the audit to reflect emerging issues that may suggest significant risks in arrangements exist. The following slides outline the work that we have undertaken for each of the seven Best Value themes and any improvements or risks in arrangements that have been identified as part of our assessment. We have reported recommendations for the risks identified.

8. Best Value (continued)

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
 Best Value	53	No	No	No
 Thematic reviews	58	No	No	No
 Climate change	61	No	No	No
 Statutory Performance Indicators	62	No	No	No
 Service Performance	64	No	No	No

8. Best Value (continued)

Our overall assessment of the Best Value themes

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Vision and leadership	<p>Our 2022/23 Best Value thematic review considered:</p> <ul style="list-style-type: none"> • How clear is the new Council vision and its priorities? • Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them? 	<p>The Council has a clear vision with three outward facing priorities and one inward looking.</p> <p>The Council needs to maintain effective leadership to continue to achieve its priorities and to make the difficult decisions to respond to its challenging financial position.</p>	None identified.	No significant issues identified.
Governance and accountability	<p>Our 2022/23 wider scope work considered:</p> <ul style="list-style-type: none"> • Whether the Council can demonstrate that its governance arrangements are appropriate and operating effectively? • Is there evidence of effective scrutiny, challenge and transparency on decision making at governance committees? <p>See page 44.</p>	<p>The Council has appropriate governance arrangements in place. We found evidence of effective scrutiny and challenge, and transparent decision making at Council and Audit Committee meetings.</p>	None identified.	No significant issues identified.

8. Best Value (continued)

Our overall assessment of the Best Value themes (continued)

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Effective use of resources	<p>Our 2022/23 Best Value thematic review considered:</p> <ul style="list-style-type: none"> How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities? 	<p>The Council's annual business plans, and workforce and digital strategies are aligned with its corporate plan. It can demonstrate 2023/24 budget decisions which reflected its strategic priorities.</p>	None identified.	No significant issues identified.
Partnerships and collaborative working	We did not assess this theme in 2022/23.	N/A	N/A	N/A
Working with communities	<p>Our 2022/23 Best Value thematic review considered:</p> <ul style="list-style-type: none"> How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council? 	<p>The Council knows it needs to work effectively with citizens and communities to achieve its strategic objectives. Community budgeting and participatory budgeting are two ways it is involving local people in decision making.</p>	None identified.	No significant issues identified.

8. Best Value (continued)

Our overall assessment of the Best Value themes (continued)

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Sustainability	We did not assess this theme in 2022/23.	N/A	N/A	N/A
Fairness and equality	Our 2022/23 Best Value thematic review considered: <ul style="list-style-type: none"> • How effectively do the Council priorities reflect the need to reduce inequalities? 	Actions to reduce inequalities underpin the Council’s priorities and objectives. The Council is focussing on providing support to communities affected by the cost-of-living crisis.	None identified.	No significant issues identified.

8. Best Value (continued)

Follow up of previously-reported recommendations

We are required to follow up Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports and Annual Audit Reports.

In 2020 Audit Scotland reported recommendations to the Council to address risks identified from its Best Value audit. As part of our work in 2022/23, we followed up the progress made by the Council against the recommendations made and determined whether the risk remained during the year.

	Best Value finding as reported by previous auditor	Management response and implementation timeframe	Work undertaken and judgements made in 2022/23	Conclusions reached
1	<p>Is the Council demonstrating continuous improvement?</p> <p>The Council should increase the pace of change through transformation to deliver the business outcomes and this should be monitored and reported on a regular basis.</p>	<p>The Council will develop and agree a refreshed approach to transformational activity, identify thematic areas of activity and explore opportunities to shift investment towards prevention and more effective and efficient interventions.</p>	<p>Progress against the recommendation</p> <p>Progress against the recommendation</p> <p>In September 2020, the Council embarked on the Performance Excellence Project. Some key changes arising from this project included the removal of Business Outcomes, the decommissioning of Pyramid (web-based performance management system), and the cessation of annual Service Plans.</p> <p>The project also led to the identification of a suite of 47 Corporate Outcome Indicators aligned to the Corporate Outcomes. The Corporate Outcome Indicators are reported annually.</p> <p>Quarterly performance reports continue to be presented to all 4 Area Committees; these largely contain indicators that are of interest at a local level.</p>	<p>Conclusions</p> <p>Complete</p>

8. Best Value (continued)

Follow up of previously-reported recommendations (continued)

