

# Argyll and Bute Council



Comhairle Earra Ghàidheal agus Bhòid



## Unaudited Annual Accounts

For the year ended 31 March 2026



## LANGUAGE OPTIONS

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**Financial Services**  
**Argyll and Bute Council**  
**Kilmory**  
**Lochgilphead**  
**Argyll**  
**PA31 8RT**

**Tel: 01546 605522**

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1. INTRODUCTION

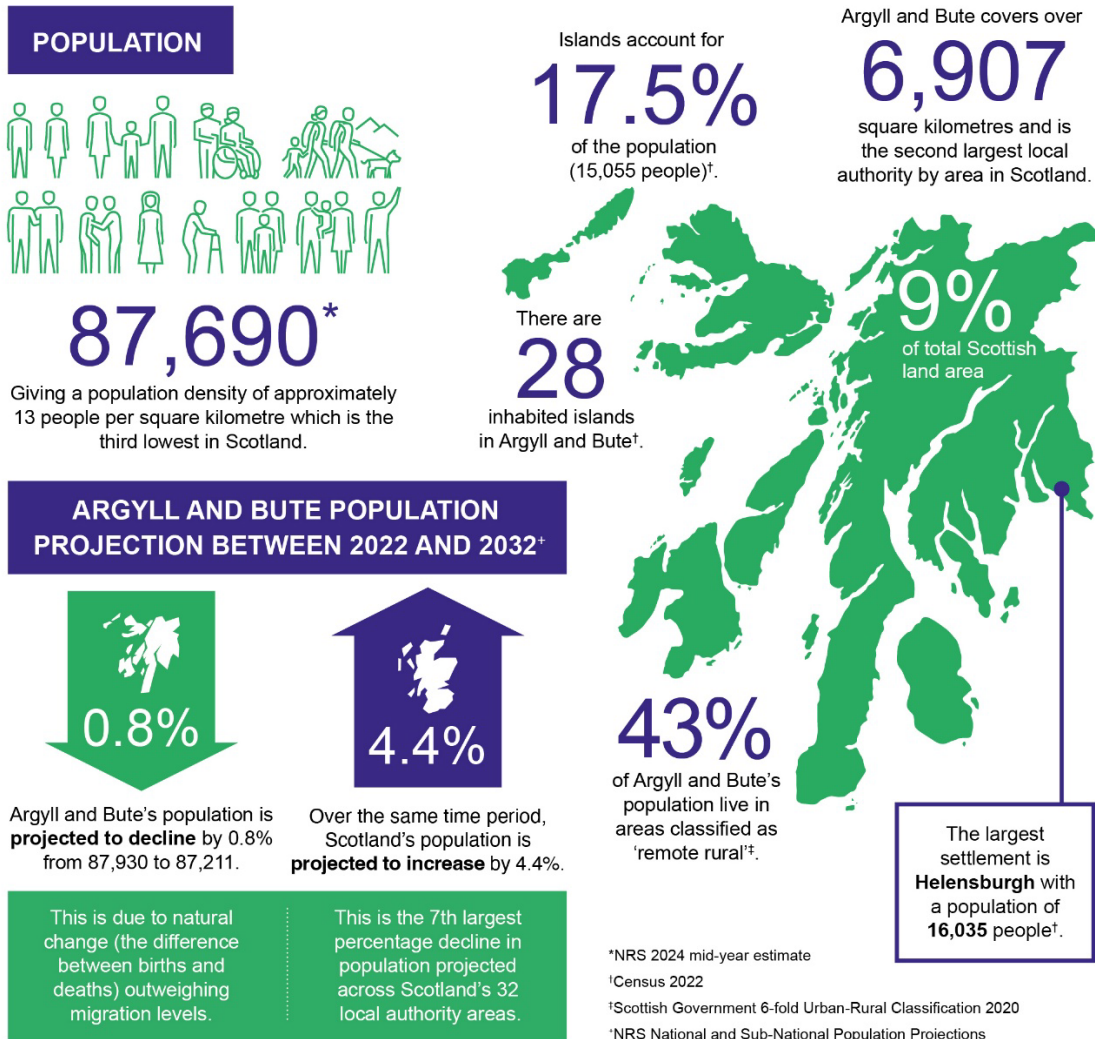
Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2026. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

This commentary highlights the key messages regarding the performance of the Council over the 2025-26 financial year, as well as providing information on risks and issues that may impact the Council in the future.

2. PROFILE OF ARGYLL AND BUTE COUNCIL

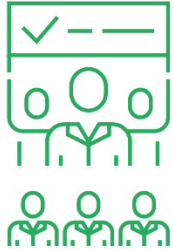
Some key facts about Argyll and Bute, in terms of Place and Our Council, are outlined below.

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

**4,730**

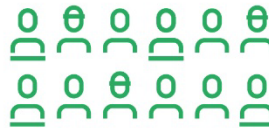
Employed across Argyll and Bute Area (per staffing watch FQ4 2025-26).



There are

**3,959**

full time equivalent employees.

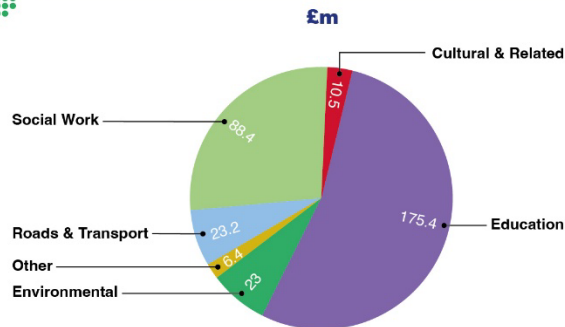


The Council set the Revenue Budget for 2025-26 on 27th February 2025.

The total revenue budget is

**£326.9m**

Financed by Scottish Government Grant of £261.7m and Council Tax of £70.2m with a net contribution to reserves of £5m.



## 3. VISION AND PRIORITIES

The Council’s vision is for a successful, vibrant Argyll and Bute with a growing population and a thriving economy. A place where communities and businesses thrive and people want to come to live, to work and to do business.

The Council has a 3 year Corporate Plan for the period 2025-2027 focussing on key priorities, with detailed actions and progress measures outlined in the Annual Business Plan.

The Council Priorities overarching aim is “Argyll and Bute’s economy and population need to grow. Each of our Priorities contributes to that overall goal, and all are interconnected. The need to consider these in an integrated way will remain at the forefront as we progress these Priorities”.

## Management Commentary

The Priorities are summarised in the graphic below. There are agreed actions for each of the priorities and these are outlined within the priorities document on the Council website. Link to the document: [Council Priorities September 2024](#)



The table below provides further information on the purpose of each priority.

**Table 1: Council Priorities**

Priority	Why This is a Priority
Communities	Empowered and Resilient Communities.
Children and Young People	Making Argyll and Bute an attractive choice for families.
Environment	The Council has already declared a climate emergency and must continue to keep this issue as a primary consideration.
Speaking Up for Argyll and Bute, its people and its communities	Collective, as well as collaborative, action is necessary to deliver growth on the scale that Argyll and Bute needs.
Sustainable Service Delivery	We want to provide the best services we can for the money and resources available – and make clear the standards that our communities can expect. We know that this is really important to local people.

Transport Infrastructure and Digital Connectivity	Keeping people, businesses, goods and services moving through Argyll and Bute
Housing, Economic Growth and Population	Working to ensure that everyone who needs a home can find one that they can afford, in the right place, and at the right time Shared prosperity and sustainable business growth in Argyll and Bute. People are Argyll and Bute’s most important asset in driving forward opportunities for growth and vibrant local economies place, and at the right time.

In addition to the Council’s Priorities, Community Planning Partnerships have a statutory obligation to create a 10-year Outcomes Improvement Plan under the provisions of the Community Empowerment (Scotland) Act 2015.

Argyll and Bute Community Planning Partnership is a group of organisations and community representatives who will work together to achieve improvements across the outcomes in ways which promote prevention, reduce inequalities and build community capacity.

This Argyll and Bute Outcomes Improvement Plan for 2024-2034 was developed through community engagement and deals with a cost of living crisis and the increasing impacts of climate change.

The Outcomes Improvement Plan for 2024-2034 focusses on improving the outcomes of:



Some of our achievements, and the challenges we faced, in relation to the Council’s Priorities are highlighted below.

**Priority: Communities**

**Community Funding**

Our Community Planning and Development team continues to support communities to identify and access funding. Community groups reported securing over £350,000 in funding, through searches they carried out in GrantNet: the funding database provided by the council on its website.

The monthly Funding e-bulletin also played a significant role in supporting community access to funding. Distributed to around 1,500 subscribers and featuring approximately 165 funding opportunities per edition, it enabled 77% of users to identify funding sources. User satisfaction remains high, with 98% rating the service as helpful or very helpful.

The council’s annual Supporting Communities Fund this year awarded funding to 74 community projects across Argyll and Bute. Funded activities included sports, music and arts, lifestyle skills, social inclusion, gardening, nature

and outdoor initiatives, community events, and community-led wellbeing programmes.

Overall, these services are supporting communities to access funding, strengthen capacity, and deliver projects locally.

**Priority: Children and Young People**

**Care Experienced Children & Young People (CECYP)**

Effective strategic Education Service interventions, including the Virtual School, is leading to continued improvements in literacy and numeracy for our CECYP. This is evidenced by a continued reduction in the Achievement of Curriculum for Excellence Levels (ACEL) attainment gap between Care Experience (CE) and all pupils.

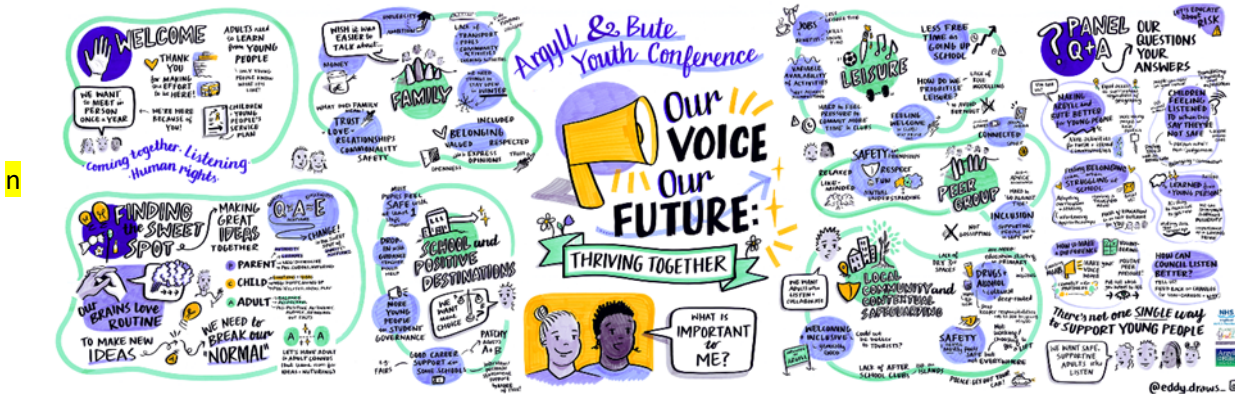
By combining cohorts, we can compare CE and non-Care Experienced pupils at an authority level. The table below evidences the five-year positive progress for our CE learners in P1, 4, and 7. This is a positive picture with attainment for CE pupils showing an increase in every area and illustrating a closing of the gap between CE and non-CE pupils in every area with CE pupils, who themselves have also improved.

Curricular Area	Care Experienced Pupils						Non Care Experienced Pupils						Gap Between Care Experienced and Non-Care Experienced					
	2020-21	2021-22	2022-23	2023-24	2024-25	Five Year Change	2020-21	2021-22	2022-23	2023-24	2024-25	Five Year Change	2020-21	2021-22	2022-23	2023-24	2024-25	Five Year Change
P1,4,7 Combined Percentaged Achieved the Level																		
Reading	35%	47%	53%	58%	69%	34%	72%	74%	77%	81%	81%	9%	37%	27%	24%	23%	13%	-25%
Writing	30%	27%	37%	49%	56%	26%	63%	67%	72%	76%	75%	12%	33%	40%	35%	27%	19%	-14%
Listening and Talking	39%	60%	65%	71%	77%	38%	76%	81%	85%	86%	88%	12%	37%	21%	20%	15%	11%	-26%
Literacy	28%	25%	37%	49%	55%	27%	59%	62%	68%	72%	73%	14%	31%	37%	31%	23%	18%	-13%
Numeracy	41%	44%	43%	59%	64%	23%	70%	74%	77%	81%	80%	10%	29%	30%	34%	22%	16%	-13%

**Youth Voice**

We have continued to develop our approach to empowering the voice of children and young people across the local authority. In November 2025, we hosted Argyll & Bute’s first Youth Conference which gave us the opportunity to hear directly from young people on the matters that affected them. A total of seven secondary schools were represented in person, with a further 1 secondary school joining online. The discussion groups were based around the domain themes within Planet Youth and these discussion groups were ably facilitated by colleagues across Argyll & Bute Council, Health & Social Care Partnership and partner services such as Scottish Fire & Rescue Service. This work has helped inform the development of the next Children and Young People’s Service Plan.

An overview of the day was captured by an illustrator.



### **Priority: Environment**

#### **Land Manager's Network**

In 2025-26, the Land Manager's Network continued to operate across all areas of Argyll and Bute, bringing together community-owned woodland and forest managers who may otherwise be working in isolation. The network provides a platform for collaboration, enabling participants to explore joint working opportunities and access funding collectively.

The network also facilitated knowledge-sharing through a series of themed inputs from partner organisations. The Community Woodland Association delivered sessions on temperate rainforest regeneration, including approaches to mapping invasive species, assessing herbivore impacts, and identifying the range of support available for community-led rainforest projects. Contributions from Holy Loch Nature Reserve highlighted emerging species activity, while Council officers provided an overview of ongoing 'Green Mapping' work to identify and understand temperate rainforest areas across Argyll and Bute.

These activities are strengthening local capacity to manage and protect valuable natural assets, while fostering a more connected and resilient network of community land managers. By supporting shared learning and collaborative approaches, the network plays an important role in enabling communities to take forward sustainable land management and biodiversity initiatives at a local level.

#### **Landfill Waste**

During 2025-26 Argyll and Bute Council complied with the ban on landfilling the council's waste. Roads and Infrastructure Services led the Council's response to Scotland's landfill ban, delivering significant changes to waste logistics, treatment and disposal across a large and geographically complex area. This has included the implementation of new haulage and transfer arrangements for island and mainland waste, investment in alternative treatment routes to remove reliance on landfill, and close coordination with contractors to ensure continuity of service throughout the transition.



The service has also strengthened recycling and reuse systems to minimise residual waste, while managing the financial and environmental risks associated with long-distance transport and increased processing costs. These changes represent a major service transformation, ensuring statutory compliance while maintaining resilient waste services for rural and island communities.

### **Priority: Speaking Up for Argyll and Bute, its people and its communities**

#### **Local Place Plans**

The council has provided training and support to 29 community groups developing Local Place Plans. This included the creation of a dedicated webpage to act as a central resource, complemented by a programme of e-newsletters, webinars and masterclasses delivered between November 2024 and March 2025. These covered key topics such as community engagement, place plan development and validation, mapping tools, climate change, and resilience planning.

### Priority: Sustainable Service Delivery

#### **Inclusive Communities**

Communities experiencing and impacted by issues related to alcohol and substance misuse are benefiting from a collaborative approach between the council and the Health and Social Care Partnership (HSCP). Community Development Officers are working with the Health Improvement Team to support the delivery of an Alcohol and Drugs Network within all four administrative areas of Argyll and Bute. Community organisations and partners are collaborating to plan and coordinate a range of supportive activities. These activities play an important role in raising awareness, reducing stigma, and providing inclusive opportunities for individuals in recovery to connect and be supported within their communities.

### Priority: Transport, Infrastructure and Digital Connectivity

#### **Bridges**

During 2025-26, major works were undertaken to a number of bridges within Argyll and Bute often as a result of storm damage. These works included repairs, clearance, flood-risk reduction works, bank protection, demolition and permanent new replacements.



The newly constructed Balliemore Bridge in Glen Lean, Cowal opened in October 2025, marking a major milestone in Argyll and Bute Council's infrastructure efforts following severe weather incidents. The new bridge has an increased span length compared to the original bridge, and the foundations are protected by steel sheet piles to reduce the risk of further scour and undermining events from future storms.

#### **Landslide Recovery Projects**

During 2025-26, major landslide related schemes were undertaken. These included:

- **A816 Kintraw/Bealach Mòr** – debris-flow management, catch pits, slope stabilisation and development of a permanent road solution.
- **C30 Kilmaha Ford–Dalavich Road** – slope stabilisation and vehicle restraint measures.
- **A815 landslide sites** – monitoring and remediation works.
- **U014 Scammadale** – landslide repair and stabilisation.
- **B828 Glenmore corridor** – road stabilisation following erosion and slope failures.

### Roads Reconstruction

Argyll and Bute Council delivered £10m investment in Roads Resurfacing during 2025-26. In response to demands from elected members, the roads transport industry and residents, this delivered improved network condition, safety and resilience. Particular focus was given to island networks, with targeted investment on Islay to address long-standing carriageway deterioration and support key economic routes serving communities, ferry connections and the whisky industry.

Works undertaken have enhanced journey reliability, reduced the need for reactive maintenance, and improved overall road quality for residents, businesses and visitors. This investment reflects a strategic shift towards planned, preventative maintenance and demonstrates the Council's commitment to sustaining critical infrastructure in remote and island areas.



### Priority: Housing, Economic Growth and Population

#### Housing Emergency

A report was presented to the Environment, Development and Infrastructure Committee on 18 June 2026 with a snapshot of activity in support of the Housing Emergency. Some key activities are summarised below:

- From the declaration of the Housing Emergency in June 2023 until the end of April 2026 the Council granted planning consent for 1,640 residential units across Argyll and Bute within our planning authority boundary.
- In January 2025 consultants were engaged, to develop the Strategic Development Frameworks for Oban (OSDF) and Helensburgh (HSDF). Both these are intended to identify long-term 20-40 years strategic development opportunities. By doing this we will set a long-term framework that can be used to direct infrastructure investment and create a pipeline of deliverable development land, particularly housing supply but also other related community, public service and economic development land.
- The Council has continued to develop Business Cases for the proposals for a worker accommodation pilot on Mull, and housing for principal home occupation on Islay.
- The Council employed local contractors to deliver on-site infrastructure in Tobermory, Mull and this was completed in 2025. In January 2026 the Council agreed the use of the Strategic Housing Fund as cashflow, combined with the already agreed Community Regeneration Partnership funding, to progress construction of the 12 worker housing units on this site.
- The Council approved planning consent for the demolition of the Lower Academy Building, Rothesay. Fyne Homes has selected a preferred contractor for the demolition and a Scottish Government grant award was made in March 2026.
- The Council continues to work with Registered Social Landlords on a variety of housing projects across Argyll and Bute as well as working with other organisations to progress Community Housing Projects.

### Rothesay Regeneration

Following a decade of Townscape Heritage Initiatives, and £7.5m investment in the town centre, regeneration effort continues to tackle dereliction in Rothesay. The Transformation Projects and Regeneration Team are actively supporting efforts to address key landmark buildings including:

- £9m of Rural Growth Deal (RGD) funding allocated to the final regeneration stages of Rothesay Pavilion.
- £250k of funding allocated via PBI and CE for resurfacing and lining works on Albert Pier with a focus on enhanced parking for coaches.
- Up to £4.4m of funding via the UK Government's Community Regeneration Partnership programme (£4m) and a further £400k of funding via the SG's Islands Programme. This funding will support the regeneration of the Royal Hotel in Rothesay. This is a partnership project being delivered collaboratively with George Hanson, Highlands and Islands Enterprise, UK Government and Scottish Government. The owner of the building has also committed to private sector funding of at least £1m to support the regeneration of this grade B listed structure which occupies a prominent location within Rothesay Town Centre. Once complete, the refurbished building will include new commercial space on the ground floor and 12 lift accessible residential flats on the upper floors. Grant funding will support completion of phase 1 of these works which will structurally restore the building and focus on the ground floor commercial units.

### Lochgilphead CARS (2020 – Mar 2026)

Lochgilphead CARS is a £2.2m partnership project with Historic Environment Scotland (HES) (£969,700) in its sixth year of delivery. All funding has been committed, and the project is due to conclude on 31 March 2026. As part of this project six priority buildings have been regenerated in addition to a number of small repair grant/shopfront improvement projects.

Local stakeholders have benefitted from a number of traditional skills training courses and educational activities that have been funded and delivered via the scheme. This includes; specialist training in Lochgilphead for local contractors and building professionals; traditional skills Demo Days for local school pupils and a Shop Window Art Project delivered in partnership with a local artist and Lochgilphead High School. A highly successful celebration event was also held in Lochgilphead on Saturday 27th September 2025 to mark the completion of the project. This event was open to members of the public and included talks from the key funders, Council officers and local elected members.

## 4. FINANCIAL PERFORMANCE 2025-26

The Council has a robust financial reporting and governance framework in place. The annual Revenue Budget and Treasury Management Strategy, and medium-term Capital Plan are approved annually by full Council. A comprehensive financial monitoring pack and a medium-term Budget Outlook is regularly reported to the Policy and Resources Committee throughout the year. This monitoring pack includes reports on the revenue budget, including an update on delivery of approved savings; capital plan; financial risks; and reserves and balances. Treasury activity is also scrutinised by the Audit and Scrutiny Committee.

### Revenue: Outturn against Budget

The performance against budget for financial year 2025-26, after adjusting for automatic and proposed transfers to earmarked reserves, was an overall underspend of £0.133m, 0.04%, as summarised in the table below. (The corresponding position for 2024-25 was an underspend of £1.905m, 0.6%.)

**Table 5: Revenue Budget Final Outturn 2025-26**

	Actual	Adjusted Budget	Variance (Overspend)/Underspend	
	£000	£000	£000	%
Chief Executive's Unit	1,079	1,079	0	0%
Executive Directorate (Douglas Hendry)	159,009	159,851	842	0.5%
Executive Directorate (Kirsty Flanagan)	68,370	66,999	(1,371)	(2%)
Weather related incidents costs (not covered by Bellwin Scheme)	145	145	0	0%
Joint Boards	1,390	1,525	135	8.9%
Loans Fund	6,352	8,677	2,325	26.8%
Other	13,456	14,053	597	4.3%
Social Work	85,207	85,207	0	0.0%
<b>Net Expenditure</b>	<b>335,009</b>	<b>337,536</b>	<b>2,528</b>	<b>0.8%</b>
Total Funding	350,327	350,524	(197)	(0.1%)
<b>Underspend</b>			<b>2,331</b>	<b>0.66%</b>
Unspent Budget Earmarking Proposals			2,198	
<b>Underspend After Proposed Earmarkings</b>			<b>133</b>	<b>0.04%</b>

Within the Chief Executive’s Unit (Chief Executive’s Team and Community Planning) there was a small underspend of £386 which is outwith the current reporting criteria, based on materiality.

Within the remit of Executive Director Douglas Hendry (Education, Legal and Regulatory Support and Commercial Services), there was an underspend after accounting for automatic earmarkings of £0.842m. The main underspends were due to:

- Staffing underspends due to delays in recruitment in Procurement, Early Years Service and the Catering and Cleaning Service
- Reduction in bad debt provision
- Lower than anticipated spend on catering purchases
- Robust contract management within NPDO and Hub Schools.

Within the remit of Executive Director Kirsty Flanagan (Roads and Infrastructure, Development and Economic Growth, Customer Support Services and Financial Services), there was a net overspend of £1.371m after accounting for automatic earmarkings. The main variances contributing to this overspend include:

- Under recovery of income from ferry berthing (especially at Craignure, Rothesay and Dunoon)
- Under recovery of commercial refuse collection
- Unachieved savings as part of the RIS review
- Overspends in homeless accommodation
- Higher spend relating to private sector housing grant

- Under recovery in achieved vacancy savings.

Some offsetting variances include:

- Over recovery of income from infrastructure design
- Over-recovery on sale of recyclates
- Under budget on staff costs for development projects.

During 2025-26 there was £0.145m of costs related to Storm Eowyn which occurred on 24 January 2025. These were covered from the earmarking set aside to cover unbudgeted costs relating to Storm Eowyn. This is not all the costs related to the Storm, there was other expenditure that was incurred in financial year 2024-25.

Within Joint Boards, payments were £0.135m lower than budget which is not expected to be recurring.

The performance against budget for Loans Fund was a net underspend of £2.325m (26.8%). This underspend was a result of significant reserve balances enabling deferral of new borrowing, and associated interest payments, while borrowing rates remained high. Slippage in the capital programme in recent years has also delayed the need to take new borrowing.

Other costs were underspent by £0.597m. This relates largely to underspends in utilities, mainly as a result of a significant refund relating to prior years, insurances and NDR. Offset by overspends as a result of Equal Pay Claims and the change in accounting treatment of year end flexitime accruals.

Social Work Services, part of the Health and Social Care Partnership, were overspent in year, however, the remaining in-year Strathclyde Pension Fund saving of £2.553m was fully drawn down. A residual balance of £0.057m was transferred to HSCP general reserve to bring the position back to financial balance.

The performance against budget for funding was a net under-recovery of income of £0.197m. This was due to:

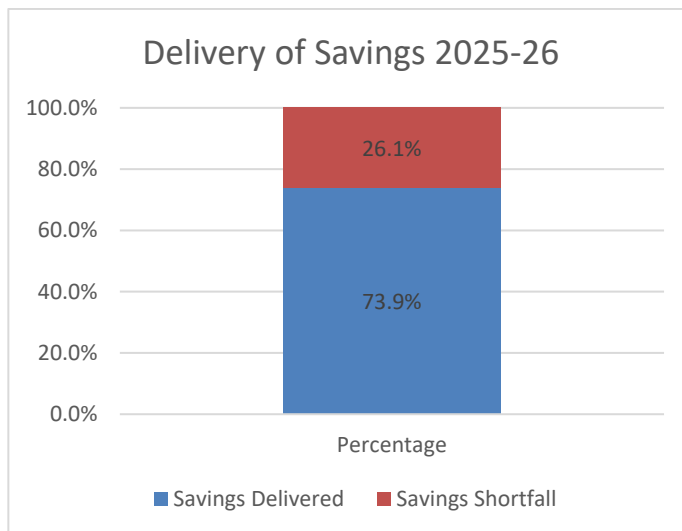
- A year-end favourable position in relation to NDR income that the Council is able to retain through the Business Rates Incentive Scheme (BRIS) due to the buoyancy target set by the government being exceeded, it is measured by the increase in the local NDR tax base in the year.
- Offset by an under-recovery of income in relation to Council Tax. A significant element of additional expected Council Tax income related to the reclassification of self-catering units as domestic dwellings by the Assessor, following completion of both the 2022-23 and 2023-24 canvasses during the year, which saw the transfer of properties from the Non-domestic Rates to Council Tax registers. It was reported previously to Council that there is a significant level of uncertainty in respect of the regulatory environment, with a risk of appeals being granted and properties returning to Non-domestic Rates. This risk did materialise with a significant number of appeals granted during January and February 2026 resulting in reduced Council Tax income.

The overall favourable outturn position for the year augments the balance already held in the unallocated General Fund, which has provided the opportunity to propose new earmarkings for specific purposes; aligned to the objectives, priorities and targets of the Council.

**Delivery of 2025-26 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 and rising cost pressures, and complies with its statutory requirement to set a balanced budget, whilst meeting the needs of local residents.

New Budget savings of £2.762m (15 savings options) were agreed for 2025-26. 59.7% of these saving were recurring in nature and 40.3% were one-off. The chart on the right shows the overall delivery of savings, with any shortfall absorbed within the overall Council budget, as is evidenced from the Council underspend.



**Capital: Outturn against Budget**

The gross 2025-26 capital expenditure was £54.122m compared to a profiled annual revised budget of £70.666m, giving rise to an underspend for the year of £16.544m (23.4%). Project specific income totals £8.781m and all financing streams (excluding borrowing) totalled £24.700m. The borrowing required to finance capital expenditure incurred during 2025-26 was £28.540m, lower than the original estimate of £45.199m.

An explanation of significant movements (>£0.500m) in actual project gross expenditure from the original 2024-25 annual profiled budget is noted in the table below. It should be noted that there are a number of variances linked to incorrect profiling at the start of the year, rather than slippage due to actual project delays.

**Table 6: Capital Plan Variances 2025-26**

Project	(Over)/Under Spend (£m)	Explanation
CHORD – Oban	0.629	Revised profiling to reflect anticipated project delivery timescales.
CHORD – Rothesay	0.601	Revised profiling to reflect anticipated project delivery timescales.
Cycling, Walking and Safer Streets	0.750	Revised profiling to reflect anticipated project delivery timescales.
Nature Restoration Fund	1.129	2025-26 budget included prior year slippage that had not been profiled across future years in line with delivery timescales.
Rural Growth Deal	0.600	Delays with starting Tobermory Housing construction. Next phase anticipated to begin during 2026-27.
Primary Schools	0.867	Incorrect profiling and delays to projects.
Coastal Protection	0.585	Incorrect profiling and delays to projects.
Roads Reconstruction	0.664	Small number of projects where works were delayed due to weather and mobilising contractors.
Fleet Management	0.773	Revised profiling to reflect anticipated project delivery timescales.
Harbour Investment Programme	8.529	Largely due to slippage within Iona Breakwater project due to weather and contractor mobilisation.
Street Lighting LED Replacement	0.542	Revised profiling of budget slipped from 2024-25 to reflect anticipated project delivery timescales.

The Local Government in Scotland Financial Bulletin for 2024-25 noted that Councils across Scotland were underspent on their capital programmes by 17.2% on average, while capital projects continue to become increasingly expensive.

## 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 2025-26. These accounting adjustments include adjustments between accounting and funding basis for capital and accrued holiday leave not taken by 31 March 2026.

**Reconciliation of CIES to Revenue Budget Outturn**

A reconciliation of the deficit on the Provision of Services of £2.011m, as noted in the CIES, to the revenue budget outturn of £0.133m underspend is shown below.

**Table 7: Reconciliation of CIES to Revenue Budget Outturn**

	£000	£000
<b>Surplus/(Deficit) on Provision of Services</b>		<b>(2,011)</b>
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	30,783	
Impairment of Assets charged to services	4,015	
Capital Funding	(22,768)	
CFCR	(2,238)	
Pension Adjustment	9,171	
Statutory Repayment of Debt	(9,571)	
Repayment of Leases	(5,612)	
Transfers to/from Other Statutory Reserves	51	
Service Concessions	5,093	
Other Adjustments	(1,099)	
		7,825
<b>Movement In General Fund Balance</b>		<b>5,813</b>
Funds used during 2025-26	20,858	
Earmarking previously agreed and created during 2025-26	(11,391)	
New automatic earmarking at the end of 2025-26	(15,186)	
Supplementary Estimate (Standby Allowance)	13	
2026-27 budget setting – from Unallocated General Fund	25	
Rounding Adjustment	1	
		(5,680)
<b>Revenue Budget Underspend/(Overspend)</b>		<b>133</b>

### Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2026 and explanatory notes are provided. The net worth of the Council has increased by £22.287m from £526.796m as at 31 March 2025 to £549.083m as at 31 March 2026. The main changes are set out in the table below.

**Table 8: Balance Sheet Changes between 31/03/2025 and 31/03/2026**

	31/03/2025 £000	31/03/2026 £000	Change £000	Main Reason
Long Term Assets	801,808	832,693	30,885	Movements within the valuation of Property, Plant and Equipment assets, with the largest increase relating to infrastructure assets.
Current Assets	44,149	75,636	31,487	Increase in short term Debtors with the largest increase relating to NDR, in addition to increases in Short-term Investments and Cash and Cash Equivalents.
Current Liabilities	(72,388)	(114,010)	(41,622)	Increase in Short-term Borrowing and Short-term Creditors.
Long Term Liabilities	(246,774)	(245,236)	1,538	Increase in Long-term Borrowing and Provisions, offset by reductions in Other Long-term Liabilities.
<b>Total</b>	<b>526,796</b>	<b>549,083</b>	<b>22,287</b>	

### Provisions

The Council has provisions totalling £7.160m as at 31 March 2026 (£5.727m as at 31 March 2025), as detailed in Note 28 to the Accounts. The larger provisions, those £0.500m or over, are summarised below.

- £2.422m for Landfill Sites. A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council at Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.
- £1.436m for NPDO and Hub DBFM liabilities. This provision is held in relation to disputed performance deductions and unbilled utility costs.
- £1.302m for Strathclyde Regional Council (SRC) Intromissions. This is Argyll and Bute's share of estimated claims against the former SRC, mainly in relation to historic abuse claims.
- £0.793m for Legal and Other Claims. This relates to Equal Pay claims and Litigation costs.

### Pension Assets and Liabilities

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 2026.

There has been a reduction in the pension liability from £16.984m in 2024-25 to £16.111m in 2025-26. This is largely as a result of updated actuarial assumptions in respect of unfunded benefits obligations.

The pension liability or asset can fluctuate significantly year on year, largely due to changes in actuarial assumptions. From 2023-24, it has been deemed prudent to apply an asset ceiling adjustment, with pension assets reflected at £nil, while a pension liability continues to be recognised in respect of unfunded benefits obligations. The table below shows the pension liability or asset over the last three years. Further details on the pension estimates are included within Note 30.

**Table 9: Pension (Liability)/Asset at the end of the financial year**

	2023-24 £000	2024-25 £000	2025-26 £000
Pension (Liability)/Asset	(19,578)	(16,984)	(16,111)

### Borrowing

During 2025-26, the authority maintained an under-borrowed position, £117m as at 31 March 2026. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as the authority's significant internal reserves balances provided the opportunity for new external borrowing to be deferred, on a temporary basis. Slippage in the capital programme in recent years has also delayed the need to take new borrowing resulting in a temporary revenue underspend within the Councils loans fund.

However, during 2025-26 the Council's external borrowing increased by £28.862m from £130.910m as at 31 March 2025 to £159.772m as at 31 March 2026. New borrowing totalling £40m was undertaken during the year, to provide an element of certainty in respect of funding the underlying borrowing requirement, offset by the repayment of PWLB loans.

The impact of any investment decisions funded through borrowing are considered and included within the Councils revenue budget projections reported to Elected Members during the year.

The Council's 2025-26 'Treasury Management Strategy and Annual Investment Strategy' was approved at the full Council meeting on 27 February 2025 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 £14.758m from £405.561m as at 31 March 2025 to £420.319m as at 31 March 2026, as outlined in Note 31. This movement is largely due to increases in the Revaluation Reserve and the Capital Adjustment Account.

The balance of Usable Reserves has increased by £7.530m from £121.235m as at 31 March 2025 to £128.765m as at 31 March 2026, as outlined in Note 32. This is largely due to an increase in the General Fund of £5.815m and within Capital Grants Unapplied of £1.766m.

In respect of the General Fund movement, there has been an increase of £5.815m from a balance of £112.705m as at 31 March 2025 to £118.520m as at 31 March 2026. Details of the movement in the balance is summarised within the table below.

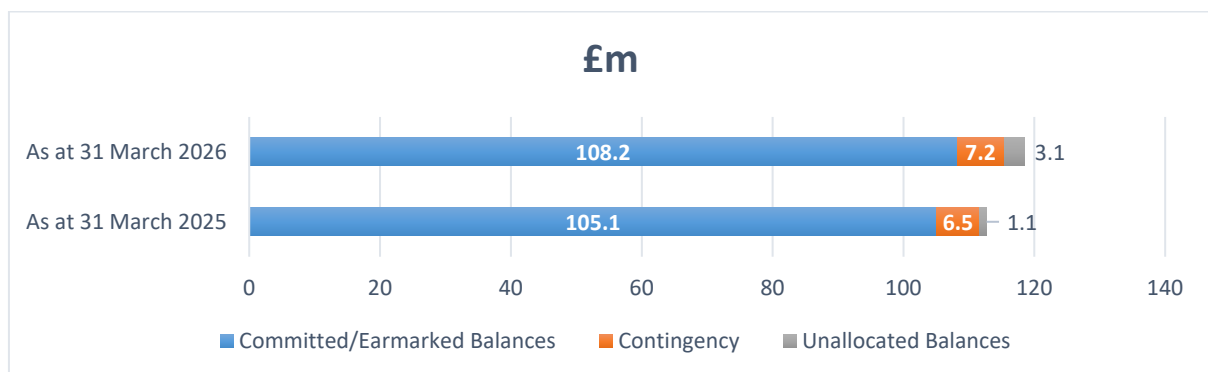
**Table 10: Movement on General Fund**

	<b>£000</b>
Balance on General Fund 31 March 2025	112,705
Funds used during 2025-26	(20,858)
Contributions to Earmarked Reserves 2025-26	26,577
Underspend in 2025-26 (as referred to above)	133
Supplementary Estimate (Standby Allowance)	(13)
2026-27 Budget Setting – from Unallocated General Fund	(25)
Rounding Adjustment	1
<b>Balance on General Fund 31 March 2026</b>	<b>118,520</b>

**General Fund Balance**

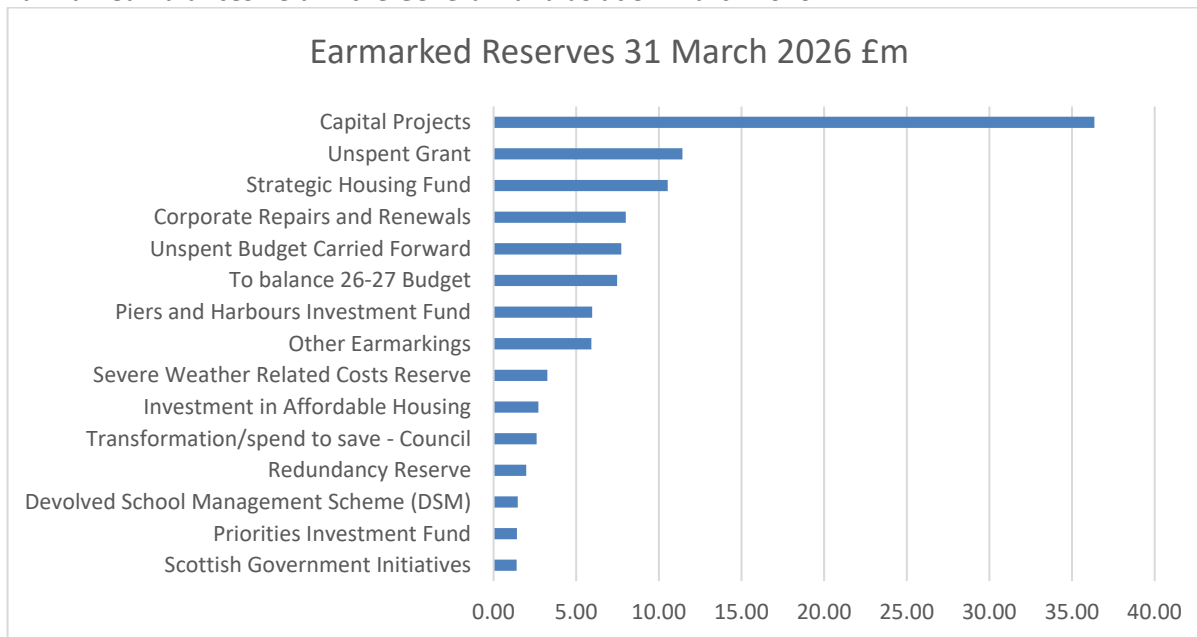
The chart below shows what is included within the General Fund balance as at 31 March 2026, with a comparison to the position as at 31 March 2025.

**General Fund Balances as at 31 March 2025 and 31 March 2026**



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

**Earmarked Balances held in the General Fund as at 31 March 2026**



**Group Accounts**

The Code places a requirement on the Council to consider its interests in external organisations. Where this interest is considered to be material, the authority is required to prepare a full set of Group financial statements for inclusion within its annual accounts.

The Council is considered to have a ‘controlling interest’ in LiveArgyll, a wholly owned subsidiary of Argyll and Bute Council. All financial transactions and balances of the Council and Live Argyll are consolidated within the Group Financial Statements on a line by line basis. In addition, the Council’s Common Good Funds have been fully consolidated into the Group financial statements on the same basis and Note 36 provides further information on the Council’s Common Good Funds.

The Council also has a ‘significant interest’ in Dunbartonshire and Argyll & Bute Valuation Joint Board, with significant influence over its financial and operating policies, termed an associate, and is an equal partner in the Argyll and Bute Integration Joint Board with NHS Highland, termed a joint venture. Associates and joint ventures have been consolidated using the equity method, where a share of net assets, operating results, and other gains and losses are incorporated.

The inclusion of consolidating entities increases Council reserves and net assets by £25.224m as at 31 March 2026 (£20.812m increase in 2024/25), representing the Council’s net asset in the other Group entities. This gives an overall net assets and reserves position for the Group of £574.307m, an increase of £26.699m from the previous year. The increase in Group reserves is reflective of the movement in the Council’s reserves position of £22.287m, as outlined above, plus an increase of £4.412m in other Group reserves.

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 £86.771m towards the Argyll and Bute Integration Joint Board in 2025-26. These transactions are accounted for and shown within the single entity financial statements.

## 5. 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.

**Table 11: Key Financial Indicators**

Financial Indicator	2024-25	2025-26	Comment
Unallocated General Fund balance as a proportion of next year's Annual Budgeted Net Expenditure	2.31%	2.29%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. The 2025-26 position is slightly less than 2024-25 but there remains sufficient reserves to meet any unplanned expenditure.
Movement in the Unallocated General Fund Balance	Decrease (£1.26m)	Increase (£0.04m)	Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). There has been very little movement in the balance, however £2m has been ring-fenced to provide a contingency for increased costs as a result of the conflict in Iran.
In-year Council Tax collection rate	95.54%	95.91%	The in-year collection rate remains slightly below the target of 96%, however has marginally improved since 2024-25. The reason for targets not being met is primarily due ongoing appeals relating to the reclassification of approximately 350 self-catering units as domestic properties by the Assessor in the previous year.
Ratio of Council Tax Income to Overall Level of Funding	19.9%	19.7%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income.
Actual Outturn compared to budgeted expenditure	£1.905m 0.57%	£0.133m 0.04%	This measure shows how the final outturn compares with the budgeted position. The surplus reflects the effectiveness of the Council's financial management. The lower surplus in 2025-26 reflects the Council's prudent decision to earmark £2m from the underspend as a contingency for potential cost increases arising from the conflict in Iran.
Capital Financing Requirement (CFR) for the current year	£359.924m	£379.773m	Measurement of requirement to borrow for capital purposes. The net increase in 2025-26 reflects additional borrowing required to finance capital expenditure.

External Debt Levels as at 31 March	£130.910m	£159.772m	Actual borrowing for capital purposes. Increase in 2025-26 due to new external borrowing undertaken in the year, offset by the repayment of PWLB loans. This additional borrowing was undertaken during the year while interest rates were favourable, in anticipation of future borrowing needs. This proactive approach reduces exposure to potential interest rate increases and provides an element of future budget certainty.
Ratio of financing costs to net revenue stream	5.8%	7.4%	Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less that is available to meet other revenue expenditure. The increase reflects the impact of IFRS 16 Leases accounting on this indicator and does not indicate an increase in expenditure on leases.

## 6. OUTLOOK

This section provides commentary on the Council’s financial outlook, the approach to balancing the budget, and significant projects/funding, as well as the management of risks.

### Five Year Financial Outlook

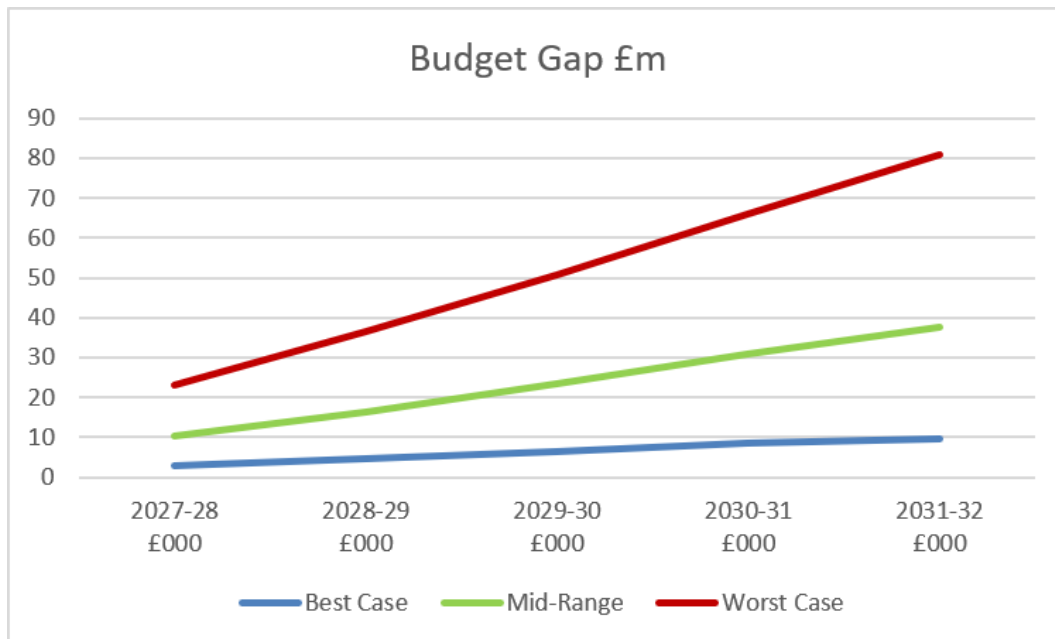
A five-year financial outlook informing Council of the estimated budget gap covering the period 2026-27 to 2030-31 using best case, worse case and mid-range scenarios was kept up to date during 2025-26 and presented to the Policy and Resources Committee in May, August, October and December 2025.

Preparing the budget outlook is inherently challenging due to the number of variables involved. Key assumptions, such as inflation rates, costs pressures, service demand, level of Government grant, and future pay awards can change over time, introducing uncertainty into financial planning. These assumptions 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 more recently noted in the Best Value Report published in April 2024.

The chart below shows the cumulative budget gap over the next five years 2027-28 to 2031-32, as reported to the Policy and Resources Committee on 21 May 2026.

**Cumulative Budget Gap 2026-27 to 2030-31 as reported on 21 May 2026**



**Budget Strategy**

The budget approach for 2026-27 was approved at the Council meeting held on 26 June 2025. An approach to the medium term budget was agreed that focused on the development of a five-year savings pipeline, while recognising the need to address the significant budget gap facing the Council in 2026–27. Four themes are being taken forward, as set out below:

- Empowering Communities
- Increasing Income
- Right Sizing Council Asset Base
- Delivering Services Differently.

Officers have been progressing with developing options for the medium term approach.

In addition to this, Service Reviews continue to be progressed. The Roads and Infrastructure Services review has a number of workstreams being taken forward which should deliver an improvement in data for decision making, improved customer service and where possible savings. The Education Service review was agreed by Council on 25 November 2025 and has ten themed recommendations designed for phased delivery over a 2-4 year period in addition to the consideration of any savings opportunities.

A cross-party Budget Working Group (BWG) was established again, comprising six elected members from the administration, three non-administration elected members and two Trade Union representatives. The BWG’s role is to engage with officers and provide a ‘sounding board’ to assist in the development and identification of savings options.

There remains a strong ambition to achieve a balanced budget over the medium term, however, the reliance on

single-year funding settlements make long-term financial planning significantly more challenging. While securing recurring savings is a key objective for financial sustainability, the ongoing financial pressures facing local authorities mean that some one-off savings may also be required to achieve a balanced budget in the short-term.

When considering balancing the budget for 2026-27 there were a number of areas of cost pressure that made this more challenging including:

- Compliance with the Biodegradable Municipal Waste (BMW) Ban.
- Increased costs associated with Residential School Placements.
- Increase to school and public transport contract costs.
- Increase in demand for transport for young people with additional support needs.

The Budget Working Group considered savings options for 2026-27 during 2025-26 and these were reported to Council on 26 November 2025, in advance of the Council's budget meeting in February 2026. The savings options were refined and when presented as part of the budget pack exceeded £6m but still left the Council with an estimated budget gap of £0.7m in 2026-27. The Council achieved a balanced budget for 2026-27 at its meeting on 25 February 2026, which included a 9.7% increase to Council Tax.

Preparation is already underway for the 2027-28 budget setting process, with meetings of the Budget Working Group already taking place.

The Accounts Commission Best Value Report of Argyll and Bute Council published in April 2025 noted the following findings:

“Given its remote and rural characteristics, the council is ahead of the game in terms of achieving efficiencies, including through its use of digital technology, with exciting examples of innovation within service areas. However, the potential for further management efficiency savings may now be limited. In line with our forthcoming Best Value reporting on transformation, we will expect the council to build on its culture of innovation and provide evidence of a more strategic approach to transformation and service redesign, aligned to its new corporate priorities and required savings.

The council has comprehensive structures for managing and reporting financial matters and for budget-setting, and a strong track record of delivering recurring savings. However, given the budget gap projected over the next five years, we expect the council to adopt a more strategic approach to savings planning, driven by its new corporate priorities.”

Officers have now developed a longer-term approach to balancing the budget, whilst acknowledging that there is a significant gap in 2027-28 that will need to be addressed in the short-term. The budget approach has been named “Enabling the Council of the Future to Thrive”. The approach includes developing a five-year pipeline of savings that is visible to officers and Members. The pipeline will allow for any required lead in time for transformation and savings, and will ensure that savings are planned, so that those taken in the short-term take into consideration future service delivery requirements. The proposals will also align to the Councils set of priorities.

### Transformation

A Transformation Strategy was approved and referred onto Council by the Policy and Resources Committee on 21 May 2026. The Strategy has been developed with the aim of changing how we operate while living within our means and continuing to deliver what matters most. It sets out the framework for us to change our cost base rather than 'salami slicing' to meet future budget challenges, while continuing to deliver the priorities in our Corporate Plan.

The Strategy builds on the medium to long-term financial planning approach, approved by members. It is built upon four elements:

1. Service Reviews
2. Budget Themes (as noted above within the Budget Strategy section)
3. Strategic Change Projects
4. Service Savings Projects

In addition, an officer Transformation Board has been established, meeting every 2-3 weeks to provide strategic oversight of the Council's transformation activity. The Board will act as the forum for setting direction and coordinating activity to deliver change in the most efficient, effective and sustainable way.

At the Council's budget setting meeting in February 2026, it was agreed to establish a Programme Management Office (PMO) responsible for co-ordination and delivery of both capital and transformation projects, to address issues including:

- Insufficient capacity to progress transformational change and maintain business as usual.
- Scale and complexity of organisational change that requires a more consistent, corporate and disciplined approach to programme and project management.
- Ensuring the Council can deliver its strategic priorities, respond effectively to external audit scrutiny and build the foundations for sustainable multi-year transformation.
- Addressing recent external audit findings and best practice evidence identified by the Accounts Commission.