	Best Value finding as reported by previous auditor	Management response and implementation timeframe	Work undertaken and judgements made in 2022/23	Conclusions reached
2	<p>The Council should assess the extent to which regeneration and economic development initiatives are delivering the vision and corporate outcomes. The Council should put in place robust options appraisal processes and a benefits monitoring framework, proportional to the size of initiatives, to evaluate the benefits and costs of future projects.</p>	<p>The Council will review options appraisal processes and benefits monitoring framework to ensure systems are robust and evaluate the benefits and costs of projects, create inter-departmental project review team and scope review of project process to align to BV3 Objective.</p> <p>Implementation timescale: April 2022</p>	<p>Progress against the recommendation Progress against the recommendation The Council is undertaking a wide number of initiatives relating to economic development activity. These include the ongoing work relating to the Rural Growth Deal and various other outline business cases they are undertaking in relation to the agreed themes with Government. These considerations include option appraisals, and following approval by the Council and both Governments, full business cases will be submitted for final approval. As part of the RGD process the Council is also required to develop a detailed realisation plan which will set out the anticipated benefits and how these will be monitored over the lifetime of the RGD programme.</p>	<p>Conclusions Complete</p>
3	<p>Community Engagement The Council should work with communities and community groups to understand and address their concerns and establish priorities in how it can better support them. This should include engaging with communities to understand and improve levels of satisfaction with council services.</p>	<p>The Council will engage with communities to understand and improve levels of satisfaction with council services in order to understand and address their concerns. Implementation timescale: December 2021</p>	<p>Progress against the recommendation The Council has established a Community Engagement group to develop its engagement framework. This group has council wide representation. It will determine the overall strategic approach, tools to share engagement activities and any findings internally and will support the learning/ training of staff to build knowledge and confidence around engagement activity. This group will also lead on establishing a dedicated space for the public to view engagement findings. The Council carries out regular satisfaction surveys through the customer service centre.</p>	<p>Conclusions Complete</p>

8. Best Value (continued)

Thematic reviews

The Accounts Commission reports nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. As appointed auditors of the Council we are required to report on Best Value or related themes thematic work prescribed by the Accounts Commission. For the thematic work in 2022/23, we are required to carry out an overview of the effectiveness of the Council's leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. As part of this review, we are required to report on the areas documented in the table below. The full thematic review report for the Council can be found on Audit Scotland's website.

Thematic themes	Our findings	Our judgements	Risks identified
Council vision and priorities	<p>The Council agreed a new approach to Strategic Planning and Performance in November 2022. This included setting strategic priorities to support the Council, its citizens and businesses to recover and renew after the Covid-19 pandemic. The Council agreed a continued commitment to the vision of a successful, vibrant Argyll and Bute with a growing population and thriving economy.</p> <p>The Council promoted its priorities through its website and engagement with staff and trade unions and the Community Planning Partnership (CPP). The Council is working to ensure all decisions it makes are aligned with its priorities.</p>	<p>The Corporate Plan sets a clear vision for the Council for the four-year period. This focuses on working with residents, communities, and businesses to deliver the best possible services and targeting resources to those most in need.</p>	<p>No significant issues identified.</p>
Citizen and community engagement	<p>The Council has established a Community Engagement group to develop an engagement framework, which has council wide representation. This framework will provide the overall strategic approach. The group will then develop tools to be used in for engagement activities and will be used as the mechanism to allow representatives to share experience and findings from engagement activities undertaken. It is intended to facilitate learning and support for employees to help build their knowledge and confidence in engagement. .</p> <p>The Council carries out regular satisfaction surveys through its customer service centre. It is extending its ability to provide information on services and feedback using "bots" and has performed highly in Customer Service Excellence accreditation.</p>	<p>The Council knows it needs to work effectively with citizens and communities to achieve its strategic objectives.</p>	<p>No significant issues identified.</p>

8. Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
Reducing inequalities and tackling climate change	The Council's priorities and the locality plans focus on reducing inequalities and ensuring the Council distributes its resources fairly and equitably. The Council has a Child Poverty Action Plan, as well as a COVID Recovery Action Plan, which aim to tackle inequalities and address fairness. The Council has also made tackling climate change a priority and is developing a climate action plan setting out how it will support the Scottish Government's climate change targets.	Actions to reduce inequalities and combat climate change underpin the Council's priorities and objectives.	No significant issues identified.
Alignment of delivery plans	There is a Council-wide Annual Business Planning process in place. The Annual Business Plan replaces the Council's previous approach of having individual service plans. The Annual Business Plan sets out the strategic priorities for all services and demonstrates how they align with the Council's priorities and the Local Outcomes Improvement Plan.	The Council's annual business plans, and workforce and digital strategies are aligned with the corporate plan. It can demonstrate 2023/24 budget decisions which reflected its strategic priorities.	No significant issues identified.

8. Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
Leadership	<p>Officers and the administration’s elected members worked effectively to agree the Council’s refreshed priorities soon after the May 2022 council elections. The administration also worked with other councillors to gain consensus on the priorities. Officers engage with the administration in advance of council and service committee meetings and on major policy initiatives. There is also engagement and joint working between officers and elected members as guided by the Ethical Framework and the Constitution. Specific activities to support collaboration include:</p> <ul style="list-style-type: none"> • Members seminars; • the Budget Working Group which is cross party; • Policy Leads having dedicated time with Chief Officers relative to their portfolio, • the CEO holding weekly meetings with the Leader and Deputy Leader and, frequent one to one meetings with the Leader of the main opposition group; and • the CEO having a monthly joint session with all Group Leaders. <p>To demonstrate its commitment to good governance, there are codes of conduct for both members and employees in place which include a zero-tolerance policy on fraud. The Council has an internal audit department, which includes a counter fraud team, to investigate any such matters reporting to the Audit and Scrutiny Committee on investigations results.</p>	<p>Administration elected members and officers worked together to agree clear strategic priorities, objectives, and measures of success. The council needs to maintain effective leadership to continue to achieve its priorities and make the difficult decisions to respond to its challenging financial position.</p>	<p>No significant issues identified.</p>

8. Best Value (continued)

Climate change

In October 2021, the Scottish Government issued 'Public Sector Leadership on the Global Climate Emergency' guidance. This recommended that public bodies should consider climate risk and adaptation; reporting to external frameworks; and climate change performed linked to their objectives to ensure clear accountability on performance.

In September 2022, Audit Scotland issued 'Scotland's councils' approach to addressing climate change' guidance which highlighted the critical role that Councils have in meeting Net Zero targets by 2045. Councils should consider their plans to make sure they are adequate, there is transparency in what is included in targets, ensure actions are clear, and that detail is included about how the Council will deal with residual emissions. They should also be more transparent about any gaps between the level of impact their planned actions will have and the scale of the challenge. The guidance also highlights the importance of collaboration across councils, key partners and local communities.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Our commentary of the Council's climate change arrangements

The Council has set clear goals on becoming a net zero organisation by 2045. In 2023 it also achieved Bronze Carbon Literate accreditation. All committee reports also have to consider Climate Change implications as part of impacts. The Corporate Plan 2023-2027 specifically records several actions / priorities relating to climate change, for example reducing waste and increasing energy efficiency.

Argyll and Bute Council has a Decarbonisation Plan 2022-2025, supported by a Climate Change Action Plan with tangible actions. The Climate Change Action Plan is regularly updated.

The Council monitors and reports progress internally via its Climate Change Board.

The Council monitors and reports its progress via the Policy and Resources Committee. These committee papers are available to the public. There is further public reporting of progress via the statutory annual Public Bodies Climate Change Reporting, with reports submitted to Sustainable Scotland Network (as required by 'Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015' and Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020). Mandatory reporting began in 2015/16.

The Council also shares the Decarbonisation Plan, and Climate Change Action Plan Updates on its website.

8. Best Value (continued)

Statutory Performance Indicators

We are required to report on the Council's effectiveness and appropriateness of arrangements in place for complying with the Direction issued in December 2021, including the balance and timeliness of reporting to members along with its accessibility for citizens and communities.

The table below details our overall assessment of the Council's statutory performance indicators arrangements:

Council's arrangements	Our findings	Our judgements	Risks identified
Statutory Performance Indicator 1: Improving local services and local outcomes	<p>Statutory Performance Indicator (SPI) 1 requires a council to report its performance in improving local public services and progress against agreed desired outcomes</p> <p>The Council's website includes a section with information to help the public measure its performance. The website contains details on the nature of reports prepared and the frequency of preparation. It also contains links to strategic and area committee reports, as well as annual performance reports and the customer service charter and annual audit reports.</p> <p>The Council reports progress against its annual business plan to councillors. Progress is reported semi-annually to the Audit and Scrutiny Committee, and quarterly to Area Committees.</p> <p>On an annual basis, an annual performance review is undertaken by each service and an annual performance report is prepared and presented to the Council.</p>	<p>The Council has appropriate arrangements in place for complying with SPI 1.</p>	<p>No significant issues identified.</p>