The PMO will provide a central core of expertise, standards and assurance, while enabling services to retain ownership and delivery responsibility for individual projects. A PMO will ensure consistent governance, standardised project management approaches and clear accountability for delivery, enabling faster and more effective decision making. It would also improve the pace and quality of delivery, strengthen benefits realisation and financial discipline, and enhance the management of risks and interdependencies across the programme.

### Rural Growth Deal

The Rural Growth Deal (RGD) is a partnership approach to rural economic development which will deliver £50m of investment equally funded by the Scottish and UK Governments where it will best develop Argyll as an inclusive, sustainable, economically successful region and driver for Scotland and the UK. Argyll and Bute Council, along with key stakeholders, committed to contribute at least £20m of match funding throughout the 10 year programme in order to accelerate inclusive economic growth for the region. As of 2026, Argyll and Bute Council and RGD Partners have confirmed £30m of match funding for Rural Growth Deal projects.

The RGD provides a catalyst for a transformative step change for the businesses and communities of Argyll and Bute by increasing productivity, growing the working age population, addressing key infrastructure and skills gaps and

delivering a more inclusive economy. Through the projects we aim to deliver at least 300 additional jobs, create 6,500 m2 of new business space, deliver training opportunities to over 6,000 students and individuals, support local businesses to thrive, construct new housing and worker accommodation to help address our local housing emergency and generate over 70,000 additional visitor trips to the region per annum.

Since the Rural Growth Deal was signed in March 2025, a total of £7,063,036 has been awarded by Central Government, with a total of £6,808,068 claimed to date as shown below:

Financial Year	Grant Allocation	Total Grant Claimed	Variance
2024/25	£1,038,036	£808,069	£229,967
2025/26	£6,025,000	£6,000,000	£25,000
Total	£7,063,036	£6,808,069	£254,967

Financial draw down to date has all been associated with the Rothesay Pavilion project and the Council continue to work with the Rothesay Pavilion Charity and other funding partners to address the actions necessary to achieve full endorsement of the project business case. This is necessary to enable draw down of the full £9m RGD allocation for this project.

The total variance in funding claimed to date is circa £254,967, with the majority of this occurring in the 2024/25 financial year. This was due to lower than forecast construction spend at Rothesay Pavilion, however it is expected that this funding will now be drawn down in the 2026/27 financial year. The underspend of £25k in 2025-26 is attributable to delays with the RSAP Business Skills and Leadership programme however, the Business Justification Case for this project is nearing full endorsement with tenders also completed by Highlands and Islands Enterprise. It is anticipated that this project will commence delivery and funding drawdown in 2026/27.

It is anticipated that the following projects will achieve Full Business Case endorsement during the 2026/27 financial year and will commence draw down of Rural Growth Deal funds:

- Kintyre Seaports
- Enabling Worker Accommodation – Isle of Mull
- Rural Skills Accelerator Programme – STEM Hub South (Dunoon)
- Rural Skills Accelerator Programme – Business Skills & Leadership Programme.

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

**Community Regeneration Partnership Funding (CRP)**

In the 2024 Autumn Statement the UK Government committed to delivering a package of support to Argyll and Bute Council in order to improve outcomes across the region in line with the Government’s core missions and priorities. Community Regeneration Partnership Funding will build upon previous work and engagement undertaken by the Ministry of Housing, Communities and Local Government (MHCLG) under the banner of Levelling Up.

As part of the core funding package, there is up to £20m capital funding and £340k revenue available for the CRP. Capital funding is profiled for payment in financial year 2026-27 to support the programme of projects agreed with the UK Government and detailed in the table below. Revenue funding totalling £340k has already been received from UKG and will predominantly support the resourcing and development of the wider CRP programme.

Project	Funding Allocation	Capital / Revenue	Financial Year of Payment
Islay Housing Fund	2,000,000	Capital	2026/27
Housing Acquisition & Resale	1,900,000	Capital	2026/27
Modular Home provider scoping (Oban)	100,000	Capital	2026/27
Tobermory Worker Accommodation	1,000,000	Capital	2026/27
European Marine Science Site (Phase 2)	1,600,000	Capital	2026/27
Oban Airport Aviation Business Park	7,400,000	Capital	2026/27
Teaching space at the Scottish Association for Marine Science (SAMS)	600,000	Capital	2026/27
Bowmore Hall	320,000	Capital	2026/27
Dunoon Public Realm	1,080,000	Capital	2026/27
Former Royal Hotel Rothesay	4,000,000	Capital	2026/27
Mull & Iona Community Trust Helicopter Operations	20,000	Revenue	2025-26
Programme Officer Support	230,000	Revenue	2025-26
Programme Capacity Payments	90,000	Revenue	2025-26

**Effects of Climate Change – Weather Incidents across Argyll and Bute**

In recent years we have experienced an increase in severe weather events, consistent with the effects of climate change.

These events have brought wind speeds of up to 100mph, causing widespread damage. This led to power outages, cancelled ferry services, blocked roads and tidal flooding affecting communities across the region. The Council’s infrastructure suffered significant damage, particularly to roads, sea walls and harbour facilities. Other affected assets included burial sites, parks, recycling centres, operational depots, and Council and private property.

This is placing additional strain on already fragile infrastructure, highlighting the need for increased investment in resilience and maintenance.

At the Council budget meeting in February 2025, the Council set aside a provision of £2.9m to boost future resilience for managing severe weather-related costs. In February 2026, this was augmented further with an additional £6m investment in weather resilience, to help cope with the increasing challenges of severe weather and the impact on our vital local infrastructure.

### **Impact of Conflict in Iran**

Since late February 2026, military operations involving the United States, Israel, and Iran have caused significant disruption to global oil and gas markets. Incidents and security threats in the vicinity of the Strait of Hormuz have restricted exports of oil and liquefied natural gas (LNG) from the Gulf region, leading to considerable price volatility.

Between late February and March 2026, UK wholesale natural gas prices rose by approximately 75%, accompanied by substantial increases in petrol and diesel costs. Heating oil prices, which are not subject to price caps, have exhibited sharp and unpredictable growth, particularly in rural areas.

As a result of this there are a number of areas of potential financial risk in 2026-27 and beyond, including increased costs associated with; utilities, fuel, food, pay awards, ICT equipment, construction, transportation, borrowing and mileage payments. In addition to this there may be increased demand for welfare and financial support, housing and homelessness services, adult social care and mental health services, free school meals and educational support.

It is uncertain how long the impact of the conflict will last but it is possible that prolonged disruption causing sustained energy, inflation, borrowing-cost and supply-chain pressure may continue into 2027 and beyond.

In order to mitigate this risk a £2m contingency for increased costs has been earmarked from the 2025-26 underspend.

### **Health and Social Care Partnership**

The Health and Social Care sector across Scotland is in a difficult position at present due to the financial challenges they are facing. Most HSCPs have significant forecast deficits and depleted reserves. Audit Scotland have repeatedly reported that the sector is not operating on a financially sustainable basis.

As noted elsewhere in this commentary, Social Work Services, part of the Health and Social Care Partnership, were overspent at the end of 2025-26, however, the remaining in-year Strathclyde Pension Fund saving of £2.553m was fully drawn down and a residual balance of £0.057m was transferred to HSCP general reserve to bring the position back to financial balance.

In respect of 2026-27, the Integrated Joint Board approved the HSCP budget at their meeting on 25 March 2026. They approved £2.252m of savings and the use of £0.067m of non-recurring reserves for Social Work.

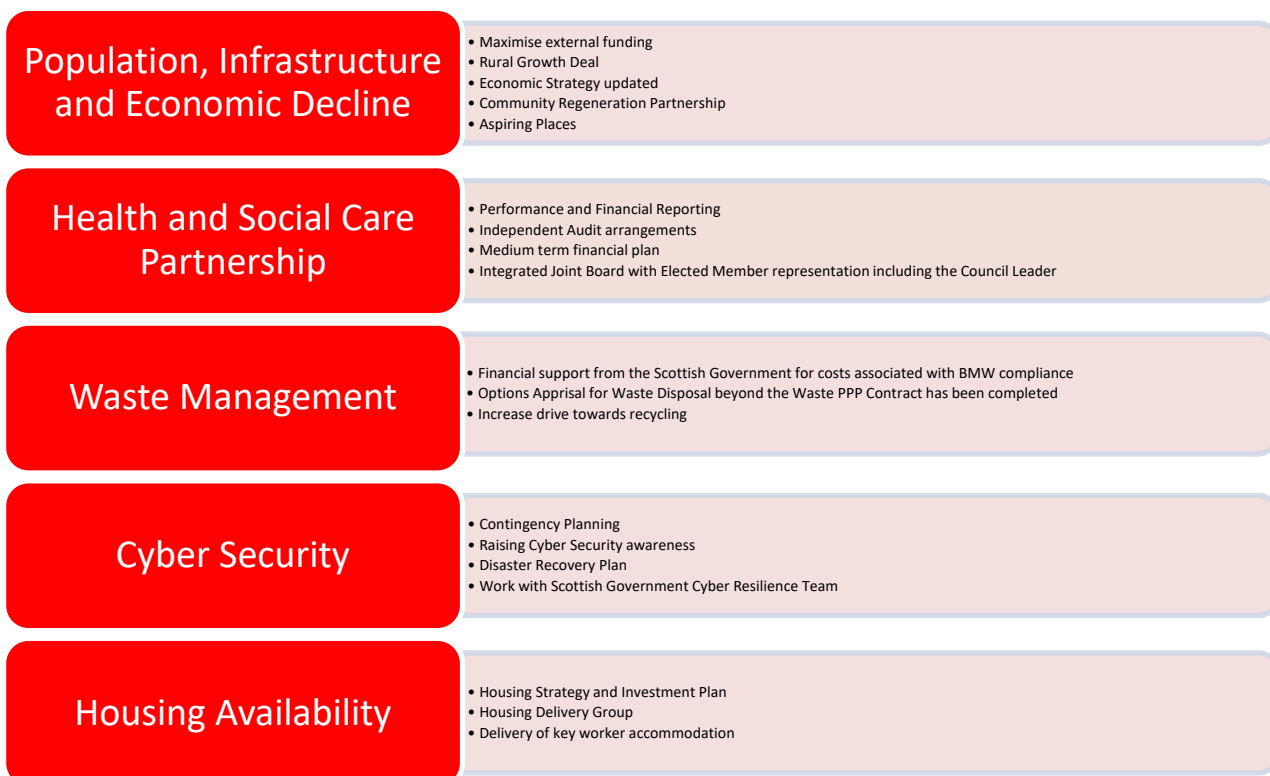
Further savings may not be possible without reduction in service and capacity within the HSCP. Almost all social care services are provided to individuals with protected characteristics (children, older people, people with disability) and it is therefore not possible to reduce services without having a disproportionate adverse impact on these groups.

There remains a risk that the HSCP cannot bring its 2026-27 expenditure within budget and that the Council may be faced within having to make interim funds available which would most likely have to come from the Council's General Fund.

**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 risk. 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. 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. Furthermore, departmental management teams review their Operational Risk Registers (ORR) on a quarterly basis, with the 'Red' risks identified in ORRs being reported to the ELT, to ensure they are sighted on all emerging high priority risks.

There are currently five strategic risks classified as 'Red', as set out in the diagram below, which also summarises the current mitigating actions. These are risks that the Council continues to manage through programmes of work, such as, the Rural Growth Deal, the implementation of compliant solutions for the Biodegradable Municipal Waste (BMW) Ban that came into place on 1 January 2026, as well as the ending of our Waste PPP Contract in September 2026, cyber security awareness, contingency planning and addressing the housing emergency.



### 7. CONCLUSION

The Council continues to operate in a challenging financial environment, shaped by ongoing pressures on public sector funding and increasing demand for services. Despite this, we have maintained sound financial management and continue to take a proactive, planned approach to ensure our long-term financial sustainability.

We recognise the risks that lie ahead, including inflation, service cost pressures and uncertainty over future funding and are actively working to mitigate these through prudent budgeting, strategic planning, and investment and transformation.

The Council remains committed to delivering best value for our communities, while protecting essential services and planning responsibly for the future.

### 8. ACKNOWLEDGEMENTS

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

*Kirsty Flanagan*

**Kirsty Flanagan**  
**Section 95 Officer**  
**26 June 2026**

## THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

## SECTION 95 OFFICER RESPONSIBILITIES

The Section 95 Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (The Code).

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates on a reasonable basis;
- complied with legislation;
- complied with the Local Authority Accounting Code of Practice 2025-26 (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 2026.*

*Kirsty Flanagan*

**Kirsty Flanagan  
Section 95 Officer  
26 June 2026**

## 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 2025-26 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.

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

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

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities and is incorporated into the Council's Constitution as part of the ethical framework which also includes a protocol for the Monitoring Officer. Each Member's interests can be found in their respective profiles at [Members Interests](#) is publically available for inspection.

In addition, the Constitution has a section on conduct at meetings and meeting agendas require declarations of interest to be made where appropriate. Standing orders for meetings are included within the Council's constitution and training and support is provided to members on their role in Council committees.

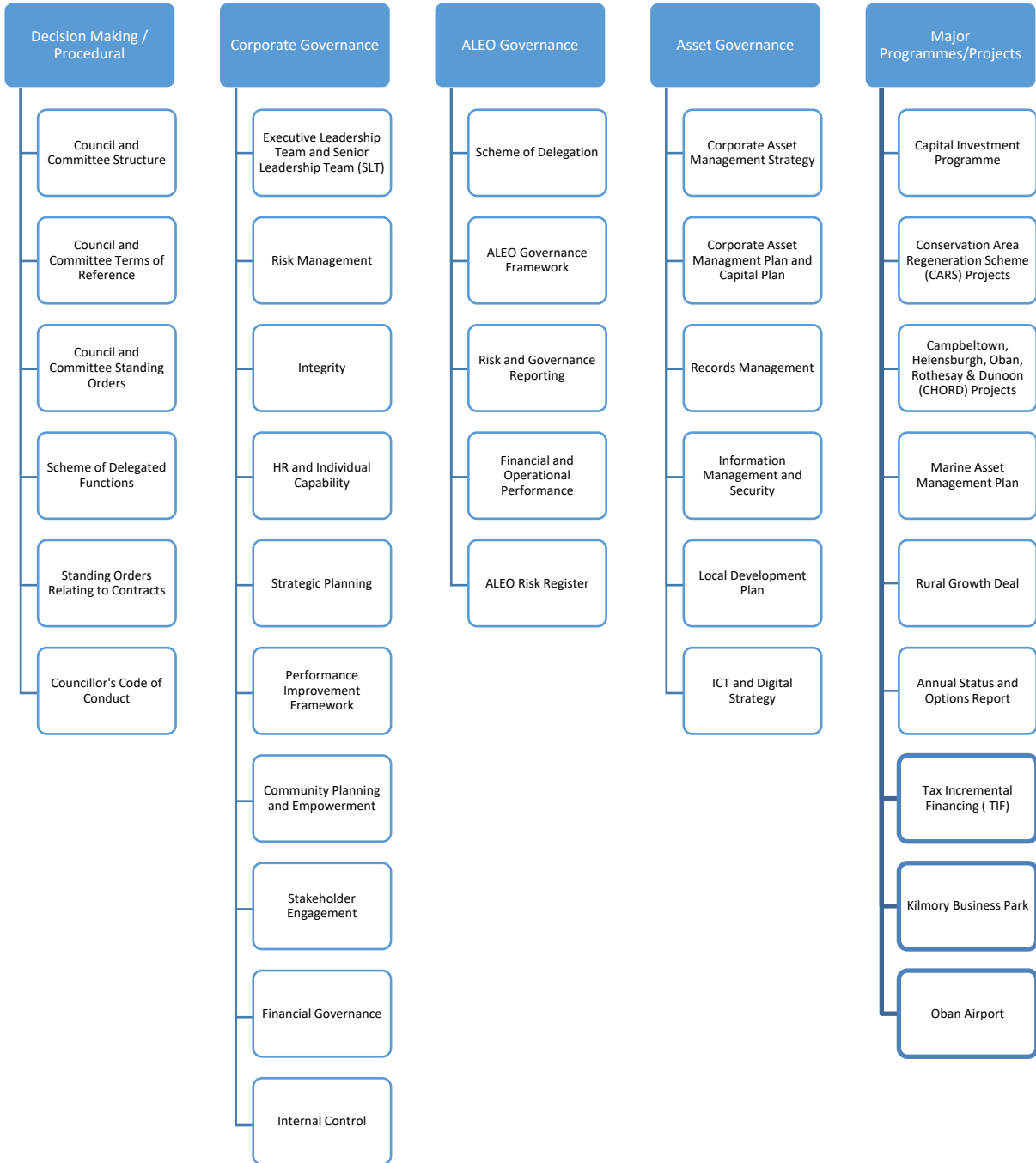
[Anti-fraud and whistleblowing](#) policies are in place and the Council has adopted the Scottish Public Services Ombudsman's (SPSO's) Model [Complaints Handling Procedure](#).

The Council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government. In addition, Professional advice on the discharge of statutory social work duties is provided to the Council by

the Chief Social Work (CSWO). This similarly augmented by the positions of Chief Education Officer and Chief Planning officer for education and planning matters.

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

Constitution, Governance, Risk Management and Accountability



External and Internal Audit and other regulatory inspections

### 2. Ensuring openness and comprehensive stakeholder engagement.

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

#### [Consultation Diary](#)

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

These include for example, early learning and childcare parent survey, workforce housing, depopulation survey, raising awareness of community projects, second green bin collections and travel survey.

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

14,673 customers subscribe to receive notifications across 24 different subscription services. In 2025-26 364,363 email and SMS notifications, newsletters and alerts were issued via the Keep in the Loop Service to its subscribers, with 9,483 electing to receive proactive service disruption alerts.

#### ['Myaccount'](#)

This 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 services. Currently 21,515 customers have linked their national Myaccount to the Argyll and Bute Council instance and use it to access and personalise their interaction with the Council on a range of services e.g. it gives authenticated access to our Council Tax and Benefits Portal which now has 8,369 subscribers.

#### [Performance and Improvement | Argyll and Bute Council](#)

The Council's website makes all relevant performance information available to the public. This includes information on performance scorecards, budgets and other service-related information. This promotes open accountability to the public for its performance against agreed policies and standards. As part of phase two of the Performance Excellence Project a review of the council's approach to public performance reporting has been completed. It includes all copies of the [Council's financial accounts](#) and papers for all Council and Committee Meetings, supplemented by [webcasts of meetings](#).

#### [Accessibility](#)

In 2025/6 79% of 691,419 customer interactions through the council's Customer Engagement Team were made using digital self-service. This very high proportion is because of the scope and quality of the digital services provided. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website is [independently assessed](#) against the international WCAG2.2 standard and in March 2026 it scored 99.7% and was the second highest ranked council website in Scotland and 12<sup>th</sup> highest in the UK. The website had 4.46m page views in 2.81m separate sessions in 2025-26, with 98,584 online transactions completed. The new online service for all council employees called MyCouncilWorks increased from 512k page views to 942k views as the new online HR service was added. The council also fully implemented the [Customer Service Strategy](#) Action Plan with significant digital and digital inclusion elements.

#### [Community Engagement](#)

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

- An officer Community Engagement Strategy Group which has supported the development and implementation of the Council's Engagement Framework; advising on best practice in engagement tools and techniques, and supporting skills development and capacity within the Council to effectively engage with communities which has included training for officers, elected members and communities. On this group sit those officers with expertise in engagement from a range of services across the Council, including those from Corporate Communications and the Communities & Partnership Team. 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.
- A Community Development service, with a focus on improving active citizenship and capacity building by delivering best practice in community development through a responsive and effectively targeted programme of Community Development support, internally to the Council and externally within communities across Argyll and Bute.
- A range of [training and resources](#) to help build the knowledge, skills and confidence of community organisations and development trusts, including publishing webinars on key topics of relevance to community organisations.
- Funding support to help empower community organisations to take forward priority projects and activities in their area: [Monthly funding alert | Argyll and Bute Council \(argyll-bute.gov.uk\)](#), hosting [GrantNet](#) for self-service funding searches, supporting funding applications through the [Community Funding Toolkit](#), and undertaking tailored funding searches on request.
- The annual delivery of a Supporting Communities Fund grant award scheme which community groups can apply for (up to £1500 each), including offering advice and support on applications and other funding routes.
- Resourcing community council liaison activities, including training and support activity, helping to build the capacity of community councils. Delivering capacity building to communities to increase the use of the Gaelic language and to make it more accessible and visible.
- Resourcing and supporting delivery of the statutory requirements under [Part 3](#) (Participation requests) and [Part 5](#) (Asset transfer requests) of the Community Empowerment (Scotland) Act 2015. Council departments are also provided with support in relation to [Part 9](#) of the Act (Allotments).
- The successful launch of Aspiring Places initiative is 'to create in one place, a comprehensive picture of all community projects to increase the likelihood of collaboration, securing external funding and implementation of projects in a planned approach to place' The successful launch of the Aspiring Places digital platform in March 2025 and the registration of a number of community groups and community projects, an evaluation of the initiative was completed and key findings shared with the Policy and Resources Committee in 04 December 2025. Further information on this initiative can be found at [ASPIRING PLACES COMMUNITY PROJECTS IN ARGYLL AND BUTE.pdf](#)

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

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

The Council directly resources the management of the Community Planning Partnership (CPP) to bring partners together, including the community, to deliver the statutory requirements under [Part 2](#) (Community Planning) of the Community Empowerment (Scotland) Act 2015, including a Local Outcomes Improvement Plan. Support is also provided to the four Area Community Planning Groups

The Community Planning Partnership seeks to ensure that young people are engaged in community planning and has implemented the following:

- The 3 local Members of the Scottish Youth Parliament (MSYPs) are invited to attend the Community Planning Partnership Management Committee meetings on a rotational basis.
- The Area Community Planning Groups (ACPGs) invite members of local youth forums to attend meetings when they are held in their local areas, with information passed on to young people by youth workers who are kept updated on any developments.
- The revised Scheme of Establishment for Community Councils outlines the requirement to encourage young people to attend and participate in community council meetings and the age to become a community councillor was lowered to be 16, to encourage more young people to become involved.

The Council also provides opportunities for community organisations to engage with Community Planning and Community Development through the following resources: Community Development Bulletin, Community Planning Bulletin, Gaelic Newsletter, Community Planning Podcast.

### Council/Committee Meetings

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

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

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

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

Our 2025 - 2027 Corporate plan outlines our vision for a successful, vibrant Argyll and Bute with a growing population and a thriving economy. A place where communities and businesses thrive and people want to come to live, to work and to do business. [Corporate Plan 25 - 27](#)

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

Asset management planning and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council

has put arrangements in place to comply with key elements of the Community Empowerment Act.

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

The Council has acknowledged the effects of the 'Cost of Living' within Argyll and Bute and during 2025/2026 client gain achieved by the Flexible food and Fuel fund project reached £6.5m. This project, supporting the most vulnerable low income households and those using foodbanks in our area to access short-term grants to cover the cost of food and fuel in the short term. In the longer term support through the provision benefit maximisation, money advice and energy advice services is provided by third sector partner agencies.

The Council has supported low income families on our islands with the provision of fuel vouchers to mitigate rising energy costs and supported community food organisation by providing financial support through grants. The Council and the Third Sector Interface is supporting the Poverty Alliance on a project entitled "Taking Action on Rural Poverty" which is looking at new ways of addressing rural poverty in Argyll and Bute by reducing the rural poverty premium.

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

Throughout 2025-26, Argyll and Bute Council continued to advance its decarbonisation programme and build climate resilience across its services. Investment in estate decarbonisation progressed through a funded programme of oil-to-heat-pump conversions at primary schools, alongside a growing solar photovoltaic programme across the council estate and a near-complete LED street lighting replacement programme that has substantially reduced associated emissions since 2015/16. On adaptation, the council delivered active Coastal Change Adaptation projects at vulnerable communities under Scottish Government capital funding, and continued flood risk management works under the Flood Risk Management (Scotland) Act 2009.

The council submitted its statutory Public Bodies' Climate Change Duties return for 2025-26, incorporating Scope 1, 2, and 3 emissions data alongside national benchmarking. The council recognises that meeting Scotland's climate targets demands continued acceleration and remains committed to clear and honest reporting against its duties.

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

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, legal, HR, customer service, risk, climate change, Fairer Scotland Duty, Equalities – protected characteristics, consumer duty, island communities and children's rights and wellbeing, 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 a pre-agenda process for all committees of the Council to discuss the nature and content of reports to come to that committee to ensure that the chair and vice-chair and members of the administration leadership are adequately consulted on that. There are also regular survey and feedback on their needs and a regular review of governance arrangements to ensure that decision making is fully supported.

In determining how services and other courses of action should be planned and delivered the Council is

increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

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

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

#### Elected Member Development

The Council has signed up to the Improvement Service's Continuing Professional Development Framework for Elected Members. All Elected Members are provided with opportunities to progress personal development plans so that individual training needs and aspirations are identified and support provided as appropriate. This is complemented by a comprehensive seminar and workshop programme which addresses a wide range of topics and strategic issues and has included sessions delivered by the Local Government Information Unit (LGIU).

#### Officer Development

The Council has frameworks in place to support officer development. These underpinned by our corporate behaviours and delivered through the corporate training programme and leadership development programmes. In 2025-26 these frameworks continued to be redesigned to better reflect the principles of Connect for Success. A new set of way we work statements was developed and agreed which underpins our learning. During 2025-26 Executive Coaching for Chief Officers continued and a 360 exercise was undertaken to support development. While the corporate behaviours and Argyll and Bute Manager programme underwent redesign all content from the previous courses remains available on LEON (the Councils eLearning platform). The LEON platform was updated in 2025-26 with improved functionality and reporting around mandatory training.

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

#### Internal Financial Control

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

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

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

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

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

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

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

Internal Audit

The Council and its Group bodies have internal audit functions, which operate to Global 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 Global 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**

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.

### FINANCIAL SUSTAINABILITY

It is anticipated that 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 current one year only financial settlements provide very little medium term budget certainty. Furthermore, the continued ring-fencing of monies and additional policy commitments, which are not always fully funded, limit financial flexibility and create additional budget pressures.

In addition to uncertainty around future funding levels, there are also prevailing levels of economic uncertainty, with continued volatility in financial markets. The ongoing conflict in Iran presents a significant financial risk to the Council as the impact of inflationary increases on utilities, fuel, food, construction and borrowing costs may result in substantial financial pressures. Supply availability may also be a risk to the Council, resulting in delays to delivery. Early mitigations are being put in place where possible but there remains a material and multi-year risk to the Council's financial position and deliverability of the Councils approved capital programme. Against a backdrop of historic real terms standstill/reducing Local Government Finance Settlements and the global economic climate, the management of budget pressures in respect of pay and other inflationary cost increases, together with increasing demands for key services, will continue to be challenging.

The Council undertakes financial planning to provide a longer term view of its financial position over future years. Financial estimates are provided within its medium term financial outlook over a five year period, to provide a longer term view of the Council's estimated budget gap. The financial outlook is underpinned by planning assumptions in respect of available funding, cost and demand pressures, pay and non-pay inflation, together with potential measures to balance the budget. These assumptions are reviewed and updated on an ongoing basis, with the outlook prepared to reflect best case, worst case and mid-range scenarios.

The Council has a strong track record in effective financial management, as recognised by previous years' annual external audit reports, and is well placed to manage future financial challenges. In addition to its revenue budget outlook, the Council provides regular update reports on capital plans, reserves and balances, financial risks and treasury management activity, in accordance with its approved strategies.

The Council is taking a longer term approach to budget planning and recognises that opportunities for budget savings will require to be delivered, whilst maintaining services, in line with its key strategic objectives and within available budget resources. Service transformation, underpinned by robust financial planning, will continue to be a key focus, in order to safeguard the financial sustainability of the council. The annual audit report for the year ended 31 March 2025 recognised that the Council has transformation activities that align with its strategic priorities and are intended to promote financial sustainability.

A new Transformation Strategy was developed during 2025-26 which was presented to Policy and Resources Committee in May 2026 and an officer Transformation Board has been established to provide strategic oversight of the Council's transformation activity. As part of the 2026-27 budget setting in February 2026, it was agreed to create a Programme Management Office (PMO) to manage transformation and other major projects, to ensure oversight and increase the pace of change.

### HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from Argyll and Bute Council and NHS Highland, with its own board of governance. The IJB comprises eight voting members with four Elected Members

nominated by Argyll and Bute Council and four Board members from NHS Highland. In addition, there are a number of non-voting appointees representing other sectors and stakeholder groups, such as the Third Sector, Independent Sector, Patients and Service Users, Carers and Staff. However the IJB will require to prepare for a change of voting membership with the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Amendment Order 2025 (SSI 2025/405), which comes into force on 1 September 2026 ensuring that lived experience members have a vote.

The arrangements for the operation, remit and governance of the IJB are set out in the Argyll and Bute Integration Scheme which has been prepared and approved by Argyll and Bute Council and NHS Highland. It has also been approved by the Scottish Government. The IJB, via a process of delegation from the Health Board and Local Authority as outlined in the Scheme of Integration has responsibility for the planning, resourcing and operational delivery of all health and social care services within Argyll and Bute. The Integration Scheme has been approved by partners and Scottish Government within the timescale and subject to public consultation however will require some amendment based on the application of the amendment order to voting rights.

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

The IJB has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based internal audit plan developed and commissioned for 2025-26 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 reasonable level of assurance on the adequacy of internal controls and governance arrangements within the IJB.

In recent years the IJB has progressed a number of areas for development in respect of governance have been progressed and this has resulted in a marked improvement in the way in which the IJB operates and is governed. A further review is planned for 2026-27 to ensure compliance with increasing public duties, statutory guidance and non-statutory advice.

The operating environment going forward continues to be challenging as funding allocations have not kept pace with cost and demand increases. The increase in the employer national insurance rate and inflationary pressures are having a material impact on commissioned service providers, increasing cost and service risk. The impact of an increasing older adult population with on-going recruitment constraints and workforce shortages is adding to the challenge. The HSCP is working to address its workforce gaps throughout the area and across many professions in a variety of ways. For example, it is addressing key worker accommodation shortages in partnership with the Council, Shelter and the Social Housing Sector and is constantly trying new approaches to attract workers from outside Argyll & Bute.

The Health and Care Staffing act is in the early stages of its implementation and this has continued to have an impact upon staffing models through 2025-26 along with reduction in the working week (NHS) and other implications from pay awards. The financial constraints are so severe that the HSCP will be required to continue to implement its approved savings plans and develop further savings to balance the budget in future years. These risks and challenges are particularly acute in many of our rural and island communities which are experiencing increasing costs along with very small scale, lifeline services which are become ever more difficult to sustain or operate in a financially efficient way.

The HSCP has developed an extensive savings and transformation plan which aims to balance the financial pressures it, and its partners, are currently experiencing with the care needs of the communities it serves. Despite the challenges, financial performance in 2025-26 was positive, the HSCP delivered upon its savings target and the recovery plan. It also effectively implemented the Threshold of care policy during the year. A further improvement in governance during 2025-26 was the improved budget engagement process and delivery of the draft Joint Strategic Plan.

The IJB approved a budget for 2026/27 which requires the delivery of £8.0m in savings and also requires the allocation of carried forward reserves, this approach means that the scale of the challenge in 2027/28 is expected to be extremely challenging. The management of longer-term financial sustainability is a priority and service change and transformation plans aimed at addressing this require to be developed, consulted upon and implemented during the course of 2026/27. The delivery of the savings program, progressing the transformation agenda and developing further opportunities to reduce costs will remain priorities alongside maintaining the safety of services.

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

The 2024/25 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2025-26 Update
An Internal Audit in Non-Domestic Rates (NDR) has identified that the current appeal process needs to be improved to enhance independent decision making and checking. A new independent panel of managers, separate from Finance, will be established to adjudicate on NDR appeals, improving impartiality and robustness of decisions. (Head of Financial Services – March 2026)	A paper is going to Policy Leads ELT on Monday 11 May outlining the arrangements for the NDR and BID appeals going forward. It recommends a two-tier process and a member led panel hearing appeals at tier 2 in the future.
The Internal audit of IR35-Off Payroll Working compliance reported assurance as limited. A comprehensive Policy and Procedures drafted for approval. To be implemented 2025-26 in order to minimise any risk to the council. (Head of Financial Services – March 2026)	IR35 policy document was written, presented and accepted by ELT. This was some time ago now and I’m not sure what the Council’s procedures are around officially accepting a policy, but as far as I was aware that was the completion of the task. The key message was that there are two routes to doing work for the Council, one is via HR and the other is via Procurement, and that officers should follow the more appropriate of those two routes and that would keep them right. In addition, as Procurement update their internal paper work they were to ensure IR35 was fully embedded into that.

<p>Further embedding good governance and information management in the MS365 project and the roll out of Teams - Once the business case has been approved for the next stage of the MS365 project and the roll out of teams the service will ensure appropriate governance and information management arrangements are in place. (Head of Legal and Regulatory Support – March 2026)</p>	<p>Approval of Phase 3 of the M365 project has been obtained and progress has been made in delivering on that with required filling of temporary posts and onboarding consultants. The Council’s submission of its revised Records Management plan with Registers of Scotland, which is largely predicated on its transition to the new M 365 environment, further supports this phase and the embedding of 365 across the Council.</p>
<p>Financial Recovery – pressures deriving from increasing demand, workforce shortages and reduced real terms funding in Health and Social Care. Plans under development to reduce expenditure and service provision. (Chief Officer – March 2026)</p>	<p>Completed and a balanced budget was agreed by the IJB in March 2026</p>
<p>Reduce risk in long term housing supply by identifying long term strategic expansion sites at scale which will create better economies of scale in terms of servicing infrastructure and site de-risking. Produce Strategic Development Frameworks for the two main population and commerce centres, Helensburgh and Oban. (Head of Development and Economic Growth – March 2026)</p>	<p>Good progress is being made with both Strategic Development Frameworks for Helensburgh and Oban. Helensburgh is due for completion by the Autumn 2026 and Oban by the end of 2026. Both work streams are on track and have been positively received by key stakeholders. These Frameworks will inform the new Local Development Plan that is also underway and assist a long-term delivery for 3000 to 6000 new homes across both areas. It should also be noted that Dunbeg 4 received planning consent for 433 new homes in March 2026 which is the largest housing application for a generation in Argyll and Bute. Several major applications for housing are at various stages of delivery in the Helensburgh and Lomond area.</p>
<p>The Licensing Board will undertake a review of its Licensing Policy Statement as required in terms of the Licensing (Scotland) Act 2005. This will ensure that the Policy Statement continues to reflect the Board’s current practice and policy and is updated as necessary to ensure compliance with the statutory licensing objectives. The review will include an extensive consultation exercise with internal and external partners, agencies and</p>	<p>Work has commenced on the review of the Licensing Policy Statement and this is expected to be agreed by the Licensing Board at its meeting in June 2026</p>

<p>the public. (Head of Legal and Regulatory Support – March 2026)</p>	
<p>Ensure continuing improvement in the quality of LTA and pupil learning experiences across all schools. Expanded programme of observation, feedback and support relating to Learning, Teaching and Assessment by the central team for targeted schools. (Head of Education, Performance &amp; Improvement – March 2026).</p>	<p>Over session 2025-2026, improvement in LTA across all schools was supported by 12 twilight professional learning opportunities for teachers and four additional sessions for senior school leaders focusing on leading improvement in LTA, all of which were led by the Education Manager/Education Officer. The number of co-ordinated, targeted visits to support LTA in schools increased from 31 in 2024-25 to 45 thus far in 2025-26. A new system for recording data relating to LTA school visits has been introduced which allows tracking of school performance in LTA and increased capacity to identify areas for development in individual schools. The positive impact of such interventions is being evidenced through observation of LTA during visits and through statistical analysis of HMIE evaluation of <i>How Good is Our School</i> Performance Indicator 2.3 – Learning Teaching and Assessment, which demonstrates that the average rating for 2.3 in Argyll and Bute (3.86) is higher than those for the Northern Alliance (3.44) and Scotland as a whole (3.82).</p>
<p>Strengthen professional learning opportunities for Head Teachers and the Education Central Team in line with the new Leadership Progression Framework. Plan and create a suite of Professional Learning sessions for Head Teachers and system leaders, focusing on key local priorities and involving external partners where possible. Continue to develop the Newly Appointed Head Teacher programme. (Head of Education, Performance &amp; Improvement – March 2026).</p>	<p>A range of local and national Professional Learning sessions for Head Teachers and System Leaders were available across academic session 2025/2026. The sessions were created in line with data from Professional Review and Development meetings and local and national priorities.</p> <p>The sessions focused on the following areas:</p> <ul style="list-style-type: none"> <li>• Learning, Teaching and Assessment</li> <li>• Curriculum</li> <li>• Wellbeing Rights and Relationships</li> <li>• Performance and Improvement</li> <li>• Early Years Leadership</li> </ul> <p>These sessions were delivered on Teams and focused on developing knowledge and understanding of key areas.</p> <p>The Newly Appointed Head Teacher programme was refreshed in line with local and national priorities. New HTs are now invited to two face to face professional learning sessions and have access to a Google Drive with a range of resources to support them in their new role. This ensures all new HTs have the required knowledge and understanding of key processes and policies within Argyll and Bute. The Newly Appointed HT handbook has also</p>

	been updated to reflect the refreshed programme of professional learning.
Single Authority Model - Continue exploring the potential for a single authority model including elements such health and social care. (Chief Executive March 2026)	There has been significant progress with regular meetings and reporting to the Scottish Government. Most notably, a formal submissions was made to government in January, outlining the council’s approach and proposed steps. This submission detailed the potential integration of elements such as health and social care, and helped move discussions forward with our partners and stakeholders. The Scottish Government welcomed the ambition of Argyll and Bute’s Single Authority proposal and gave support to ongoing exploration. The work continues, and we’re monitoring government feedback closely as we develop the next stages of this initiative
Budget Planning - Develop a longer term savings plan enabling a more strategic approach to transformation and service redesign. (Chief Executive March 2026)	We have now completed the council’s transformation strategy, which sets out our vision for service redesign and improvement. As part of this process, we’ve identified key budget themes that will underpin our savings plan and strategic direction. Additionally, there is agreement to establish a dedicated Programme Management Office (PMO) and allocate transformation resources. This will ensure that we have the right structure and capacity in place to deliver on our ambitions and manage change effectively.
Agree option for continuity of waste service following the end of the PPP Contract (Head of Roads and Infrastructure - September 2026).	<p>The council is ensuring continuity of waste service following the end of the PPP contract in September 2026 by entering into a 5 year contract from 4 September 2026. Legal advice received was that we could not extend the PPP contract beyond the end date of 3 September 2026.</p> <p>The invitation to tender for this contract was published in October 2025, which closed at the end of November 2025. We are now in post tender negotiations with our preferred bidder and aim to have the contract awarded by the end of June 2026. This will enable the mobilisation period for the new contract.</p>
External residential placements for children - Strengthening the governance arrangements of external placements even further. Monitoring commissioning visits, goals of placements and discharge planning. (Head of Children, Families and Justice - March 2026).	Governance has been strengthened and work is underway to further develop process and procedures around the use of external placements along with Education colleagues. All actions have not been completed due to ongoing staff absences, and a revised timescale has been agreed for 30/06/26 for completion of this work.
Stabilisation of staffing - Addressing absences and vacancies. (Head of	Staffing continues to be problematic throughout the service with high numbers of unfilled vacancies, and newly

<p>Children, Families and Justice - March 2026).</p>	<p>qualified social workers in post. A workforce strategy is being developed with immediate, short, medium and long term actions identified to address this issue. Lack of available qualified social work staff is a national issue.</p>
<p>The council’s Insurers identified an issue around the revaluation of properties for building insurance purposes. A phased approach of revaluations was implemented with General properties for the OLI and B&amp;C areas to be completed in 2025-26 - Estates will complete a revaluation programme for the General portfolio. (Head of Commercial Services - March 2026)</p>	<p>Insurance revaluations for the General Properties within the OLI and B&amp;C areas was completed in 2025-26 as planned. For 2026/27 we are intending to revalue residential properties and tenanted properties.</p>
<p>Succession Planning - 28% of Property Service staff are 55 or over Succession planning essential to ensure continuity of service provision. (Head of Commercial Services - March 2026)</p>	<p>Succession Planning - 29% of Property Services staff (9 officers) are aged 55 or over, however there are no staff aged 66 or over and the average department age has reduced from 48 to 44. Succession planning for 2026/27 and the next five years will focus on a “grow our own” approach, using apprenticeships and training pathways to strengthen capacity in mechanical, electrical and energy management services.</p>

**ISSUES FOR FURTHER DEVELOPMENT**

The review of governance and internal control has identified the following areas for consideration during 2025-26, particularly in the context of continuous improvement within the Council:

- Strengthening assurance around delivery capacity and skills resilience - The pace and scale of change within Roads and Infrastructure Services continues to place pressure on management and operational capacity. Further improvement is required to strengthen workforce planning, succession arrangements and resilience for specialist roles, to ensure that governance and control arrangements remain effective and are not overly reliant on individual officers or short-term mitigations identified through stress and risk assessments. (Head of Roads and Infrastructure Services – March 2027)
- Further strengthening of financial transparency across complex service areas - Some service areas, particularly those involving external contracts and multi-year commitments, would benefit from additional clarity and consistency in financial reporting and assurance. Continued improvement is required to strengthen understanding of cost drivers, contractual risk exposure and long-term affordability, supporting earlier intervention and clearer corporate oversight. (Head of Roads and Infrastructure Services – March 2027)
- Continued work on the review of capital arrangements including creation of long term capital strategy and new approach to budget setting for 2027-28 - A long term capital strategy will be developed during the Summer of 2026 and reported to Members late 2026/27. A more detailed Capital Planning and Management Guide (or similar planning document) will also be required to consider the budget approach for 2027-28 and future years, and how the capital programme should be planned/managed on an ongoing

basis. (Head of Financial Services – March 2027)

- Elected Member Induction - The next Local Government Elections are scheduled for May 2027 and in preparation for this we will be working with colleagues across the Council to prepare an appropriate induction programme for new and returning Councillors. In 2026 we plan to engage with our existing Members to inform our programme. We also plan to make use of a variety of tools and platforms to ensure that the programme is varied and relevant. We will also be engaging with the Improvement Service to make use of the tools and resources which are available from them. Work on this will commence in May 2026 with a view to having a programme agreed and in place well in advance of the Election in May 2027. (Head of Legal and Regulatory Support March 2027)
- The Licensing Board will undertake a review of its Licensing Policy Statement as required in terms of the Licensing (Scotland) Act 2005 - This will ensure that the Policy Statement continues to reflect the Board's current practice and policy and is updated as necessary to ensure compliance with the statutory licensing objectives. The review will include an extensive consultation exercise with internal and external partners, agencies and the public. (Head of Legal and Regulatory Support March 2027)
- Continue to implement and roll out of contract management across Council services following a review of current contract management activity - PCCMT continue to identify areas of improvement - early planning and how the service can influence managing change during the life of the contract; to map reporting made at an operational level to provide evidence of supplier performance / KPIs, financial stability and community benefits/sustainability delivery. (Head of Legal and Regulatory Support March 2027)
- Ongoing roll out of the MS365 project - The business case has been approved for the next stage of the MS365 project and the roll out of teams the service will continue to maintain appropriate governance and information management arrangements are in place and continue to transition services to the new 365 environment to improve the storage, handling, retrieval, searchability and overall management of information. (Head of Legal and Regulatory Support March 2027)
- Single Authority Model - Continue development of the model subject to government support. (Chief Executive – March 2027)
- Development of a Transformation Plan - Implement a Transformation Board to oversee delivery of the Transformation Strategy and create a costed Transformation Plan. (Chief Executive – March 2027)
- Pilot the new SOLACE/IS self-evaluation model - Carry out a number of self-assessments using the new model. (Chief Executive – March 2027)
- Focus on CE at home. Recent audit activity highlighted need to ensure practice and statutory timescales are improved. (Acting Head of Children and Families – March 2027)
- Staffing - The vacancy level in Childrens & Families social work is impacting the ability to meet statutory requirements and Newly qualified social workers are an increasing proportion of the work force . (Acting Head of Children and Families – March 2027)
- Develop broader understanding of UNCRC and compliance with this across Argyll & Bute Council in line with legislation. (Heads of Education, Performance & Improvement and Wellbeing, Inclusion and

### Achievement – March 2027)

- Ongoing development of reporting arrangements and monthly reconciliation of capital monitoring actuals against profiled forecasts is undertaken in collaboration with Financial Services. The introduction of the five year programme has increased the level of scrutiny in both revenue and capital and strengthened financial oversight. Finance and Property Services jointly review capital performance monthly, providing internal assurance, improving forecasting accuracy, and supporting informed decision making throughout the programme. (Heads of Commercial Services 31 March 2027)
- Estates identified that Investment properties had been incorrectly classified for accounts purposes. Properties affected are to be correctly classified for the 26/27 accounts. (Heads of Commercial Services 31 March 2027)
- Addressing significant levels of ineffective housing stock caused by high numbers of Short Term Lets - Propose to Council public consultation of Short Term Let Control Areas and report back to council recommendations following that consultation. (Head of Development and Economic Growth 31 March 2027)
- Preparation of Argyll and Bute Council's Economic Strategy Action Plan 2026-2029 - The content of the Economic Strategy Action Plan, 2026-2029 will include due cognisance to the measures within the Community Wealth Building (Scotland) Act 2026. (Head of Development and Economic Growth 31 March 2027)

## CONCLUSION

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

*Kirsty Flanagan*

Kirsty Flanagan  
Section 95 Officer  
26 June 2026

### 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 was audited by Forvis Mazars LLP. All other sections within the Remuneration Report were reviewed by Forvis Mazars LLP 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 2025-26 the salary for the Leader of Argyll and Bute Council is £50,063. 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 £37,548 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 £0.445m. 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 £37,548 to each appointed policy lead. Chairs of Area Committees without a Policy Lead remit are paid a salary determined by the Council within the limits prescribed by the Regulations.

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.

Industrial Relations Circular 2024/10 set the amount of salary for the Chief Executive of Argyll and Bute Council for 2025-26. The salaries of Executive Directors and Heads of Service are determined in accordance with nationally agreed Scottish Joint Negotiating Committee arrangements and local grading structures approved by the Council.

## 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:

2024-25 Actual £'000	Members Allowances	2025-26 Actual £'000
499	Basic Councillor Salaries	592
75	Leader and Provost's Salary	87
318	Senior Councillor Salaries	389
18	Other Expenses and Allowances paid to Members	13
<b>910</b>	<b>Total Allowances</b>	<b>1,081</b>

The annual return of councillors' salaries and expenses for 2025-26 is available for any member of the public to view at all Council libraries and public offices during normal working hours. It is also available on the Council's website at <http://www.argyll-bute.gov.uk/council-and-government/councillors-and-community-councillors>.