8. Best Value (continued)

Statutory Performance Indicators (continued)

Council's arrangements	Our findings	Our judgements	Risks identified
Statutory Performance Indicator 2: Demonstrating Best Value	<p>SPI 2 requires a council to report its own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments.</p> <p>The Council's website includes a section on external audit and inspection reports with links to where reports can be found.</p> <p>The Council's website also includes its action plans in response to assessments made by audit, scrutiny and inspection bodies within the performance and improvement section of the website, for example its action plan on the previous Best Value Report 2020. It is fairly easy to find.</p>	<p>The Council is compliant with SPI 2.</p>	<p>No significant issues identified.</p>

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

E: Wider scope and Best Value ratings

Appendix A: Draft management representation letter

Cameron Waddell
Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

20 March 2024

Dear Cameron

Argyll and Bute Council - Audit for the Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Argyll and Bute Council (the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 95 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions undertaken by the Council have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Appendix A: Draft management representation letter

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at fair value are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Section 95 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Ultimate parent company

I confirm that the ultimate parent company for Argyll and Bute Council and its Group is the Scottish Government.

Other Matters

I confirm in relation to the following matters that:

- COVID-19 – I have assessed the continued impact of the COVID-19 Virus pandemic on the Council and the financial statements and those of the Group, including the impact of mitigation measures and uncertainties, and am satisfied that the financial statements and supporting notes fairly reflect that assessment.
- Ukraine – I confirm that I have carried out an assessment of the potential impact of the continued conflict in Ukraine on the Council and its Group and there is no significant impact on the Council's operations from restrictions or sanctions in place.
- I confirm that I have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council and its Group's ability to continue as a going concern, and on the post balance sheet events disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and its Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Performance related allocations

I confirm that I am not aware of any reason why the Council's funding allocation limits would be changed.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code), require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Annual Governance Statement

I am satisfied that the Annual Governance Statement fairly reflects the Council and its Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the Annual Governance Statement.

Annual Report

The disclosures within the Annual Report and the Remuneration Report fairly reflect my understanding of the Council and its Group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully
Kirsty Flanagan
Section 95 Officer

Appendix B: Draft audit report

Independent auditor's report to the members of Argyll and Bute Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on the financial statements

We certify that we have audited the financial statements in the annual accounts of Argyll and Bute Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Statement of Comprehensive Income and Expenditure, the Balance Sheet, the Statement of Movement in Reserves, the Cash Flow Statement and notes to the financial statements, including significant accounting policies, the Group Statement of Comprehensive Income and Expenditure, the Group Balance Sheet, the Group Statement of Movement in Reserves, the Group Cash Flow Statement and notes to the group financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of Argyll and Bute Council (the Council) and its group as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the Council and its group's current or future financial sustainability. However, we report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

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

Responsibilities of the Section 95 Officer and the Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Section 95 Officer is responsible for the preparation of financial statements, that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Section 95 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Appendix B: Draft audit report

In preparing the financial statements, the Section 95 Officer is responsible for assessing each year the Council and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the Council and its group's operations.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its group;
- inquiring of the Section 95 Officer as to other laws or regulations that may be expected to have a fundamental effect on the Council and its group;
- inquiring of the Section 95 Officer concerning the Council's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

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

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

Other information

The Section 95 Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Appendix B: Draft audit report

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Cameron Waddell
For and on behalf of Mazars LLP
Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix C: Independence (continued)

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 20 June 2023. We were appointed as auditors for the Council in the 2022/23 financial therefore no comparatives have been provided in the below table. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees
Auditor remuneration	£237,440
Pooled costs	£0
Contribution to PABV costs	£57,770
Audit support costs	£9,000
Sectoral cap adjustment	(£2,030)
Sub-Total	306,240
Additional fees in respect of additional testing to reflect the transition to a new ledger in 2022/23	4,225
Total fees	£310,465

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council.

Fees for audit of Charitable Trusts





The audit fee in table above does not include the cost of auditing the Council's charitable trusts. The Fee for these was £6,500.

Services provided to other entities within the Council's group




We provided the external audit of the following entities within the Council's group:

- Argyll and Bute Integration Joint Board (total fee of £31,470)
- Dunbartonshire and Argyll & Bute Valuation Joint Board (total fee of £8,790).
- Live Argyll (estimated total fee for 2022/23 of £16,000).

Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Section 95 Officer that Argyll and Bute Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications (continued)

	Other communication	Response
	Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition, we have assessed the adequacy of the Council's arrangements for preventing and detecting fraud or other irregularities as part of the wider scope audit and concluded that they are sufficiently designed and implemented.</p> <p>We will obtain written representations from management, and the Audit Committee, confirming that:</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
	National Fraud Initiative	<p>The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the UK's Cabinet Office, designed to prevent and detect fraud. The NFI uses data analytics to compare information held on individual by different public bodies to highlight the existence of fraud or error.</p> <p>The Council has received matches for investigation in 2023 and followed up on the 2 high risk cases. We have monitored the Council's participation and progress during the 2022/23 audit. During the 22/23 NFI exercise, the Council closed 77% of all high-risk matches processed.</p>

Appendix E: Wider scope and Best Value ratings

We need to gather sufficient evidence to support our commentary on the Council’s arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to the Council and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each wider scope area based on the work we have performed.

Rating	Description
Level 1	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
Level 2	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
Level 3	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

Cameron Waddell (Audit Partner)

Mazars

26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Email cameron.waddell@mazars.co.uk

14 March 2024

Dear Members

Conclusion of pending matters – Annual Audit Report

As required by International Standards on Auditing (UK), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Annual Audit Report, which was presented to the Audit and Scrutiny Committee on 14 March 2024.

We have summarised the outstanding matters and the conclusions reached for each matter, marked as outstanding within the Annual Audit Report, in the table below.

Matter	Conclusion reached
Audit quality control and completion procedures	<p>We have substantially completed our work in this area. We will discuss subsequent events with management and review available post balance sheet information at the point we are due to sign the audit opinion.</p> <p>If any matters arise from this which we need to report to you, we will issue a further letter.</p>
Annual Report and Accounts and Letter of Representation	<p>We have substantially completed our closure procedures, including review of the amended accounts. We will also review the management representation letter when it is received – a copy of the letter is included as an appendix to our Annual Audit Report.</p> <p>If any matters arise from this which we need to report to you, we will issue a further letter.</p>
Trust Accounts	<p>We are still performing procedures in regard to the Trusts' audit. We plan to complete the Trust's Audit in Mid-April 2024.</p>
Property, plant, and equipment	<p>We have completed our work in this area and have no issues to report, except for the control recommendation on page 23 of the Annual Audit Report presented to yourselves on 14 March 2024.</p>

Matter	Conclusion reached
Income Cut off	We have completed our work in this area with no issues to report.
Expenses Cut off	We have completed our work in this area with no issues to report.
Loans and Borrowings	We have completed our work in this area with no issues to report, except for one borrowings confirmation which we have followed up with the lender on (Bayeris).
Grant Income	We have completed our work in this area with no issues to report.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours faithfully



Cameron Waddell

Partner



Financial Services

Executive Director (Section 95 Officer): Kirsty Flanagan

Cameron Waddell
Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

By email:

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Financial Services

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Tel: 01546 604268

E-mail: Kirsty.Flanagan@argyll-bute.gov.uk

Website: www.argyll-bute.gov.uk

Ask For: Kirsty Flanagan

Our Ref:

Date: 25 March 2024

Dear Cameron

Argyll and Bute Council - Audit for the Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Argyll and Bute Council (the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 95 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.



As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions undertaken by the Council have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at fair value are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Section 95 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I are aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Ultimate parent company

I confirm that the ultimate parent company for Argyll and Bute Council and its Group is the Scottish Government.

Other Matters

I confirm in relation to the following matters that:

- COVID-19 –I have assessed the continued impact of the COVID-19 Virus pandemic on the Council and the financial statements and those of the Group, including the impact of mitigation measures and uncertainties, and am satisfied that the financial statements and supporting notes fairly reflect that assessment.
- Ukraine –I confirm that I have carried out an assessment of the potential impact of the continued conflict in Ukraine on the Council and its Group and there is no significant impact on the Council's operations from restrictions or sanctions in place.
- I confirm that I have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council and its Group's ability to continue as a going concern, and on the post balance sheet events disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and its Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Performance related allocations

I confirm that I am not aware of any reason why the Council's funding allocation limits would be changed.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code), require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Annual Governance Statement

I am satisfied that the Annual Governance Statement fairly reflects the Council and its Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the Annual Governance Statement.

Annual Report

The disclosures within the Annual Report and the Remuneration Report fairly reflect my understanding of the Council and its Group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Kirsty Flanagan

Kirsty Flanagan
Executive Director / Section 95 Officer
25 March 2024