## The Remuneration Report

### SENIOR COUNCILLORS' REMUNERATION

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

2024-25 Total Remuneration £	Senior Members	Responsibility	2025-26 Total Remuneration £
<b>Senior Councillor Prior to Updated Political Composition of the Council on 26 November 2025</b>			
25,545	Councillor Gary Mulvaney	<b>Leader of the Opposition Group</b> to 01/10/25	14,886
29,932	Councillor Mark Irvine	<b>Chair of Helensburgh &amp; Lomond Area Committee</b> to 26/11/25 <b>Policy Lead for Community Planning and Corporate Services</b> to 26/11/25	24,345
23,903	Councillor Julie McKenzie	<b>Chair of Oban, Lorn &amp; the Isles Area Committee</b> to 26/11/25	19,475
29,932	Councillor Audrey Forrest	<b>Policy Lead for Education</b> to 26/11/25 <b>Joint Depute Leader</b> to 26/11/25	24,345
<b>Senior Councillor Prior to and After Updated Political Composition of the Council on 26 November 2025</b>			
31,680	Councillor Dougie Philand	<b>Provost</b> from 04/04/24	37,459
42,514	Councillor Jim Lynch	<b>Leader of the Council</b> from 04/04/2024 <b>Policy Lead for Economic Development, Islands, Rural Communities and Housing</b> to 26/11/25 <b>Policy Lead for Economic Development, Islands, Regeneration, Communities and Housing</b> from 26/11/25	49,944
23,903	Councillor Gordon Blair	<b>Chair of Bute &amp; Cowal Area Committee</b> to 26/11/25 <b>Policy Lead for Planning and Regulatory Services</b> from 26/11/25	32,589
30,276	Councillor Kieron Green	<b>Policy Lead for Planning and Regulatory Service</b> to 26/11/25 <b>Policy Lead for Education</b> from 26/11/25 <b>Chair of Oban, Lorn &amp; the Isles Area Committee</b> from 26/11/25	37,459
29,932	Councillor Luna Martin	<b>Policy Lead for Climate Change, Renewables and Net Zero</b> to 26/11/25 <b>Policy Lead for Climate Change, Net Zero and Gaelic</b> from 26/11/25	37,459
30,276	Councillor Ross Moreland	<b>Policy Lead for Finance and Commercial Services</b> from 25/04/24 <b>Joint Depute Leader</b> from 27/06/24	37,459
29,932	Councillor John Armour	<b>Policy Lead for Roads and Transport</b> from 25/04/24 <b>Joint Depute Leader</b> from 26/11/25	37,459
29,932	Councillor Dougie McFadzean	<b>Policy Lead for Care Services</b> from 25/05/24	37,459
29,932	Councillor Math Campbell-Sturgess	<b>Policy Lead for Business Development</b> from 25/05/24	37,459

## The Remuneration Report

<b>Senior Councillor After Updated Political Composition of the Council on 26 November 2025</b>			
-	Councillor Peter Wallace	<b>Leader of the Opposition Group</b> from 26/11/25	14,579
-	Councillor Reeni Kennedy-Boyle	<b>Chair of Bute &amp; Cowal Area Committee</b> from 26/11/25	10,491
-	Councillor Fiona Howard	<b>Chair of Helensburgh &amp; Lomond Area Committee</b> from 26/11/25	10,491
-	Councillor William Sinclair	<b>Policy Lead for Corporate Services and Community Planning</b> from 26/11/25	13,114
<b>Former Senior Councillors - Comparative Information only</b>			
275	Councillor Garret Corner	<b>Chair of Mid Argyll, Kintyre &amp; the Islands Area Committee</b> to 04/04/2024	-
344	Councillor Maurice Corry	<b>Provost</b> to 04/04/2024	-
344	Councillor Amanda Hampsey	<b>Policy Lead for Care Services</b> to 04/04/2024	-
344	Councillor Andrew Kain	<b>Policy Lead for Roads and Transport</b> to 04/04/2024 <b>Chair of Oban, Lorn &amp; the Isles Area Committee</b> to 04/04/2024	-
344	Councillor Liz McCabe	<b>Policy Lead for Islands and Business Development</b> to 04/04/2024 <b>Chair of Bute &amp; Cowal Area Committee</b> to 04/04/2024	-
344	Councillor Yvonne McNeilly	<b>Policy Lead for Education</b> to 04/04/2024	-
275	Councillor Gemma Penfold	<b>Chair of Helensburgh &amp; Lomond Area Committee</b> to 04/04/2024	-
344	Councillor Alastair Redman	<b>Policy Lead for Economic Growth and Corporate Services</b> to 04/04/2024	-
1,793	Councillor Robin Currie	<b>Leader</b> to 04/04/2024 <b>Policy Lead for Strategic Development</b> to 04/04/2024 <b>Joint Depute Leader</b> from 25/04/2024 to 09/05/2024 <b>Policy Lead for Economic Development, Islands and Rural Communities and Housing</b> from 25/04/2024 to 09/05/2024	-

Senior Councillors' remuneration in the tables above does not include non-taxable expenses and there were no taxable expenses in the year. 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:

2024-25 Number of Officers	Range £	2025-26 Number of Officers
222	£50,000 - £54,999	204
109	£55,000 - £59,999	125
80	£60,000 - £64,999	110
73	£65,000 - £69,999	54
69	£70,000 - £74,999	58
13	£75,000 - £79,999	12
12	£80,000 - £84,999	10
-	£85,000 - £89,999	3
10	£90,000 - £94,999	2
2	£95,000 - £99,999	8
1	£100,000 - £104,999	2
1	£105,000 - £109,999	2
1	£110,000 - £114,999	-
-	£115,000 - £119,999	-
3	£120,000 - £124,999	-
-	£125,000 - £129,999	-
-	£130,000 - £134,999	2
-	£135,000 - £139,999	-
-	£140,000 - £144,999	-
-	£145,000 - £149,999	-
1	£150,000 - £154,999	-
-	£155,000 - £159,999	1
<b>597</b>	<b>Total</b>	<b>593</b>

## The Remuneration Report

### SENIOR EMPLOYEES' REMUNERATION

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

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

The following table sets out the remuneration disclosures for 2025-26 for senior officers:

Total Remuneration 2024-25 £	Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2025-26 £
153,083	Chief Executive - Pippa Milne	159,875	335	160,210
123,765	Executive Director - Douglas Hendry	130,650	777	131,427
124,185	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	130,650	647	131,297
91,625	Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson	98,591	453	99,044

The following table sets out the remuneration disclosures for 2025-26 for Live Argyll:

Total Remuneration 2024-25 £	Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2025-26 £
91,043	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	96,383	-	96,383

## 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 2025-26 are as follows:

Whole time pay	Contribution Rate 2025-26
On earnings up to and including £27,500	5.50%
On earnings above £27,501 and up to £33,600	7.25%
On earnings above £33,601 and up to £46,100	8.50%
On earnings above £46,101 and up to £61,400	9.50%
On earnings of £61,401 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 1/49<sup>th</sup> of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

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

## SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2026 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 2025		Senior Members		For the year to 31 March 2026	
In-year pension contributions	Accrued pension benefits			In-year pension contributions	Accrued pension benefits
£	£'000			£	£'000
<b>Senior Councillor Prior to Updated Political Composition of the Council on 26 November 2025</b>					
1,660	9	Councillor Gary Mulvaney	Pension	967	10
-	2		<i>Lump Sum</i>	-	2
1,946	-	Councillor Mark Irvine	Pension	1,583	2
1,554	-	Councillor Julie McKenzie	Pension	1,266	5
1,946	4	Councillor Audrey Forrest	Pension	1,583	4
<b>Senior Councillor Prior to and After Updated Political Composition of the Council on 26 November 2025</b>					
-	-	Councillor Dougie Philand	Pension	-	-
2,888	4	Councillor Jim Lynch	Pension	3,246	5
1,554	-	Councillor Gordon Blair	Pension	2,118	6
2,124	5	Councillor Kieron Green	Pension	2,435	6
1,946	1	Councillor Luna Martin	Pension	2,435	2
2,124	2	Councillor Ross Moreland	Pension	2,435	3
1,946	5	Councillor John Armour	Pension	2,435	6
1,946	1	Councillor Dougie McFadzean	Pension	2,435	2
1,946	1	Councillor Math Campbell-Sturgess	Pension	2,435	2
<b>Senior Councillor After Updated Political Composition of the Council on 26 November 2025</b>					
-	-	Councillor Peter Wallace	Pension	688	2
-	-	Councillor Reeni Kennedy-Boyle	Pension	620	2
-	-	Councillor Fiona Howard	Pension	620	2
-	-	Councillor William Sinclair	Pension	764	2
<b>Former Senior Councillors - Comparative Information only</b>					
53	1	Councillor Garret Corner	Pension	-	-
66	1	Councillor Maurice Corry	Pension	-	-
66	1	Councillor Amanda Hampsey	Pension	-	-
66	1	Councillor Andrew Kain	Pension	-	-
66	2	Councillor Liz McCabe	Pension	-	-
66	4	Councillor Yvonne McNeilly	Pension	-	-
53	1	Councillor Gemma Penfold	Pension	-	-
66	1	Councillor Alastair Redman	Pension	-	-
324	10	Councillor Robin Currie	Pension	-	-

## The Remuneration Report

### SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2026 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 2025		Senior Officers	For the year to 31 March 2026		
In-year pension contributions	Accrued pension benefits		In-year pension contributions	Accrued pension benefits	
£	£'000		£	£'000	
11,376	82	Chief Executive - Pippa Milne	Pension	10,383	88
	118		Lump Sum		122
9,220	77	Executive Director - Douglas Hendry	Pension	8,483	82
	119		Lump Sum		123
9,220	46	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	Pension	8,483	50
	34		Lump Sum		36
6,969	13	Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson	Pension	6,399	15
	-		Lump Sum		-

### Live Argyll Senior Employees' Pension Benefits

For the year to 31 March 2025		Senior Officers	For the year to 31 March 2026		
In-year pension contributions	Accrued pension benefits		In-year pension contributions	Accrued pension benefits	
£	£'000		£	£'000	
14,286	41	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	Pension	1,454	45
	42		Lump Sum		45

**EMPLOYEE EXIT PACKAGES**

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

2024-25						Exit Package Cost Band	2025-26					
Compulsory Redundancies		Other Departures		Total			Compulsory Redundancies		Other Departures		Total	
No	£	No	£	No	£		No	£	No	£	No	£
-	-	2	2,424	2	2,424	£0 - £20,000	7	50,415	1	3,170	8	53,585
1	22,205	1	20,221	2	42,426	£20,001 - £40,000	1	33,277	-	-	1	33,277
-	-	-	-	-	-	£40,001 - £60,000	-	-	-	-	-	-
-	-	-	-	-	-	£60,001 - £80,000	-	-	-	-	-	-
-	-	1	81,937	1	81,937	£80,001 - £100,000	-	-	1	99,179	1	99,179
1	116,184	-	-	1	116,184	£100,001 - £150,000	-	-	-	-	-	-
-	-	-	-	-	-	£150,001 - £200,000	-	-	-	-	-	-
<b>2</b>	<b>138,389</b>	<b>4</b>	<b>104,582</b>	<b>6</b>	<b>242,971</b>		<b>8</b>	<b>83,692</b>	<b>2</b>	<b>102,349</b>	<b>10</b>	<b>186,041</b>

For the purposes of this note, Exit Packages include:

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded – maximum three years); and
- A capitalised value of the recurring Compensatory Added Years payment. This represents the amount which the Council has to pay to the pension fund because the employee has retired with enhanced service (maximum three years). This amount is paid on an annual basis once a person has left employment with the Council and is therefore a notional cost at 31 March 2025.

Termination costs for all Council employees who have accepted redundancy by 31 March 2026 are recognised in the Exit Packages note in 2025-26, or in previous financial years. The total cost recognised in the Exit Packages note in 2025-26 is £0.186m for 10 employees and in 2024-25 was £0.243m for 6 employees.

The supplementary Termination Benefits Note 34 provides more information.

**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 2025 to 31 March 2026 are attached at Appendix A.

## Statement of Comprehensive Income and Expenditure

2024-25			Service	Note	2025-26		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,395	125	1,270	<b>Chief Executive</b>		1,372	202	1,170
			<b>Executive Director Douglas Hendry</b>				
555	-	555	Executive Director		476	-	476
24,215	2,027	22,188	Commercial Services		25,427	1,970	23,457
125,114	10,628	114,486	Education		127,336	6,018	121,318
19,692	4,752	14,940	Legal and Regulatory Support		19,893	4,560	15,333
			<b>Executive Director Kirsty Flanagan</b>				
256	-	256	Executive Director		392	-	392
24,797	18,274	6,523	Financial Services		22,694	15,665	7,029
13,137	580	12,557	Customer Support Services		14,282	521	13,761
23,915	12,609	11,306	Development and Economic Growth		26,209	13,716	12,493
81,642	27,612	54,030	Roads and Infrastructure		70,740	16,777	53,963
194,266	108,276	85,990	<b>Social Work</b>		201,753	112,593	89,160
13,141	1,454	11,687	<b>Other Non-Departmental Costs</b>		12,680	1,408	11,272
<b>522,125</b>	<b>186,337</b>	<b>335,788</b>	<b>Net Cost of Services</b>		<b>523,254</b>	<b>173,430</b>	<b>349,824</b>

## Statement of Comprehensive Income and Expenditure



		<b>Other Operating Income and Expenditure:</b>	
	(66)	Net (Gain)/loss on Disposal of Long Term Assets	920
	1,680	Other Operating Income and Expenditure	8
	<b>1,614</b>	<b>Total Other Operating Income and Expenditure</b>	<b>2,462</b>
		<b>Financing and Investment Income and Expenditure:</b>	
	24,361	Interest Payable and Similar charges	21,130
	(10,041)	Interest and Investment Income	(9,523)
	1,214	Net Pension Interest Expense	1,198
	<b>15,534</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>41</b>
		<b>Taxation and Non-Specific Grant Income:</b>	
	(210,601)	General Government Grants	(224,708)
	(19,569)	Government Capital Grants and Other Capital Contributions	13
	(149)	Gain on Initial Recognition of Lease - Capital Contribution	(61)
	(41,334)	Non-domestic Rates Redistribution	(42,497)
	(815)	Non-domestic Rates TIF	(440)
	-	Non-domestic Rates BRIS	(389)
	(66,948)	Council Tax Income	(72,476)
	<b>(339,416)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(363,081)</b>
	<b>13,520</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>7.1</b>
	(3,285)	(Surplus)/Deficit on revaluation of Long Term Assets	(14,255)
	(15,011)	Other Post Employment Benefits (Pensions)	30.2
	<b>(18,296)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(24,299)</b>
	<b>(4,776)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(22,288)</b>

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

31 March 2025			31 March 2026		
£'000	£'000	Note	£'000	£'000	
					<b>Long Term Assets</b>
					<b>Property Plant &amp; Equipment</b>
455,904		15	464,308		Other Land and Buildings
11,829			10,464		Vehicles, Plant, Furniture and Equipment
255,831			276,104		Infrastructure Assets
9,438			9,377		Community Assets
5,319			3,128		Surplus Assets
45,447			54,696		Assets Under Construction
6,016			4,822		Right-of-Use Assets
	<b>789,784</b>				<b>Total Property Plant &amp; Equipment</b>
	2,678	16			Heritage Assets
	1,100	17			Intangible Assets
	2,281	18			Investment Property
	492	27			Long-term Investments
	5,473	21			Long-term Debtors
	<b>801,808</b>				<b>Total Long Term Assets</b>
					<b>Current Assets</b>
862			801		Inventories
27,571		22	48,409		Short-term Debtors (Net of Impairment)
1,326		23	2,256		Assets Held for Sale
-			5,000		Short-term Investments
14,390		24	19,170		Cash and Cash Equivalents
	<b>44,149</b>				<b>Total Current Assets</b>
					<b>Current Liabilities</b>
(8,374)			(32,736)		Borrowing repayable within 12 months
(53,372)		25	(68,485)		Short-term Creditors
(3,099)		28	(2,894)		Short-term Provisions
(7,543)		27	(7,725)		Other Short-term Liabilities
		29	(2,170)		Capital Grant Receipts in Advance
	<b>(72,388)</b>				<b>Total Current Liabilities</b>
					<b>Long-term Liabilities</b>
(122,536)			(127,036)		Borrowing Repayable within a period in excess of 12 months
(104,626)		27	(97,823)		Other Long-term Liabilities (Other)
(16,984)		30	(16,111)		Other Long-term Liabilities (Pensions)
(2,628)		28	(4,266)		Long-term Provisions
	<b>(246,774)</b>				<b>Total Long-term Liabilities</b>
	<b>526,796</b>				<b>Total Assets less Liabilities</b>
					<b>549,083</b>

31 March 2025			31 March 2026	
£'000	£'000	Note	£'000	£'000
		<b>Unusable Reserves</b>		
		31		
179,662		Revaluation Reserve	187,830	
255,558		Capital Adjustment Account	259,256	
(1,413)		Financial Instruments Adjustment Account	(895)	
(16,984)		Pensions Reserve	(16,111)	
(11,262)		Accumulated Absences Account	(9,761)	
	<b>405,561</b>			<b>420,319</b>
		<b>Usable Reserves</b>		
		32		
1,564		Capital Grants Unapplied	3,330	
3,358		Capital Funds	3,494	
3,608		Repairs and Renewals Funds	3,421	
112,705		General Fund	118,520	
	<b>121,235</b>			<b>128,765</b>
	<b>526,796</b>	<b>Total Reserves</b>		<b>549,083</b>

The Balance Sheet is a snapshot of the value as at the 31 March 2026 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:** 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:** 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 funds that may only be used to fund capital expenditure or repay debt).

The Unaudited Annual Accounts were issued on 26 June 2026.

*Kirsty Flanagan*

**Kirsty Flanagan**  
**Section 95 Officer**  
**26 June 2026**

## Statement of Movement in Reserves

Movements in 2025-26	Usable Reserves (Note 32)					Unusable Reserves (Note 31)						Total Reserves £'000
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumu-lated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2025</b>	<b>(112,705)</b>	<b>(3,608)</b>	<b>(3,358)</b>	<b>(1,564)</b>	<b>(121,235)</b>	<b>(179,662)</b>	<b>(255,558)</b>	<b>16,984</b>	<b>1,413</b>	<b>11,262</b>	<b>(405,561)</b>	<b>(526,796)</b>
(Surplus)/Deficit on Provision of Services	2,011				2,011						-	2,011
Other Comprehensive Income and Expenditure					-	(14,255)		(10,044)			(24,299)	(24,299)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,011</b>	<b>(14,255)</b>	<b>-</b>	<b>(10,044)</b>	<b>-</b>	<b>-</b>	<b>(24,299)</b>	<b>(22,288)</b>
<b>Adjustments between accounting basis and funding basis under regulations:</b>												
Disposal of Assets						1,519	(1,519)					
Depreciation of Non-current Assets	(26,215)				(26,215)		26,215				26,215	-
Impairment of Non-current Assets	(4,015)				(4,015)		4,015				4,015	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	22,768				22,768		(21,001)				(21,001)	1,767
Capital Expenditure Charged to the General Fund	2,238				2,238		(2,238)				(2,238)	-
Net Gain or Loss on Sale of Non-current Assets	(920)				(920)		920				920	-
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	518				518				(518)		(518)	-
Employee Benefits	1,501				1,501					(1,501)	(1,501)	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(9,171)				(9,171)			9,171			9,171	-

## Statement of Movement in Reserves

Movements in 2025-26	Usable Reserves (Note 32)					Unusable Reserves (Note 31)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Capital Grants Unapplied	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	£'000	
Statutory and Special Repayment of Debt - Loans Fund Advances	9,571				9,571		(9,571)				(9,571)	-
Right-of-Use Lease Obligations	52				52		(52)				(52)	-
PPP Type Arrangements	5,560				5,560		(5,560)				(5,560)	-
Service Concession Annual Gain	(5,093)				(5,093)		5,093				5,093	-
<b>Total Statutory Adjustments</b>	<b>(3,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,206)</b>	<b>1,519</b>	<b>(3,698)</b>	<b>9,171</b>	<b>(518)</b>	<b>(1,501)</b>	<b>4,973</b>	<b>1,767</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(1,195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,195)</b>	<b>(12,736)</b>	<b>(3,698)</b>	<b>(873)</b>	<b>(518)</b>	<b>(1,501)</b>	<b>(19,326)</b>	<b>(20,521)</b>
<i>Other Transfers required by Statute</i>												
Transfer to/from Other Statutory Reserves	(51)	187	(136)	(1,766)	(1,766)						-	(1,766)
<i>Other Transfers</i>												
Adjustments permitted by Accounting Standards for depreciation that is related to the revaluation balance rather than historic cost	(4,568)				(4,568)	4,568					4,568	-
<b>(Increase)/Decrease in Year</b>	<b>(5,814)</b>	<b>187</b>	<b>(136)</b>	<b>(1,766)</b>	<b>(7,529)</b>	<b>(8,168)</b>	<b>(3,698)</b>	<b>(873)</b>	<b>(518)</b>	<b>(1,501)</b>	<b>(14,758)</b>	<b>(22,287)</b>
<b>Balance at 31 March 2026 Carried Forward</b>	<b>(118,520)</b>	<b>(3,421)</b>	<b>(3,494)</b>	<b>(3,330)</b>	<b>(128,765)</b>	<b>(187,830)</b>	<b>(259,256)</b>	<b>16,111</b>	<b>895</b>	<b>9,761</b>	<b>(420,319)</b>	<b>(549,083)</b>

This Statement shows the movement in the 2025-26 financial year on the different reserves held, 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 the 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



Movements in 2024-25	Usable Reserves (Note 32)					Unusable Reserves (Note 31)						Total Reserves £'000
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Capital Grants Unapplied	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumu- lated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2024</b>	<b>(115,741)</b>	<b>(2,763)</b>	<b>(3,197)</b>	<b>-</b>	<b>(121,701)</b>	<b>(180,661)</b>	<b>(249,093)</b>	<b>19,578</b>	<b>1,585</b>	<b>8,272</b>	<b>(400,319)</b>	<b>(522,020)</b>
(Surplus)/Deficit on Provision of Services	13,520				13,520						-	13,520
Other Comprehensive Income and Expenditure					-	(3,285)		(15,011)			(18,296)	(18,296)
<b>Total Comprehensive Income and Expenditure</b>	<b>13,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,520</b>	<b>(3,285)</b>	<b>-</b>	<b>(15,011)</b>	<b>-</b>	<b>-</b>	<b>(18,296)</b>	<b>(4,776)</b>
<b>Adjustments between accounting basis and funding basis under regulations:</b>												
Depreciation of Non-current Assets	(23,692)				(23,692)		23,692				23,692	-
Impairment of Non-current Assets	(2,528)				(2,528)		2,528				2,528	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	19,718				19,718		(18,154)				(18,154)	1,564
Capital Expenditure Charged to the General Fund	1,513				1,513		(1,513)				(1,513)	-
Net Gain or Loss on Sale of Non-current Assets	66				66		(66)				(66)	-
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	172				172				(172)		(172)	-
Employee Benefits	(2,990)				(2,990)					2,990	2,990	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(12,417)				(12,417)			12,417			12,417	-

## Statement of Movement in Reserves

Movements in 2024-25	Usable Reserves (Note 32)					Unusable Reserves (Note 31)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Capital Grants Unapplied	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	£'000	
Statutory and Special Repayment of Debt - Loans Fund Advances	11,466				11,466		(11,466)				(11,466)	-
Right-of-Use Lease Obligations	1,996				1,996		(1,996)				(1,996)	-
PPP Type Arrangements	4,540				4,540		(4,540)				(4,540)	-
Service Concession Annual Gain	(5,050)				(5,050)		5,050				5,050	-
<b>Total Statutory Adjustments</b>	<b>(7,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,206)</b>	<b>-</b>	<b>(6,465)</b>	<b>12,417</b>	<b>(172)</b>	<b>2,990</b>	<b>8,770</b>	<b>1,564</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>6,314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,314</b>	<b>(3,285)</b>	<b>(6,465)</b>	<b>(2,594)</b>	<b>(172)</b>	<b>2,990</b>	<b>(9,526)</b>	<b>(3,212)</b>
<i>Other Transfers required by Statute</i>												
Transfer to/from Other Statutory Reserves	1,006	(845)	(161)	(1,564)	(1,564)						-	(1,564)
<i>Other Transfers</i>												
Adjustments permitted by Accounting Standards for depreciation that is related to the revaluation balance rather than historic cost	(4,284)				(4,284)	4,284					4,284	-
<b>(Increase)/Decrease in Year</b>	<b>3,036</b>	<b>(845)</b>	<b>(161)</b>	<b>(1,564)</b>	<b>466</b>	<b>999</b>	<b>(6,465)</b>	<b>(2,594)</b>	<b>(172)</b>	<b>2,990</b>	<b>(5,242)</b>	<b>(4,776)</b>
<b>Balance at 31 March 2025 Carried Forward</b>	<b>(112,705)</b>	<b>(3,608)</b>	<b>(3,358)</b>	<b>(1,564)</b>	<b>(121,235)</b>	<b>(179,662)</b>	<b>(255,558)</b>	<b>16,984</b>	<b>1,413</b>	<b>11,262</b>	<b>(405,561)</b>	<b>(526,796)</b>

This Statement shows the movement in the 2024-25 financial year on the different reserves held, 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 the 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.

2024-25 £'000		Note	2025-26 £'000
13,520	<b>Net (Surplus)/Deficit on the Provision of Services</b>		2,011
(30,801)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(47,822)
(1,748)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		8,921
<b>(19,029)</b>	<b>Net Cash Flows from Operating Activities</b>	38	<b>(36,890)</b>
3,274	Net Cash Flows from Investing Activities	39	35,941
890	Net Cash Flows from Financing Activities	40	(3,831)
<b>(14,865)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>(4,780)</b>
475	Cash and Cash Equivalents at the beginning of the Reporting Period		(14,390)
<b>(14,390)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	24	<b>(19,170)</b>

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2025-26 financial year and its position at the year-end of 31 March 2026. 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 2025-26, 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.

The accounting policies adopted are set out below and have been applied consistently throughout the year in dealing with any items that are considered material to the accounts.

#### 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 5.8% (based on the indicative rate of return on a "high quality corporate bond of equivalent term and currency to the liability" (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years)).
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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

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

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

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

### 1.6.4 Post Employment Discretionary Benefits

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

### 1.7 Events after the Reporting Period

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

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

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

### 1.8 Financial Liabilities

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

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

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

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

### 1.9 Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Cost

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

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

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

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

- Instruments with quoted market prices – the market price

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

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

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

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

### Expected Credit Loss Model

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

### 1.10 Government Grants and Contributions

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

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

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

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

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

### 1.11 Heritage Assets

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

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

### The Art Collections

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

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

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

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

### Archaeology and “Other” Museum Exhibits

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

### Heritage Assets – General

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

### 1.12 Intangible Assets

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund

Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### 1.13 Interests in Companies and Other Entities

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

### 1.14 Inventories

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

### 1.15 Investment Properties

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

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

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

### 1.16 Leases and lease-type arrangements

#### 1.16.1 International Financial Reporting Standard 16 (IFRS 16)

The Council adopted IFRS 16 Leases on 1 April 2024 and continues to apply this standard in the 2025-26 financial year.

IFRS 16 mainly impacts arrangements where the Council is a lessee. Lessee arrangements for property, plant and equipment that were previously accounted for as operating leases (i.e. without recognising the leased item as an asset and future rents as a liability), are now recognised as right-of-use assets with corresponding lease liabilities following the adoption of IFRS 16 on 1 April 2024, and will be brought onto the balance sheet at 1 April 2024. Arrangements that were previously recognised as finance leases continue to be recognised on the balance sheet and are classified as right-of-use assets.

On the transition to IFRS 16, the Council elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2024.

IFRS 16 also applies to service concession arrangements, i.e. Public-Private Partnerships (PPP) and similar schemes. Under IFRS 16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment as a contingent rent, the net present value of future payments that increase the liability is recalculated based on the revised level of payments.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/2025 and not by adjusting prior year figures. The details of the changes in accounting policies are disclosed below.

### 1.16.2 Definition of a Lease

Previously, the Council determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 and IAS 17. Under IFRS 16, the Council assesses whether a contract is or contains a lease based on the following definition of a lease.

- A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

### 1.16.3 The Council as Lessee

As a lessee, the Council previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet (as property, plant and equipment assets with a corresponding liability).

Contracts and parts of contracts, including those described as contract for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. These terms are expanded below:

- Convey the right to control the use of an identified asset – this may be specified explicitly or implicitly and should be physically distant or represent substantially all of the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not identified;
- The Council has the right to obtain substantially all of the economic benefits and service potential from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset throughout the period of use. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Council has the right to direct the use of the asset if either:
  - o The Council has the right to operate the asset; or
  - o The Council designed the asset in a way that predetermines how and for what purpose it will be used

#### a) Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognizes lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments

- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Council is reasonably certain to exercise
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

### **b) Subsequent Measurement**

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews
- Leases where rent reviews will be at periods of more than five years

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate
- There is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

### **c) Low Value and Short Lease Exemption**

As permitted by the Code, the Council excludes leases:

- For low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- With a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

A lease that contains a purchase option is automatically excluded from the definition of a short-term lease.

At transition to IFRS 16, a short-term lease is a lease that has a remaining term of 12 months or less at the transition date.

The Council has elected to apply the recognition exemption for leases where the underlying asset is of low value (when new) and has applied a de minimis of £10,000. The Code disqualifies head leases from being leases of low value assets automatically by the fact that the assets have been sub-let or if the Council expects to sublease them.

### **d) Lease Expenditure**

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. For both short-term and low value leases, the Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

#### **1.16.4 The Council as Lessor**

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.

### **a) Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or 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 (ie 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. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the capital receipts reserve 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 therefore 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 other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (eg 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). Depreciation periods may be shorter than the standard ranges where operational use is limited, such as landfill facilities.

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.
- 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 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 31 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.

### 1.24 Revenue from Contracts with Service Recipients

In line with IFRS 15 and the CIPFA Code of Practice, the Council recognises income from fees and charges for traded services when performance obligations are satisfied. Income is recognised either over time as services or at a point in time depending on the nature of the underlying obligation. Revenue from contracts with service recipients are included in accounting note 7.2 and as part of income figures within the Comprehensive Income and Expenditure Statement.

## 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards expected to be implemented in future editions of the Code:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

These standards are expected to apply from 1 January 2027. There is therefore no impact on the 2025-26 financial

statements at this stage. The Council will monitor developments and evaluate the impact when guidance becomes available.

### 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 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 lease liability.
- The Council also operates a Waste Management Public Private Partnership (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 33.
- Unused holiday entitlement earned at 31 March 2026 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 2025-26 financial statements in respect of the holiday pay accrual is £9.761m.

### 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 2026 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>Assets are valued on a five-year rolling basis, supported by indexation adjustments in years where assets are not valued. Where the authority is unable to obtain a suitable index, a desktop revaluation of the asset is carried out in year three of the five-year cycle.”</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.986m for every year that useful lives had to be reduced.</p> <p>Based on the assets that were valued in the year as part of the five-year rolling programme, the average increase in the value of assets was 8.81%. For those assets where indexation was applied, the average increase in the value of assets was 2.90%.</p> <p>If the valuation percentage was applied to the assets valued using indices, this would increase their Balance Sheet value by £30.509m compared to an indexation increase of £10.472m. The purpose of indexation, introduced in the 2025-26 Code of Practice, is to maintain asset values that are materially correct in the intervening years between full valuations. 8.81% is representative of multi-year increases in asset value as these assets have not had their values adjusted in each intervening year since their last full valuation.</p>

<p>Pensions Asset</p>	<p>Estimation of the net asset 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 obligations of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme obligations are set out as follows:</p> <table border="1" data-bbox="1205 411 2094 890"> <thead> <tr> <th data-bbox="1211 411 1621 555"> <b>Sensitivities at 31 March 2026</b> </th> <th data-bbox="1628 411 1845 555"> <b>Approximate % Increase to Employer Liability</b> </th> <th data-bbox="1852 411 2087 555"> <b>Approximate monetary amount £’000</b> </th> </tr> </thead> <tbody> <tr> <td data-bbox="1211 560 1621 639">                     0.1% decrease in real discount rate                 </td> <td data-bbox="1628 560 1845 639">                     2%                 </td> <td data-bbox="1852 560 2087 639">                     9,268                 </td> </tr> <tr> <td data-bbox="1211 644 1621 724">                     1 Year increase in member life expectancy                 </td> <td data-bbox="1628 644 1845 724">                     4%                 </td> <td data-bbox="1852 644 2087 724">                     24,542                 </td> </tr> <tr> <td data-bbox="1211 729 1621 809">                     0.1% increase in salary increase rate                 </td> <td data-bbox="1628 729 1845 809">                     0%                 </td> <td data-bbox="1852 729 2087 809">                     620                 </td> </tr> <tr> <td data-bbox="1211 813 1621 890">                     0.1% increase in the pension increase/revaluation rate (CPI)                 </td> <td data-bbox="1628 813 1845 890">                     2%                 </td> <td data-bbox="1852 813 2087 890">                     8,636                 </td> </tr> </tbody> </table>	<b>Sensitivities at 31 March 2026</b>	<b>Approximate % Increase to Employer Liability</b>	<b>Approximate monetary amount £’000</b>	0.1% decrease in real discount rate	2%	9,268	1 Year increase in member life expectancy	4%	24,542	0.1% increase in salary increase rate	0%	620	0.1% increase in the pension increase/revaluation rate (CPI)	2%	8,636
<b>Sensitivities at 31 March 2026</b>	<b>Approximate % Increase to Employer Liability</b>	<b>Approximate monetary amount £’000</b>															
0.1% decrease in real discount rate	2%	9,268															
1 Year increase in member life expectancy	4%	24,542															
0.1% increase in salary increase rate	0%	620															
0.1% increase in the pension increase/revaluation rate (CPI)	2%	8,636															

5.1 EXPENDITURE AND FUNDING ANALYSIS

2024-25			Service	2025-26		
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
1,162	108	1,270	<b>Chief Executive</b>	1,086	84	1,170
			<b>Executive Director Douglas Hendry</b>			
527	28	555	Executive Director	369	107	476
9,994	12,194	22,188	Commercial Services	1,127	22,330	23,457
117,496	(3,010)	114,486	Education	125,542	(4,224)	121,318
12,298	2,642	14,940	Legal and Regulatory Support	20,471	(5,138)	15,333
			<b>Executive Director Kirsty Flanagan</b>			
293	(37)	256	Executive Director	301	91	392
6,133	390	6,523	Financial Services	6,654	375	7,029
9,729	2,828	12,557	Customer Support	11,439	2,322	13,761
10,091	1,215	11,306	Development and Economic Growth	10,914	1,579	12,493
38,450	15,580	54,030	Roads and Infrastructure	38,991	14,972	53,963
82,283	3,707	85,990	<b>Social Work</b>	84,198	4,962	89,160
12,030	(343)	11,687	<b>Other Non-Departmental Costs</b>	12,684	(1,412)	11,272
<b>300,486</b>	<b>35,302</b>	<b>335,788</b>	<b>Net Cost of Services</b>	<b>313,776</b>	<b>36,048</b>	<b>349,824</b>

## Notes to the Financial Statements

(297,451)	(24,818)	(322,268)	Other Income and Expenditure	(319,591)	(28,222)	(347,813)
<b>3,036</b>	<b>10,484</b>	<b>13,520</b>	<b>(Surplus) / Deficit</b>	<b>(5,815)</b>	<b>7,826</b>	<b>2,011</b>
<b>(115,741)</b>			<b>Opening General fund Balance</b>	<b>(112,705)</b>		
3,036			(Surplus) or Deficit on General Fund Balance	(5,815)		
<b>(112,705)</b>			<b>Closing General Fund Balance</b>	<b>(118,520)</b>		

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

**5.2 EXPENDITURE AND FUNDING ANALYSIS RECONCILIATION**

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2025-26				
	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
<b>Chief Executive</b>	-	87	-	(3)	84
<b>Executive Director (Douglas Hendry)</b>					
Executive Director	-	31	-	76	107
Commercial Services	8,648	2,196	-	11,486	22,330
Education	3,759	773	-	(8,756)	(4,224)
Legal and Regulatory Support	3,443	361	(5,560)	(3,382)	(5,138)
<b>Executive Director (Kirsty Flanagan)</b>					
Executive Director	-	31	-	60	91
Financial Services	-	465	-	(90)	375
Head of Customer Support	2,147	650	-	(475)	2,322
Head of Development and Economic Growth	1,045	736	-	(202)	1,579
Roads and Infrastructure	14,495	1,630	-	(1,153)	14,972
<b>Social Work</b>	1,190	2,592	-	1,180	4,962
<b>Other Non-Departmental Costs</b>	51	(1,580)	-	117	(1,412)
<b>Net Cost of Services</b>	<b>34,778</b>	<b>7,972</b>	<b>(5,560)</b>	<b>(1,142)</b>	<b>36,048</b>
Other Income and Expenditure	(33,637)	1,199	5,093	(877)	(28,222)
<b>Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit</b>	<b>1,141</b>	<b>9,171</b>	<b>(467)</b>	<b>(2,019)</b>	<b>7,826</b>

## Notes to the Financial Statements

### (i) Adjustments for Capital Purposes

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

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

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

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

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

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

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

### (iv) Other Adjustments

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

6.1 GENERAL FUND RESERVES

The Council has ring-fenced £110.233m of the General Fund balance. The contingency balance of £7.241m represents 2% of budgeted net expenditure for 2026–27.

Ring-fenced Balances	Balance 1 April 2025	Funds Used	Contributions to/from Funds	Earmarking previously agreed and created in year	New Earmarking at end of 2025-26	Balance 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Housing Fund	10,141	(2,464)	-	-	2,859	10,536
Investment in Affordable Housing	3,024	-	(313)	-	-	2,711
Capital Projects	37,494	(609)	(2,534)	2,000	-	36,351
Corporate Repairs and Renewals	-	-	8,000	-	-	8,000
Lochgilphead and Tarbert Regeneration	289	-	-	-	-	289
Support for Rural Growth Deal	442	(86)	-	-	-	356
Piers and Harbours Investment Fund	5,304	-	-	-	658	5,962
Scottish Government Initiatives	1,157	(558)	-	-	797	1,396
Devolved School Management Scheme (DSM)	1,207	(1,207)	-	-	1,460	1,460
Energy Efficiency Fund	214	-	-	-	-	214
Unspent Grant	12,185	(3,313)	(1,447)	-	3,998	11,423
Unspent Third Party Contributions	409	(49)	99	-	300	759
Other Previous Council Decisions	4,275	(556)	(1,609)	-	63	2,173
Redundancy Reserve	2,659	(686)	-	-	-	1,973
Connect for Success Fund	899	(145)	-	-	-	754
Fleet - Timing Delay	484	-	(484)	-	-	-
Hermitage Park	56	-	-	-	-	56
Ferry Funding	-	-	-	-	800	800
Electric Vehicle Chargers	-	-	-	-	13	13
Priorities Investment Fund	1,427	(252)	236	-	-	1,411
Severe Weather Related Costs Reserve	4,244	(950)	(38)	-	-	3,256
Transformation/spend to save - Council	2,005	(273)	-	875	-	2,607
Transformation/spend to save - HSCP	-	-	-	500	-	500
To balance 25/26 Budget	2,953	(2,953)	-	-	-	-
To balance 26/27 Budget	-	-	1,999	3,463	2,040	7,502
Unspent Budget Carried Forward	14,294	(6,757)	(4,557)	4,553	2,198	9,731
<b>Total Ring-fenced</b>	<b>105,162</b>	<b>(20,858)</b>	<b>(648)</b>	<b>11,391</b>	<b>15,186</b>	<b>110,233</b>
Contingency	6,539	-	702	-	-	7,241
Unallocated	1,004	-	79	(37)	-	1,046
<b>Total General Fund Balance</b>	<b>112,705</b>	<b>(20,858)</b>	<b>133</b>	<b>11,354</b>	<b>15,186</b>	<b>118,520</b>

### 6.2 Service Concessions

Following the Scottish Government's revised regulations on the treatment of service concessions (Local Government Finance Circular 10/2022 - Finance Leases and Service Concession Arrangements), the Council operates two service concessions in relation to its Public Private Partnership (PPP) and Design, Build, Finance, Maintain (DBFM) arrangements, both within Education.

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

The annual gain in this respect totaled £5.093m in 2025-26 (£5.050m in 2024-25).

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:

2024-25 £'000	Expenditure/Income	2025-26 £'000
	<b>Expenditure</b>	
211,364	Employee benefits expenses	214,443
198,098	Other services expenses	187,261
82,245	Contribution to Argyll and Bute Integration Joint Board	86,771
30,269	Depreciation, amortisation, impairment	34,778
25,575	Interest payments	22,328
1,268	Precepts and levies	1,315
412	Other operating expenditure	425
(66)	Net Loss/(Gain) on the disposal of assets	920
<b>549,165</b>	<b>Total Expenditure</b>	<b>548,241</b>
	<b>Income</b>	
(104,092)	Fees, charges and other service income	(86,854)
(82,245)	Income to fund social care services (Argyll and Bute Integration Joint Board)	(86,771)
(10,041)	Interest and investment income	(9,523)
(109,097)	Income from council tax and non-domestic rates	(115,803)
(230,170)	Government grants and contributions	(247,279)
<b>(535,645)</b>	<b>Total Income</b>	<b>(546,230)</b>
<b>13,520</b>	<b>(Surplus)Deficit on the Provision of Services</b>	<b>2,011</b>

## 7.2 Revenue from Contracts with Service Recipients

2024-25 Actual £'000		2025-26 Actual £'000
36,917	Revenue from contracts with service recipients	37,310
<b>36,917</b>	<b>Total Included in Comprehensive Income and Expenditure</b>	<b>37,310</b>

## 8 OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.542m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

2024-25 Actual £'000	Other Operating Income and Expenditure	2025-26 Actual £'000
1,268	Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,315
412	Other Operating Income and Expenditure not attributable to Services	227
<b>1,680</b>	<b>Total</b>	<b>1,542</b>

## 9 AGENCY SERVICES

The Council bills and collects non-domestic rates on behalf of the Scottish Government from ratepayers situated within Argyll and Bute. The Council also bills and collects, along with its own council tax, domestic water and sewerage charges on behalf of Scottish Water. In 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.

2024-25 Actual £'000	Agency Income	2025-26 Actual £'000
41,334	Scottish Government - Contributions (to)/from the non-domestic rates pool	42,809
17,289	Domestic water and sewerage charges collected	19,055
(17,289)	Domestic water and sewerage charges paid over to Scottish Water	(19,055)
353	Service income from Scottish Water for collection of domestic water and sewerage	373
8	Service income BID levy - Dunoon	8
8	Service income BID levy - Oban	8
8	Service income BID levy - Bute	8
115	Domestic water and sewerage charges collected for Machrihanish Airbase Community Company	127
(115)	Domestic water and sewerage charges paid over to Machrihanish Airbase Community Company	(127)
<b>41,711</b>	<b>Total</b>	<b>43,206</b>

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

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

During 2025-26 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 2025-26 income received by the Council from this source amounted to £8.241m and the related expenditure was £11.772m. This can be analysed as follows:

2024-25		Purpose of Services	2025-26	
Income £'000	Expenditure £'000		Income £'000	Expenditure £'000
3,575	5,994	Care of the Elderly	3,616	6,118
3,031	3,934	Provision of Services for People with Learning Disabilities	3,245	4,179
1,351	1,519	Provision of Services for People with Mental Health Needs	1,380	1,475
<b>7,957</b>	<b>11,447</b>	<b>TOTAL</b>	<b>8,241</b>	<b>11,772</b>

**11 FEES PAYABLE TO EXTERNAL AUDITORS**

In 2025-26 the following fees relating to external audit and inspection were incurred alongside comparative figures for 2024-25:

2024-25 £'000	Auditor's Remuneration	2025-26 £'000
331	Fees payable to External Auditors with regard to external audit services carried out by the appointed Auditor	345
<b>331</b>	<b>Total Remuneration</b>	<b>345</b>

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

**12 WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP**

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

The Council has paid a service charge of £7.342m which represents the value of the service provided from 1 April 2025 to 31 March 2026 (£7.895m for 2024-25). Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2026-2027	2,336
<b>Total</b>	<b>2,336</b>

The average service charge equates to £5.225m per annum over the life of the contract.

**13 GRANT INCOME**

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

2024-25 £'000	Grant Income	2025-26 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
210,601	General Revenue Grant	224,708
42,149	Non-Domestic Rates	42,497
	Government Capital Grants and Other Capital Contributions:	
2,634	Specific Capital Grants	7,679
13,482	General Capital Grant	12,159
3,453	Other	2,672
19,569		22,510
<b>272,319</b>	<b>Total</b>	<b>289,715</b>
	<b>Credited to Services</b>	
4,917	Scottish Government Specific Grants	3,925
824	General Capital Grant - Private Sector Housing Improvement Grants	820
16,392	Housing Benefit Subsidy	13,718
14,814	Other Revenue Government Grants	17,865
<b>36,947</b>	<b>Total</b>	<b>36,328</b>

### **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 Other Public Bodies**

SEEMiS Group LLP is the primary provider of Education Management Information Systems for schools and local authorities in Scotland. It is funded by the participating local authorities and the Council's payment in 2025-26 was £107,695.

## Notes to the Financial Statements

### 14.3 Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2025-26 is shown in the Remuneration Report.

During the year there were four organisations in which members had significant interest and where the total of transactions exceeded £10,000, and one organisation where the total of transactions was less than £10,000. Where works were commissioned from companies, contracts were entered into in full compliance with the Council's standing orders. Where grants were given to organisations in which a member or a close family member of a relative is in a senior management position, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Members also disclose organisations over which a close family member has significant influence or control, and a close family member is typically considered to be a spouse or partner, child or dependent, parent or sibling, although judgement is applied. There are no transactions in relation to these organisations in 2025-26.

2024-25 Expenditure £'000	Transactions in which Members have a significant interest	2025-26 Expenditure £'000
91	Bookfan Ltd Trading as South Peak Services	72
-	Fyne Future Limited	21
-	Project 81 Youth and Community Enterprise Limited	29
-	Tarbert and Skipness Trust Renewables	22
<b>91</b>	<b>Total</b>	<b>144</b>

**14.4 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:

2024-25 Expenditure £'000	Related Bodies	2025-26 Expenditure £'000	2025-26 Income £'000	2025-26 Net Debtor / (Creditor) £'000
4,483	Transactions with related bodies during the year totalled	4,889	160	137
	<i>Of these, transactions with the following exceeded £10,000:</i>			
10	Argyll, Lomond and the Islands Energy Agency (ALI Energy)	124	109	116
252	Argyll and Bute Care & Repair	252	-	-
53	Argyll and Bute Citizens Advice Bureaux	53	-	-
-	- Argyll and Bute Cultural and Heritage Assembly	83	-	-
144	Argyll and Bute Women's Aid	150	-	-
155	Argyll and the Isles Coast & Countryside Trust	241	-	-
75	Argyll and the Isles Tourism Cooperative Limited	19	-	-
264	Argyll Community Housing Association (ACHA)	221	43	9
-	- Argyll Homes for All	-	-	9
640	Oban and Lorn Community Enterprise Limited (trading as Atlantis Leisure)	664	-	-
180	Bute Advice	181	-	-
467	Carr Gomm	482	-	-
99	COSLA	105	-	-
561	Dunbritton Housing Association Limited	602	-	-
72	Fyne Homes	96	5	2
182	HELP	181	-	-
147	Islay and Jura Community Enterprise	150	-	-
16	Kintyre Recycling	-	-	-
114	Mid Argyll Community Enterprise	117	-	-
-	- Mull & Iona Community Trust (MICT)	73	-	-
54	North West Mull Community Woodland Company	25	-	-
75	Scotland Excel	-	-	-
19	South Kintyre Development Trust	-	-	-
208	Strathclyde Concessionary Travel Scheme	213	-	-
419	Strathclyde Passenger Transport	425	-	-
-	- West Highland Housing Association Ltd	432	3	1
165	West of Scotland Local Authority Weather Service ( Sth Lanarkshire Council)			
<b>4,371</b>	<b>Total</b>	<b>4,889</b>	<b>160</b>	<b>137</b>

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

**14.5 Officers**

During 2025-26, there were no transactions requiring disclosure in respect of senior officers or their close family.

## Notes to the Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT

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

Movements in 2025-26	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Right-of-Use Assets £'000	Total 2025-26 £'000	Infrastructure Assets *Note £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2025</b>	<b>477,307</b>	<b>51,644</b>	<b>9,447</b>	<b>5,316</b>	<b>45,447</b>	<b>8,022</b>	<b>597,183</b>	
Additions	6,066	2,664	(62)	9	13,841	1,294	23,812	30,858
Additions financed under a new leasing arrangement	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,165)	-	-	(91)	-	-	(14,256)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,180)	-	-	(204)	-	-	(7,384)	-
Derecognition - Disposals	(242)	(229)	-	(1,114)	-	(853)	(2,438)	(1,135)
Assets reclassified (to)/from Held for Sale	-	-	-	(1,140)	-	-	(1,140)	-
Other movements in cost or valuation	6,492	-	1	358	(4,592)	-	2,259	-
<b>At 31 March 2026</b>	<b>468,278</b>	<b>54,079</b>	<b>9,386</b>	<b>3,134</b>	<b>54,696</b>	<b>8,463</b>	<b>598,036</b>	
<b>Depreciation and Impairments</b>								
<b>At 1 April 2025</b>	<b>(21,403)</b>	<b>(39,815)</b>	<b>(9)</b>	<b>3</b>	<b>-</b>	<b>(2,006)</b>	<b>(63,230)</b>	
Depreciation Charge for 2025-26	(14,407)	(4,030)	-	(17)	-	(2,437)	(20,891)	(9,738)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	31,840	-	-	16	-	-	31,856	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	2	230	-	5	-	814	1,051	-
Derecognition - Other	-	-	-	(13)	-	-	(13)	288
Other movements in depreciation and impairment	(2)	-	-	-	-	(12)	(14)	-
<b>At 31 March 2026</b>	<b>(3,970)</b>	<b>(43,615)</b>	<b>(9)</b>	<b>(6)</b>	<b>-</b>	<b>(3,641)</b>	<b>(51,241)</b>	
<b>Balance Sheet amount at 31 March 2026</b>	<b>464,308</b>	<b>10,464</b>	<b>9,377</b>	<b>3,128</b>	<b>54,696</b>	<b>4,822</b>	<b>546,795</b>	<b>276,104</b>
<b>Balance Sheet amount at 31 March 2025</b>	<b>455,904</b>	<b>11,829</b>	<b>9,438</b>	<b>5,319</b>	<b>45,447</b>	<b>6,016</b>	<b>533,953</b>	<b>255,831</b>

## Notes to the Financial Statements

Comparative Movements in 2024-25	Other Land & Buildings **Note £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Right-of-Use Assets **Note £'000	Total 2024-25 £'000	Infrastructure Assets *Note £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2024</b>	<b>467,618</b>	<b>48,065</b>	<b>9,119</b>	<b>4,617</b>	<b>35,724</b>	<b>-</b>	<b>565,143</b>	
	<b>3,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,844</b>	<b>9,216</b>	
Additions	8,946	3,916	328	5	9,723	2,178	25,096	25,586
Additions financed under a new leasing agreement	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	557	-	-	(55)	-	-	502	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,237)	-	-	(202)	-	-	(2,439)	-
Derecognition - Disposals	-	(337)	-	-	-	-	(337)	-
Assets reclassified (to)/from Held for Sale	(949)	-	-	951	-	-	2	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-
<b>At 31 March 2025</b>	<b>477,307</b>	<b>51,644</b>	<b>9,447</b>	<b>5,316</b>	<b>45,447</b>	<b>8,022</b>	<b>597,183</b>	
<b>Depreciation and Impairments</b>								
<b>At 1 April 2024</b>	<b>(10,249)</b>	<b>(37,053)</b>	<b>(9)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>(47,308)</b>	
Depreciation Charge for 2024-25	(13,649)	(3,097)	-	-	-	(2,006)	(18,752)	(9,127)
Depreciation written out to the Revaluation Reserve	2,789	-	-	38	-	-	2,827	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	307	-	-	(38)	-	-	269	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(700)	-	-	-	-	-	(700)	-
Derecognition - Disposals	-	335	-	-	-	-	335	-
Derecognition - Other	99	-	-	-	-	-	99	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
<b>At 31 March 2025</b>	<b>(21,403)</b>	<b>(39,815)</b>	<b>(9)</b>	<b>3</b>	<b>-</b>	<b>(2,006)</b>	<b>(63,230)</b>	
<b>Balance Sheet amount at 31 March 2025</b>	<b>455,904</b>	<b>11,829</b>	<b>9,438</b>	<b>5,319</b>	<b>45,447</b>	<b>6,016</b>	<b>527,937</b>	<b>255,831</b>
<b>Balance Sheet amount at 31 March 2024</b>	<b>457,369</b>	<b>11,012</b>	<b>9,110</b>	<b>4,620</b>	<b>35,724</b>	<b>-</b>	<b>517,835</b>	<b>239,372</b>

## Notes to the Financial Statements

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\*As permitted by Finance Circular 09/2022, as amended and extended by Finance Circular 8/2024 and subsequently Finance Circular 6/2025, the Council has adopted both Statutory Override 1 and Statutory Override 2 relating to infrastructure assets, which allow for the following:

Statutory Override 1: for accounting periods commencing from 1 April 2021 until 31 March 2027, a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: for the periods from 1 April 2010 to 31 March 2027, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

In accordance with the relief offered by the update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets. Historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements

\*\* The Council adopted IFRS 16 using the modified retrospective approach. As a result, right-of-use assets and corresponding lease liabilities were recognised at the date of transition, with no restatement of comparative information. Right-of-use assets, excluding NPDO and DBFM school arrangements, are included for the first time in the opening balance sheet at 1 April 2024 with a value of £5.844m. The NPDO and DBFM assets are included within Other Land and Buildings and increase the opening balance sheet for 2024-25 by £3.372m.

### 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 current value.
- All other classes of assets are valued at current value. Where there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold then an estimate of current value is made using a depreciated replacement cost approach.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. This change mandated indexation in the intervening years between full revaluations or, where the Council cannot obtain appropriate indices without undue cost or effort, the Council revalues those assets using a quinquennial revaluation with a desktop valuation in year three.

In compliance with this change, the Council ensures that all property, plant and equipment to be measured at current value is subject to one of the following processes:

- A quinquennial revaluation, supplemented by indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening years.
- For non-property assets only, appropriate indices.

#### Valuations – Rolling Programme

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.

All valuations within the rolling programme were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluations of Council owned land and property were carried out at 1 April 2025 in accordance with the Council’s rolling programme of revaluations. The revaluations have been carried out in house by the Council’s Estates Service.

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

Valued at Current Value as at:	Estates Valuation £'000
31 March 2026	60,439
31 March 2025	58,207
31 March 2024	109,492
31 March 2023	227,598
31 March 2022	12,727
<b>Total Cost or Valuation</b>	<b>468,463</b>

## Notes to the Financial Statements

### Indexation

The Council engaged a third party in the selection of appropriate indices. The provider considered a range of available indices, including CBRE's Monthly index and MSCI indices, and noted sector specific and location growth rates and trends. In considering the growth ranges within each sector and locality, and the geographic setting of Argyll and Bute, the indexation values provided for the following asset categories were:

Asset Category	Average Change %	Valuation change £000
Offices	0.00	-
Industrial and Depots	0.00	-
Shops	0.00	-
Commercial Leased Sites	0.00	-
Residential	3.20	119
Land held in connection with Specialised Assets	0.00	-
<b>Total Indexation applied in 2025-26</b>		<b>119</b>

Assets valued by the Depreciated Replacement Cost method were indexed using the BCIS rate of 3%, provided by the council's valuers.

Asset Category	Average Change %	Valuation change £000
Assets held at Depreciated Replacement Cost	3.00	10,353

The purpose of applying indexation to asset values is to ensure the value of an asset is kept materially up to date for movements in variables e.g. build costs, rental income etc. The choice of index is a matter of judgement, and that judgement should be made in the context that the purpose of applying indexation is to ensure asset values are adjusted for price and market movements year-on-year. Absolute precision is not expected, neither is it achievable.

### Landfill

Three landfill sites, and related buildings, are valued annually and these valuations are obtained from the District Valuer.

### Surplus Assets

Assets identified as Surplus Assets are valued in accordance with IFRS 13 - Fair Value Measurement. The Balance Sheet value of surplus assets at 31 March 2026 was £3.128m. Surplus assets are valued at their fair value on 31 March each year using mostly level 2 inputs but level 3 inputs are utilised where there is less available data.

## 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). in some cases such as landfill facilities, assets within this category are depreciated over shorter lives aligned to the remaining operational life of the site.
- 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).

## Notes to the Financial Statements

### 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 2025-26 total spending on capital projects was £54.849m.

2024-25 £'000		2025-26 £'000
<b>341,610</b>	<b>Opening Capital Financing Requirement</b>	<b>359,924</b>
	<b>Capital Investment:</b>	
8,946	Property Plant and Equipment	5,640
3,916	Other Land and Buildings	2,664
25,586	Vehicles, Plant, Furniture and Equipment	30,858
328	Infrastructure Assets	(62)
5	Community Assets	9
9,723	Surplus Assets	13,841
2,178	Assets Under Construction	1,282
-	Right-of-Use Assets (leases) - Add'ns & Modifications	267
109	Indexation (NPDO / DBFM Schools)	153
109	Heritage Assets	153
307	Intangible Assets	164
4	Investment Assets	33
<b>51,102</b>	<b>Total Capital Investment</b>	<b>54,849</b>
	<b>Sources of Finance:</b>	
(318)	Asset Sales	(1,522)
(19,569)	Capital Grants and Other Contributions	(22,510)
-	Other Income Applied to Capital	(197)
1,564	Less: Transfer to Capital Grants Unapplied Reserve	1,766
(1,513)	Capital Financed from Current Revenue	(2,238)
(6,545)	Statutory Repayment of Loans Fund Advances	(7,112)
(4,921)	Special Repayment of Loans Fund Advances	-
(1,486)	Reduction in Right-of-Use Asset and PPP Liabilities	(2,976)
-	Donated Assets / Gain on Entry to Peppercorn Lease	(211)
<b>(32,788)</b>	<b>Total Funding</b>	<b>(35,000)</b>
<b>359,924</b>	<b>Closing Capital Financing Requirement</b>	<b>379,773</b>

## Notes to the Financial Statements

### 15.5 Commitments Under Capital Contracts

At 31 March 2026, the Council had commitments on capital contracts of £36.378m. This expenditure will be funded from a combination of Government Grants, borrowing, income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2025 were £9.932m. The major commitments are:

Commitments Under Capital Contracts	2025-26 £'000
Rothesay Pavilion	16,263
Oban Airport Business Park - Building Costs	7,658
Iona Breakwater	6,787
Helensburgh Leisure Centre - Roof replacement	1,418
Rothesay Pavilion Adaptive Restoration	1,241
Mull Campus	708
Kintyre Care Centre - Electrical Services Upgrade	567
Kilmory Business Park Phase 2AA	381
Struan Lodge - Mechanical and Electrical	342
Balliemore Bridge Strengthening	290
Play Equipment	185
Rothesay Harbour	183
Ardbeg Sea Wall	180
Riverside - Shoreside	175
<b>Total Capital Commitments</b>	<b>36,378</b>

### 16 HERITAGE ASSETS

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

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

Movements in 2025-26	Art Collections £'000	Heritage Property £'000	Total £'000
<b>Cost or Valuation</b>			
<b>Net Book Value at 1 April 2025</b>	<b>1,600</b>	<b>1,078</b>	<b>2,678</b>
Additions	-	153	153
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	-	-
Depreciation	-	-	-
<b>At 31 March 2026</b>	<b>1,600</b>	<b>1,231</b>	<b>2,831</b>

## Notes to the Financial Statements

### 17 INTANGIBLE ASSETS

Intangible assets comprise of software licences. 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 2025-26	Purchased Software Licences £'000	Total Intangible Assets £'000
<b>Cost or Valuation</b>		
<b>At 1 April 2025</b>	<b>2,958</b>	<b>2,958</b>
Additions	164	164
<b>At 31 March 2026</b>	<b>3,122</b>	<b>3,122</b>
<b>Amortisation and Impairments</b>		
<b>At 1 April 2025</b>	<b>(1,858)</b>	<b>(1,858)</b>
Charge for 2025-26	(153)	(153)
<b>At 31 March 2026</b>	<b>(2,011)</b>	<b>(2,011)</b>
<b>Balance Sheet amount at 31 March 2026</b>	<b>1,111</b>	<b>1,111</b>
<b>Balance Sheet amount at 31 March 2025</b>	<b>1,100</b>	<b>1,100</b>

Comparative Movements in 2024-25	Purchased Software Licences £'000	Total Intangible Assets £'000
<b>Cost or Valuation</b>		
<b>At 1 April 2024</b>	<b>2,651</b>	<b>2,651</b>
Additions	307	307
<b>At 31 March 2025</b>	<b>2,958</b>	<b>2,958</b>
<b>Amortisation and Impairments</b>		
<b>At 1 April 2024</b>	<b>(1,763)</b>	<b>(1,763)</b>
Charge for 2024-25	(95)	(95)
<b>At 31 March 2025</b>	<b>(1,858)</b>	<b>(1,858)</b>
<b>Balance Sheet amount at 31 March 2025</b>	<b>1,100</b>	<b>1,100</b>
<b>Balance Sheet amount at 31 March 2024</b>	<b>888</b>	<b>888</b>

## Notes to the Financial Statements

### 18 INVESTMENT PROPERTY

Investment property has been accounted for in accordance with IAS 40 – Investment Property, as adapted for the public sector by the Code of Practice on Local Authority Accounting in the United Kingdom.

Investment property is defined as property held solely to earn rentals, for capital appreciation, or both. Where property is held to support the delivery of Council services, regeneration objectives, economic development, community wellbeing or other corporate priorities, the asset does not meet the definition of investment property and is accounted for within Property, Plant and Equipment.

During 2025-26 the Council undertook a review of the use and classification of assets previously recognised as Investment Property. Following this review, certain assets were determined to be held primarily to support the Council's strategic and operational objectives rather than solely to earn rentals or for capital appreciation. In accordance with IAS 40 and the Code, these assets were therefore transferred from Investment Property to Other Land and Buildings within Property, Plant and Equipment from the date the change in use was identified.

The transfer has been accounted for as an in-year reclassification between asset categories and has not resulted in a prior year restatement. The fair value of investment property reflects market conditions at 31 March 2026. Revaluations were carried out at 31 March 2026 by suitably qualified valuers within the Council's Estates Service in accordance with the professional standards of the Royal Institution of Chartered Surveyors.

#### 18.1 Movement in Investment Property

The movement in investment property during 2025-26 was:

Movements in 2025-26	Investment Properties £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2025</b>	<b>2,281</b>
Acquisitions	33
Disposals	(36)
Net Gains/Losses from fair value adjustments	(19)
Transfers	(2,259)
<b>At 31 March 2026</b>	<b>-</b>

#### 18.2 Investment Property Income and Expenditure

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

2024-25 £'000		2025-26 £'000
142	Rental income from investment property	-
142		-

## Notes to the Financial Statements

### 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 1,300 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.

#### 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 2026 and depreciation to date are included as part of Other 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 Other Land & Buildings.

Movements in 2025-26	Schools DBFM - Other Land & Buildings £'000	Schools NPDO - Other Land & Buildings £'000	Total Schools Built under PFI Contracts £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2025</b>	<b>77,593</b>	<b>137,039</b>	<b>214,632</b>
Additions at Cost	88	467	555
Transfers	-	-	-
Revaluations	(2,668)	(6,617)	(9,285)
<b>At 31 March 2026</b>	<b>75,013</b>	<b>130,889</b>	<b>205,902</b>
<b>Depreciation and Impairments</b>			
<b>At 1 April 2025</b>	<b>(2,363)</b>	<b>(6,753)</b>	<b>(9,116)</b>
Charge for 2025-26	(2,368)	(3,410)	(5,778)
Transfers	-	-	-
Revaluations	4,731	10,163	14,894
<b>At 31 March 2026</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance Sheet amount at 31 March 2026</b>	<b>75,013</b>	<b>130,889</b>	<b>205,902</b>
<b>Balance Sheet amount at 31 March 2025</b>	<b>75,230</b>	<b>130,286</b>	<b>205,516</b>

Comparative Movements in 2024-25	Schools DBFM - Other Land & Buildings £'000	Schools NPDO - Other Land & Buildings £'000	Total Schools Built under PFI Contracts £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2024</b>	<b>77,465</b>	<b>136,690</b>	<b>214,155</b>
Additions at Cost	128	348	476
Transfers	-	-	-
Revaluations	-	-	-
<b>At 31 March 2025</b>	<b>77,593</b>	<b>137,039</b>	<b>214,631</b>
<b>Depreciation and Impairments</b>			
<b>At 1 April 2024</b>	<b>-</b>	<b>(3,355)</b>	<b>(3,355)</b>
Charge for 2024-25	(2,363)	(3,398)	(5,760)
Transfers	-	-	-
Revaluations	-	-	-
<b>At 31 March 2025</b>	<b>(2,363)</b>	<b>(6,753)</b>	<b>(9,115)</b>
<b>Balance Sheet amount at 31 March 2025</b>	<b>75,230</b>	<b>130,286</b>	<b>205,516</b>
<b>Balance Sheet amount at 31 March 2024</b>	<b>77,465</b>	<b>133,335</b>	<b>210,800</b>

## Notes to the Financial Statements

### 19.2 Schools NPDO and DBFM Finance Lease Liability

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

Movements in 2025-26	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
<b>Balance at 1 April 2025</b>	<b>(50,030)</b>	<b>(55,344)</b>	<b>(105,374)</b>
Additions	(89)	(179)	(268)
Repayments	2,050	3,509	5,559
<b>Schools Lease Liability at 31 March 2026</b>	<b>(48,069)</b>	<b>(52,014)</b>	<b>(100,083)</b>
Split:			
Obligations payable within 1 year	(2,085)	(4,049)	(6,134)
Obligations payable after 1 year	(45,984)	(47,965)	(93,949)
<b>Schools Lease Liability at 31 March 2026</b>	<b>(48,069)</b>	<b>(52,014)</b>	<b>(100,083)</b>

Comparative Movements in 2024-25	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
<b>Balance at 1 April 2024</b>	<b>(51,902)</b>	<b>(58,588)</b>	<b>(110,491)</b>
Additions	(128)	(243)	(371)
Repayments	2,000	3,487	5,487
<b>Schools Finance Lease Liability at 31 March 2025</b>	<b>(50,030)</b>	<b>(55,344)</b>	<b>(105,375)</b>
Split:			
Obligations payable within 1 year	(2,039)	(3,506)	(5,546)
Obligations payable after 1 year	(47,991)	(51,838)	(99,829)
<b>Schools Finance Lease Liability at 31 March 2025</b>	<b>(50,030)</b>	<b>(55,344)</b>	<b>(105,375)</b>

## Notes to the Financial Statements

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

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

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2026 - 2027	4,049	2,350	4,961	5,863	17,223
2027 - 2031	21,588	8,778	15,075	23,454	68,895
2031 - 2036	26,377	7,870	5,514	20,522	60,283
<b>Total</b>	<b>52,014</b>	<b>18,998</b>	<b>25,550</b>	<b>49,839</b>	<b>146,401</b>

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

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

Future Repayment Periods	Repayment of Liability £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2026 - 2027	2,085	2,311	1,020	5,416
2027 - 2031	8,972	8,184	4,510	21,666
2031 - 2036	12,667	7,700	6,715	27,082
2036 - 2041	16,497	4,207	6,378	27,082
2041 - 2044	7,848	452	1,789	10,089
<b>Total</b>	<b>48,069</b>	<b>22,854</b>	<b>20,412</b>	<b>91,335</b>

## Notes to the Financial Statements

### 20 LEASES

#### Authority as Lessee

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles.

#### 20.1 Leases – Authority as Lessee

Movements in 2025-26	Land & Buildings		Vehicles, Plant & Equipment		Total Right of Use Assets
	Schools under PFI contracts	Other Right of Use assets	Previously held as Finance Lease	Other Right of Use assets	
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2025</b>	<b>205,516</b>	<b>4,199</b>	<b>223</b>	<b>1,817</b>	<b>211,755</b>
Additions	555	279	-	1,015	1,849
Revaluations	(9,285)	-	-	-	(9,285)
Depreciation and amortisation	9,116	(528)	(51)	(1,107)	7,430
Disposals	-	(696)	-	(157)	(853)
<b>Balance at 31 March 2026</b>	<b>205,902</b>	<b>3,254</b>	<b>172</b>	<b>1,568</b>	<b>210,896</b>

#### 20.2 Transactions Under Leases

The Council incurred the following expenses and cash flows in relation to leases:

2024-25		Land & Buildings		Vehicles, Plant & Equipment		Total Right of Use Assets
		Schools under PFI contracts	Other Right of Use assets	Previously held as Finance Lease	Other Right of Use assets	
		£'000	£'000	£'000	£'000	£'000
	<b>Comprehensive income and Expenditure statement</b>					
8,431	Interest expense on lease liabilities	7,719	166	11	93	7,989
-	Expense relating to short-term leases	-	1	-	1,093	1,094
-	Expense relating to exempt leases of low-value items	-	13	-	146	159
	<b>Cash flow statement</b>					
7,434	Minimum lease payments	-	-	-	-	8,018

#### 20.3 Maturity Analysis of Lease Liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments).

2024-25		Land & Buildings		Vehicles, Plant & Equipment		Total Right of Use Assets
		Schools under PFI contracts	Other Right of Use assets	Previously held as Finance Lease	Other Right of Use assets	
		£'000	£'000	£'000	£'000	£'000
15,303	Less than one year	13,406	899	63	812	15,180
57,232	One to five years	53,819	1,150	155	645	55,769
96,729	More than five years	81,262	2,341	-	-	83,603
<b>169,264</b>	<b>Total undiscounted liabilities</b>	<b>148,487</b>	<b>4,390</b>	<b>218</b>	<b>1,457</b>	<b>154,552</b>

## 21 LONG TERM DEBTORS

31 March 2025 £'000		31 March 2026 £'000
10	House Loans	9
750	Waste PPP Historic Contamination Fund	750
1,908	Charging Orders - Care Home Fees	1,961
2,728	Strategic Housing Fund Loans to Registered Social Landlords	2,563
77	Other Long Term Debtors	77
<b>5,473</b>	<b>Total Long Term Debtors</b>	<b>5,360</b>

## 22 DEBTORS

31 March 2025			31 March 2026	
£'000	£'000		£'000	£'000
22,316 (18,838)		Arrears of Local Taxation Less: Impairment of Bad Debts	22,664 (19,607)	
	3,478			3,057
192 (173)		Housing Benefits Overpayments Less: Impairment of Bad Debts	209 (169)	
	19			40
3,270 (979)		Debtor Accounts Less: Expected Credit Loss	2,576 (898)	
	2,291			1,678
	3,694	Net Debtor to Scottish Government for Non Domestic Rates		16,325
	4,760	VAT Recoverable from HMRC		2,871
	151	Strategic Housing Fund Loans due within 1 Year		148
	7,417	Accrued Income		6,314
	5,761	Other Debtors		17,976
	<b>27,571</b>	<b>Total Debtors</b>		<b>48,409</b>

**23 ASSETS HELD FOR SALE**

The movement in assets held for sale was:

2024-25 £'000	Movements	2025-26 £'000
<b>1,619</b>	<b>Balance Sheet amount at 1 April 2025</b>	<b>1,326</b>
-	Assets newly classified as "Held for Sale" (Property, Plant and Equipment)	1,140
(43)	Revaluation losses	-
-	Revaluation gains	-
(250)	Assets Sold	(210)
<b>1,326</b>	<b>Balance Sheet amount at 31 March 2026</b>	<b>2,256</b>

**24 CASH AND CASH EQUIVALENTS**

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

31 March 2025 £'000		31 March 2026 £'000
2	Cash held by the Authority	3
948	Short term deposits with banks	329
13,600	Short term deposits in Money Market Funds	18,000
(160)	Bank Current Accounts	838
<b>14,390</b>	<b>Total Cash and Cash Equivalents</b>	<b>19,170</b>

### 25 CREDITORS

31 March 2025 £'000		31 March 2026 £'000
8,224	Accrued Payrolls and Superannuation	8,648
3,644	Accrued Employer's National Insurance Contributions and PAYE	4,169
11,262	Accrual for Short Term Accumulating Absences	10,118
5	Creditors System Liability	-
11,152	Accrued Expenditure	16,276
2,247	Health and Social Care Partnership Creditor	2,240
887	RCGF Grant Income	22
943	Trust Funds	978
1,676	Net Creditor to Scottish Government for Non Domestic Rates	-
13,332	Other Creditors	26,034
<b>53,372</b>	<b>Total Creditors</b>	<b>68,485</b>

### 26 FINANCIAL INSTRUMENTS DISCLOSURES

#### 26.1 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 2025			31 March 2026	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		<b>Investments and Lending</b>		
5,965	30,010	Financial Assets at Amortised Cost	5,852	45,286
		<b>Financial Liabilities</b>		
227,407	62,175	Financial Liabilities at amortised cost	230,111	95,568

#### 26.2 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 2026 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

## Notes to the Financial Statements

31 March 2025			31 March 2026	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
35,976	35,976	<b>Lending</b> Financial Assets at Amortised Cost	51,138	51,138
289,581	280,236	<b>Financial Liabilities</b> Financial Liabilities	325,679	313,810

The fair value is lower than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. The fair value reflects the amounts the Council would have to pay to transfer the liabilities to another lender or repay early, including any premiums due under market conditions at the reporting date.

### 26.3 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.

### 26.4 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.

### 26.5 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 2026 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2026 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Deposits with Banks and Money Market Funds	18,329	-	-

The information in respect of the Council's debtors can be found in Notes 21 and 22. 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 22 represents the Council's assessment of the

## Notes to the Financial Statements

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.

### 26.6 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 do 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 2025		31 March 2026
£'000	Maturity analysis of financial liabilities	£'000
62,175	Less than one year	100,823
20,763	Between one and two years	21,338
39,824	Between two and five years	61,782
166,819	More than five years	141,736
<b>289,581</b>		<b>325,679</b>

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

### 26.7 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

## Notes to the Financial Statements

the Council receives for “loan charges”.

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2026, with all other variables held constant:

	31 March 2026 £'000
<b>Impact on tax-payer</b>	
Increase on interest payable on variable rate borrowings	53
Increase in interest receivable on variable rate lending	-
Increases in government grant receivable for “loan charges”	-
<b>Net effect on Statement of Comprehensive Income &amp; Expenditure</b>	<b>53</b>

	31 March 2026 £'000
<b>Other accounting presentational changes</b>	
An (increase) / decrease in the “fair value” of fixed rate borrowing (disclosure confined to the notes to the financial statements)	10,083

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

### 26.8 Price Risk

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

### 26.9 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.

### 26.10 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 2025 £'000		31 March 2026 £'000
14,548	Banks and Money Market Funds	18,329

### 26.11 Soft Loans

The Council has no material soft loans at 31 March 2026, on which no interest was being charged.

## Notes to the Financial Statements

### 27 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 £105.548m as at 31 March 2026 and comprise the following:

Movements in 2025-26	Opening Balance 1 April 2025 £'000	Movement in Year £'000	Closing Balance 31 March 2026 £'000
Existing Lease Liability	(250)	52	(198)
Schools Lease Liability	(105,375)	5,291	(100,084)
Right-of-Use Assets Liability	(5,793)	1,277	(4,516)
Land Contamination	(750)	-	(750)
<b>Total Other Liabilities</b>	<b>(112,168)</b>	<b>6,620</b>	<b>(105,548)</b>
Split:			
Short Term Liabilities (due within 1 year)			(7,725)
Long Term Liabilities (due after 1 year)			(97,823)
<b>Total Other Liabilities</b>			<b>(105,548)</b>

### 28 PROVISIONS

	Opening Balance 1 April 2025 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2026 £'000
Compost Like Output Payment	(555)	-	433	-	(122)
Income due to Registered Social Landlords	(356)	-	64	-	(292)
Landfill Sites - Restoration and Aftercare Costs	(2,264)	(158)	-	-	(2,422)
Legal and Other Claims	(289)	(730)	170	56	(793)
NPDO and Hub DBFM Payments	(1,270)	(511)	250	95	(1,436)
Other Provisions	(46)	(193)	19	-	(220)
Redundancy Costs	(110)	(9)	4	-	(115)
SRC Intrusions	(545)	(757)	-	-	(1,302)
Utilities Provision	(292)	(166)	-	-	(458)
<b>Total Provisions</b>	<b>(5,727)</b>	<b>(2,524)</b>	<b>940</b>	<b>151</b>	<b>(7,160)</b>
Split:					
Short-Term Provisions (due within 1 year)					(2,894)
Long-Term Provisions (due after 1 year)*					(4,266)
<b>Total Provisions</b>					<b>(7,160)</b>

\*Long-term provisions mainly in relation to Landfill Sites Restoration and Aftercare Costs and SRC Intrusions

The Legal and Other Claims provision reflects the Council's assessment of probable liabilities arising from a number of ongoing legal and employment related matters, including equal pay claims, where a present obligation exists at the balance sheet date and a reliable estimate can be made of the likely settlement costs. In accordance with IAS 37, further information regarding individual matters, including the amounts provided in respect of equal pay claims, has not been disclosed where this could prejudice the Council's position in relation to ongoing cases and negotiations. Further detail on the equal pay claims is provided at Note 33.1.

## Notes to the Financial Statements

A provision of £1.302m has been recognised in respect of Strathclyde Regional Council Intromissions. This represents Argyll and Bute Council's estimated share of liabilities arising from claims against the former Strathclyde Regional Council, primarily relating to historic abuse cases. The provision has been determined using information provided by Glasgow City Council, which administers these liabilities on behalf of the successor authorities.

Council Tax income invoiced during 2025-26 amounted to £2.768m and is payable to Registered Social Landlords to support investment in social housing. A provision of £0.292m has been recognised in respect of amounts not yet collected at 31 March 2026.

Liabilities have arisen in respect of employees who will be made redundant as a result of savings options agreed by the Council. Where employees had formally accepted redundancy or contractual obligations existed at 31 March 2026, the associated costs have been recognised. The provision held at 31 March 2026 amounts to £0.115m.

A provision for landfill sites was established in 2014-15 to reflect the Council's obligation for restoration, aftercare and ongoing monitoring costs associated with landfill sites operated by the Council, including Glengorm, Gartbreck and Gott Bay. The provision at 31 March 2026 is £2.422m and represents the present value of estimated future restoration and aftercare costs.

The utilities provision was established to cover potential liabilities arising from historic utility cost discrepancies and related claims. The provision held at 31 March 2026 amounts to £0.458m.

The NPDO and Hub DBFM provisions relate to amounts withheld from contractual payments in respect of utility costs, authority-related damage and contract variations which had not been finally agreed or invoiced at 31 March 2026. The provisions held at 31 March 2026 amount to £1.436m in total.

A provision of £0.122m has been recognised in respect of the estimated costs associated with the management and disposal of Compost Like Output held at contractor sites at 31 March 2026. This provision reflects the Council's ongoing waste management responsibilities and regulatory obligations.

Other provisions of £0.220m relate to a number of individually immaterial obligations where a present obligation existed at 31 March 2026 and a reliable estimate could be made of the expected future expenditure.

## Notes to the Financial Statements

### 29 CAPITAL GRANTS RECEIPTS IN ADVANCE

Capital grants of £2.170m were received during 2025-26 for which the conditions attached to the funding had not been satisfied as at 31 March 2026. In accordance with the Code, these amounts have been recognised as Capital Grants Receipts in Advance and will be credited to the Comprehensive Income and Expenditure Statement when the associated grant conditions are met.

	Opening Balance 1 April 2025 £'000	Capital Grants Received £'000	Transfer to Capital Grants Unapplied £'000	Closing Balance 31 March 2026 £'000
	-	2,170	-	2,170
<b>Total Capital Grant Receipts in Advance</b>	-	<b>2,170</b>	-	<b>2,170</b>
Split:				
Capital Grant Receipts in Advance (due within 1 year)				2,170
Capital Grant Receipts in Advance (due after 1 year)				-
<b>Total Capital Grant Receipts in Advance</b>				<b>2,170</b>

### 30 DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

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

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

#### *Teachers*

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

#### *Local Government Pension Scheme*

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts due by statute as described in the accounting policies note.

#### *Legal and Regulatory Uncertainty – Virgin Media vs NTL Pension Trustees II Limited*

The Virgin Media judgment relates to historic amendments made to contracted out defined benefit pension schemes and whether the required actuarial confirmations were obtained at the time those amendments were made. The Pension Schemes Act 2026 introduces a statutory remediation route enabling trustees to retrospectively obtain actuarial confirmation that historic benefit changes met the relevant requirements and the Pensions Regulator and Financial Reporting Council have issued guidance to support this process. A further judgment (Verity Trustees) which may clarify the scope of amendments requiring actuarial confirmation remains awaited.

At the balance sheet date there remains uncertainty regarding the potential implications, if any, for pension liabilities. Accordingly no adjustment has been made to these financial statements.

#### 30.1 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 2026. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2026. The amounts are as follows:

- Local Government Pension Scheme – £1.103m
- Teachers' Scheme – £1.533m

#### 30.2 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 2023. The

## Notes to the Financial Statements

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 2026 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:

2024-25 £000		2025-26 £000
	<b>Comprehensive Income and Expenditure Statement:</b>	
	<b>Cost of Services:</b>	
	<i>Service cost comprising:</i>	
20,278	Current Service Cost	16,130
276	Past Service Cost (Including Curtailments)	131
<b>20,554</b>	<b>Net Cost of Services</b>	<b>16,261</b>
(12,648)	Net Interest Expense	(21,032)
13,862	Interest on the Effect of IAS 19 Asset Ceiling	22,230
<b>21,768</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>17,459</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
11,693	Return on Assets (excluding amounts included in net interest)	(32,685)
(6,943)	Other Experience (see note (i) below)	4,750
(99,533)	Change in Financial Assumptions	(17,577)
(1,116)	Change in Demographic Assumptions	3,725
(302,656)	Reversal of Prior Year IAS 19 Asset Ceiling and Interest Adjustment	(405,774)
383,544	IAS 19 Asset Ceiling Adjustment	437,517
<b>6,757</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>7,415</b>
	<b>Statement of Movement in Reserves:</b>	
(12,417)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(9,171)
	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
<b>9,351</b>	Employer's Contributions Payable to the Scheme	<b>8,288</b>

(i) A measure of the difference between actual experience and that expected based upon 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

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

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

2024-25 £000		2025-26 £000
<b>669,149</b>	<b>Defined Benefit Obligation at 1 April 2025</b>	<b>592,907</b>
20,278	Current Service Cost	16,130
276	Past Service Costs including Curtailments	131
32,079	Interest Cost	34,259
5,788	Contributions by Scheme Participants	5,962
(124,576)	Re-measurement (Gains) and Losses	(25,213)
(27,071)	Estimated Benefits Paid	(26,736)
<b>575,923</b>	<b>Defined Benefit Obligation at 31 March 2026</b>	<b>597,440</b>
16,984	Present Value of Unfunded Liabilities	16,111
<b>592,907</b>	<b>Defined Benefit Obligation at 31 March 2026</b>	<b>613,551</b>

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

2024-25 £000		2025-26 £000
<b>938,365</b>	<b>Fair Value of Employer Assets at 1 April 25</b>	<b>959,467</b>
	<b>Re-measurement (Gains) and Losses:</b>	
(11,693)	Expected Rate of Return on Pension Fund Assets	32,685
-	Actuarial (Gains) and Losses	-
44,727	Interest Income on Plan Assets	55,291
9,351	Employers Contributions	8,288
5,788	Contributions by Scheme Participants	5,962
(27,071)	Estimated Benefits Paid	(26,736)
<b>959,467</b>	<b>Fair Value of Employer Assets at 31 March 26</b>	<b>1,034,957</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. An asset ceiling adjustment was included in 2024-25 and 2025-26 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.

The re-measurement gains and losses line shown within the defined benefit obligation table is presented net of the adjustment for unfunded liabilities. The unfunded element is disclosed separately to ensure transparency between funded and unfunded obligations whilst maintaining full reconciliation to the actuary's closing valuation.

**30.4 Pensions Assets and Liabilities Recognised in the Balance Sheet**

2024-25 £000	Local Government Pension Scheme	2025-26 £000
(575,923)	Present Value of Funded Liabilities	(597,440)
959,467	Fair Value of Employer Assets	1,034,957
(383,544)	IAS19 Asset Ceiling Adjustment	(437,517)
-	<b>Surplus/(Deficit) in the Scheme</b>	-
(16,984)	Present Value of Unfunded Liabilities	(16,111)
<b>(16,984)</b>	<b>Net Surplus/(Deficit) in the Scheme</b>	<b>(16,111)</b>

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

**30.5 Analysis of Pension Fund’s Assets**

Argyll and Bute Council’s share of the Pension Fund’s assets at 31 March 2026 comprised:

2024-25 £000		2025-26 £000
23,345	Cash and Cash Equivalents	33,376
	Equity Instruments (by industry type)	
47,376	Consumer	42,886
44,766	Manufacturing	52,077
7,458	Energy and Utilities	9,459
21,909	Financial Institutions	27,890
22,823	Health and Care	23,942
55,053	Information Technology	62,130
-	Other	-
<b>199,385</b>	Sub-total Equity Instruments	<b>218,384</b>
	Real Estate	
72,390	UK Property	71,742
<b>72,390</b>	Sub-total Real Estate	<b>71,742</b>
221,782	Private Equity (All)	248,204
	Investment Funds and Unit Trusts	
234,184	Equities	268,721
202,393	Bonds	186,785
470	Commodities	813
3,385	Infrastructure	6,051
2,133	Other	881
<b>442,565</b>	Sub-total Investment Funds and Unit Trusts	<b>463,251</b>
<b>959,467</b>	<b>Total Assets</b>	<b>1,034,957</b>

## Notes to the Financial Statements

### 30.6 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:

2024-25 Years	Mortality assumptions	2025-26 Years
19.9	Longevity at 65 for current pensioners: Men	20.3
22.6	Women	22.8
20.8	Longevity at 65 for future pensioners: Men	21.1
24.6	Women	24.7
2024-25 %	Financial Assumptions	2025-26 %
2.8%	Rate of Inflation (CPI)	3.0%
3.5%	Rate of Increase in Salaries	3.7%
2.8%	Rate of Increase in Pensions (CPI)	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%
2024-25 %	Long-term Expected Rate of Return on Assets in the Fund	2025-26 %
5.8%	Equity Investments	6.2%
5.8%	Bonds	6.2%
5.8%	Property	6.2%
5.8%	Cash	6.2%

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 asset please see Note 4.

### 30.7 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.

### 30.8 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 16.5% for 2026-27.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2027 is £17.642m. This is based on an assumed pensionable payroll of £100.811m.

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").

### 30.9 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 26% - about two thirds of the cost of an individual's pension. This took effect from 1 April 2024.

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 £2.9 billion was identified in the notional fund which will be repaid by a supplementary rate of 7.6% of employers' pension contributions for fifteen years from 1 April 2024. This contribution is included in the 26% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2026, the council's own contributions equate to 1.46%.

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2024-25		2025-26
12,715	Amount Paid Over (£'000)	13,113
26.00	Rate of Contribution (%)	26.00
506	Amount of Added Years Awarded by the Council (£'000)	500

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £13.984m.

### 31 UNUSABLE RESERVES

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

#### 31.1 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.

#### 31.2 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.

#### 31.3 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.

## Notes to the Financial Statements

### 31.4 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 Pensions Reserve shows a negative position at the end of 2025-26 due to the impact of the inclusion of the asset ceiling and recognition of unfunded benefits liabilities, in line with the requirements of IAS 19.

### 31.5 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.

## 32 USABLE RESERVES

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

### 32.1 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*

All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008 and may be applied to finance capital expenditure or loan debt repayments. During 2025-26 capital receipts from asset sales have been fully applied to reduce the net borrowing requirement for capital expenditure incurred during the year. The movement in the Usable Capital Receipts Reserve and Capital Fund are as follows:

Movements in 2025-26	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
<b>Balance at 1 April 2025</b>	<b>3,232</b>	<b>125</b>	<b>3,357</b>
Proceeds of Disposals	-	1,522	1,522
Transfer to Capital Adjustment Account	-	(1,522)	(1,522)
Contribution to Capital Fund From Revenue	-	-	-
Interest Earned	132	5	137
<b>Balance at 31 March 2026</b>	<b>3,364</b>	<b>130</b>	<b>3,494</b>

## Notes to the Financial Statements

### 32.2 Repairs and Renewals Fund

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

Movements in 2025-26	Balance at 1 April 2025 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2026 £'000
Education	3,608	(777)	129	461	3,421
<b>Total</b>	<b>3,608</b>	<b>(777)</b>	<b>129</b>	<b>461</b>	<b>3,421</b>

### 32.3 Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds capital grant income received but not yet applied to fund capital expenditure. These amounts will be used to finance future capital investment in line with any grant conditions.

	2025-26 £'000
<b>Balance at 1 April 2025</b>	<b>1,564</b>
Capital Grants Applied from prior years	-
Capital Grants Unapplied in current year	1,766
<b>Balance at 31 March 2026</b>	<b>3,330</b>

### 32.4 General Fund

There has been an increase in the General Fund of £5.815m from a balance of £112.705m as at 31 March 2025 to £118.520m as at 31 March 2026. Details of the movements are in the table below and this details total earmarked, contingency and unallocated balances.

General Fund	Earmarked £'000	Contingency £'000	Unallocated £'000	Total General Fund £'000
<b>Balance at 1 April 2025</b>	<b>105,162</b>	<b>6,539</b>	<b>1,004</b>	<b>112,705</b>
Funds used during 2025-26	(20,858)	-	-	(20,858)
Earmarking previously agreed and created during 2025-26	11,366	-	-	11,366
New automatic earmarking at the end of 2025-26	12,988	-	-	12,988
New earmarking proposals approved at the end of 2025-26	198	-	-	198
Underspend in 2025-26	-	-	2,134	2,134
Supplementary estimate 2025-26	-	-	(13)	(13)
Agreed at 2026-27 budget	25	-	(25)	-
Transfers between categories	(648)	702	(54)	-
<b>Balance at 31 March 2026</b>	<b>108,233</b>	<b>7,241</b>	<b>3,046</b>	<b>118,520</b>

### 33 CONTINGENT LIABILITIES

#### 33.1 Equal Pay Claims

The Council settled a number of equal pay claims during 2017-18. A small number of further claims remain, in respect of which the Council has assessed that a present obligation exists at the balance sheet date and a reliable estimate of the likely settlement cost can be made. A provision has accordingly been recognised, and is included within the Legal and Other Claims provision disclosed in Note 28. In accordance with IAS 37 paragraph 92, the amount provided has not been separately disclosed, as to do so would seriously prejudice the Council's position in the ongoing settlement discussions relating to these claims.

In common with other Scottish local authorities, the Council may also be subject to further equal pay claims in the future. Where no present obligation exists at the balance sheet date, or where the outcome and potential cost of a claim cannot yet be reliably estimated, no provision has been recognised. These represent a contingent liability for which it is not practicable to estimate the financial effect.

#### 33.2 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 favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied as being contrary to the non-discrimination rule set out in section 61 of the Equality Act 2010. In light of this ruling the Chief Secretary to the Treasury has confirmed that amendments would be made to the Teachers' Pension Scheme and other public service pension schemes so that "surviving male same-sex and female same-sex spouses and civil partners will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages"

There is still uncertainty surrounding the potential remedy to the Goodwin judgement however the Council's actuaries have estimated the potential impact of implementing a solution to correct the past underpayment of spouses' benefits to be circa 0.1% of gross obligations. This would amount to £0.614m at 0.1% for the Council. As there is still uncertainty over the remedy and the potential impact no provision has been made in the accounts at the current time.

#### 33.3 SRC Intromissions

The Local Government (Transitional Financial Provisions) (Scotland) Order 1996, 'the Order' provided for the appointment of Glasgow City Council (GCC), as the relevant Accounting Authority for residual matters relating to the former Strathclyde Regional Council (SRC), on behalf of the successor authorities. This places a duty on GCC to account to successor authorities in respect of all expenditure and income attributable to its duties as Accounting Authority, to be shared across successor authorities on a Council Tax Band D Equivalent basis.

A provision has been recognised in the accounts in respect of potential future liabilities outstanding relating to SRC Intromissions. While the council has accounted for known claims to date the final settlement values remain uncertain. In addition, there remains a risk of further claims being brought forward which are not yet known or quantified. The provision reflects the latest information available but full due diligence by the council's claim team has not been undertaken. As such, final liabilities may differ from the amount provided for and will remain under review until all legal and settlement processes are concluded.

### **33.4 Other Legal Challenges**

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

### **34 TERMINATION BENEFITS**

Termination costs have been incurred by the Council where employees have left under voluntary redundancy, compulsory redundancy or other approved early departure arrangements. Provision is made within the financial year for the costs of all employees who had accepted redundancy or other termination arrangements by 31 March 2026, including accounting for costs relating to employees who confirmed their departure by 31 March but left after this date.

Termination costs for all Council employees who had accepted redundancy or other termination arrangements by 31 March 2026 are recognised in the Exit Packages note in 2025-26 or in prior years. The total costs recognised in the Exit Packages note in 2025-26 is £0.186m for 10 employees and in 2024-25 was £0.243m for 6 employees. These costs are detailed further in the Remuneration Report.

### 35 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 £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	22	18	647	647
GM Duncan Trust	3	7	62	62
MacDougall Trust	38	-	1,154	1,154
Various Other Trust Funds	19	22	470	470
<b>Total Trust Funds</b>	<b>82</b>	<b>47</b>	<b>2,333</b>	<b>2,333</b>

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

Further information on the Trust Funds, administered by the Council, can be obtained from Financial Services.

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. The Trust Funds had monies temporarily invested with the Council's loans fund during the year, the amount at 31 March 2026 was £0.978m.

### 36 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 2026. 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. Some of the Common Good Funds had monies temporarily invested with the Council's loans fund during the year, the amount at 31 March 2026 was £0.163m.

#### 36.1 Common Good Income and Expenditure Account

2024-25				2025-26		
Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000		Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000
151	35	186	Expenditure	329	147	476
38	14	52	Income	61	48	109
<b>189</b>	<b>49</b>	<b>238</b>	<b>(Surplus)/Deficit for the Year</b>	<b>268</b>	<b>99</b>	<b>367</b>

### 36.2 Common Good Balance Sheet

2024-25				2025-26		
Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000		Oban Common Good £'000	Other Common Goods £'000	Total Common Good £'000
5,504	319	5,823	Tangible Fixed Assets	5,386	318	5,704
2,015	1,194	3,209	Investments	1,845	1,092	2,937
198	186	384	Current Assets	220	190	410
(22)	(1)	(23)	Current Liabilities	(26)	-	(26)
<b>7,695</b>	<b>1,698</b>	<b>9,393</b>	<b>Total Assets less Liabilities</b>	<b>7,425</b>	<b>1,600</b>	<b>9,025</b>
5,504	323	5,827	Revaluation Reserve	5,384	323	5,707
2,191	1,375	3,566	Common Good Fund	2,041	1,277	3,318
<b>7,695</b>	<b>1,698</b>	<b>9,393</b>	<b>Total Net Worth</b>	<b>7,425</b>	<b>1,600</b>	<b>9,025</b>

### 37 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 TIF project largely funds public realm and infrastructure improvements within the Lorn Arc area of Oban. The project now runs for 35 years. It was originally established for 25 years, but in 2024/25 the Scottish Government agreed to a 10-year extension. The first material capital investment under the project was incurred in 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 2026, to be funded from borrowing, in respect of TIF assets totalled £2.942m (2024-25 £0.503m). 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 2026, has been calculated in accordance with finance circular No. 4/2014 at £4.472m (2024-25 £1.530m).

There is a retention of £0.440m of TIF income during 2025-26 (2024-25 £0.815m) to repay the notional borrowing for TIF. Principal sums accumulated by 2025-26 amount to £0.289m (2024-25 £0.167m) and cumulative interest £0.208m (2024-25 £0.129m) resulting in a net cumulative surplus of £3.565m (2024-25 £3.327m) which will be

## Notes to the Financial Statements

used to pay down TIF debt per the TIF agreement and the balance of £2.231m will be placed in earmarked reserves to be used in future years to repay debt costs.

### 38 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:

2024-25		2025-26
£'000		£'000
209,175	Cash Paid to and on behalf of Employees	214,389
91,700	Other Services Net Operating Cash Payments / (Receipts)	91,663
(210,601)	General Revenue Grant Receipts	(224,708)
(43,169)	Non-domestic Rates Receipts from National Pool	(45,183)
(66,134)	Council Tax Receipts	(73,051)
<b>(19,029)</b>	<b>Net Cash (Inflow)/Outflow from Operating Activities</b>	<b>(36,890)</b>

### 39 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

2024-25		2025-26
£'000		£'000
49,097	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	52,288
(27,500)	Investments made/(disposed of) during year	5,000
(318)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,522)
(18,005)	Other Receipts from Investing Activities	(19,825)
<b>3,274</b>	<b>Net Cash Outflow from Investing Activities</b>	<b>35,941</b>

### 40 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

2024-25		2025-26
£'000		£'000
(10,186)	Cash Flow from Short and Long Term Borrowing	(28,407)
51	Cash Payments for the reduction of Finance Lease Liabilities	52
5,487	Cash Payments for the reduction of on balance sheet PPP and similar contract Liabilities	5,560
-	Receipt of Discount on early repayment of debt	(485)
1,946	Cash Payments for the reduction of Right-of-Use Asset Liabilities	2,458
3,591	Other Financing Activities: NDRI Net Debtor/Creditor	16,991
<b>890</b>	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>	<b>(3,831)</b>

41 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2024-25 £'000		2025-26 £'000
24,361	Interest payable and similar charges	21,130
1,214	Net interest on the net defined benefit liability (asset)	1,198
(9,662)	Interest receivable and similar income	(7,245)
(379)	Income and expenditure in relation to investment properties and changes in their value	(2,278)
<b>15,534</b>	<b>Total</b>	<b>12,805</b>

## Council Tax Income Account

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

2024-25 Actual £'000		2025-26 Actual £'000
84,040	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	92,273
	Less:	
(16,429)	Other Discounts and Reductions	(18,032)
(1,620)	Provision for Bad and Doubtful Debts	(1,774)
<b>65,991</b>	<b>Total</b>	<b>72,467</b>
957	Adjustment to Previous Years' Community Charge and Council Tax	9
<b>66,948</b>	<b>Transfers to General Fund</b>	<b>72,476</b>

## Notes to the Council Tax Income Account

### 1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest “A” to the highest “H”. The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2025-26 was as follows:

Band	Valuation Band	Ratio Band D (%)	£ per year
A	Up to £27,000	66.7	1,083.76
B	£27,001 - £35,000	77.8	1,264.39
C	£35,001 - £45,000	88.9	1,445.01
D	£45,001 - £58,000	100	1,626.64
E	£58,001 - £80,000	131.4	2,135.91
F	£80,001 - £106,000	162.5	2,641.67
G	£106,001 - £212,000	195.8	3,183.55
H	Over £212,000	245.0	3,982.82

### 2. CALCULATION OF THE COUNCIL TAX BASE 2025-26

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,554	10,244	9,638	6,535	7,914	4,658	3,104	270	49,917
<b>Less</b> - Exemptions / Deductions	1,081	882	992	624	684	287	188	54	4,792
- Adjustment for Single Chargepayers	983	1,204	875	520	495	244	138	7	4,466
<b>Effective Number of Properties</b>	<b>5,490</b>	<b>8,158</b>	<b>7,771</b>	<b>5,391</b>	<b>6,735</b>	<b>4,127</b>	<b>2,778</b>	<b>209</b>	<b>40,659</b>
Band D Equivalent Factor (ratio)	67%	78%	89%	100%	131%	163%	196%	245%	
<b>Band D Equivalent Number of Properties</b>	<b>3,660</b>	<b>6,345</b>	<b>6,908</b>	<b>5,391</b>	<b>8,849</b>	<b>6,706</b>	<b>5,440</b>	<b>512</b>	<b>43,811</b>
<b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									525
<b>Nominal Tax Yield</b>									<b>44,336</b>
<b>Less</b> Provision for Council Tax Reduction Scheme					9.05%				4,013
<b>Council Tax Base 2025-26 - Number of Band D equivalents</b>									<b>40,290</b>

## Non-Domestic Rate Income Account

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

2024-25 Actual £'000		2025-26 Actual £'000
71,151	Gross rates levied and Contributions in Lieu	68,491
	<u>Less:</u>	
(19,129)	Reliefs and other deductions	(18,759)
(1)	Payment of Interest	(36)
(520)	Write-off of Uncollectable Debts and Allowance for Impairment	(497)
<b>51,501</b>	<b>Total Net Non-Domestic Rate Income</b>	<b>49,199</b>
(3,705)	Adjustments for prior years	(7,766)
-	Business Rate Incentivisation Scheme (BRIS) NDR Income Retained	(390)
(815)	Tax Incremental Finance (TIF) Scheme NDR Income Retained	(440)
<b>46,981</b>	<b>Contribution to National Non-Domestic Rate Pool</b>	<b>40,603</b>
(5,647)	Difference between Distributable and Contributable NDR Income amounts	1,894
<b>41,334</b>	<b>Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement</b>	<b>42,497</b>

## 1. ANALYSIS OF RATEABLE VALUES

2024-25 £		2025-26 £
11,306,325	Industrial and freight transport subjects	11,280,018
90,280,904	Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	85,238,117
	Commercial subjects:	
16,038,315	Shops	14,872,390
6,028,745	Offices	5,998,555
13,939,437	Hotels, Boarding Houses etc.	13,460,463
2,377,885	Others	2,239,855
<b>139,971,611</b>	<b>Total Rateable Value</b>	<b>133,089,398</b>

## 2. NON-DOMESTIC RATE CHARGE

2024-25 Pence		2025-26 Pence
49.8p	Rate Per Pound	49.8p
1.3p	Supplementary Rate Per Pound for Properties between £51,001 and £100,000	4.7p
2.6p	Supplementary Rate Per Pound for Properties over £100,000	6.1p

## 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 2025-26: 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 2026 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 2025-26.
- **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 are 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

2024-25			Service	2025-26		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,395	125	1,270	Chief Executive	1,372	202	1,170
174,853	21,939	152,914	Executive Director - Douglas Hendry	180,863	20,515	160,348
143,747	59,075	84,672	Executive Director - Kirsty Flanagan	134,318	46,679	87,639
194,266	108,276	85,990	Health and Social Care Integration	201,753	112,593	89,160
13,412	1,454	11,958	Other Non-Departmental Costs	13,153	1,408	11,745
1,542	1,705	(163)	Associates and Joint Ventures Accounted for on an Equity Basis	1,171	6,443	(5,272)
<b>529,215</b>	<b>192,574</b>	<b>336,641</b>	<b>Net Cost of Services</b>	<b>532,630</b>	<b>187,840</b>	<b>344,790</b>
			<b>Other Operating Income and Expenditure:</b>			
		(66)	Net (Gain)/loss on Disposal of Fixed Assets			920
		1,680	Other Operating Income and Expenditure			1,543
		<b>1,614</b>	<b>Total Other Operating Income and Expenditure</b>			<b>2,463</b>
			<b>Financing and Investment Income and Expenditure:</b>			
		24,361	Interest Payable and Similar charges			21,130
		(10,077)	Interest and Investment Income			(9,631)
		1,214	Net Pension Interest Expense			1,198
		<b>15,498</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>12,697</b>
			<b>Taxation and Non-Specific Grant Income:</b>			
		(210,601)	General Government Grants			(224,708)
		(19,569)	Government Capital Grants and Other Capital Contributions			(22,510)
		(149)	Gain on Initial Recognition of Lease - Capital Contribution			(61)
		(42,149)	Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS)			(43,327)
		(66,948)	Council Tax Income			(72,476)
		<b>(339,416)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(363,082)</b>
		<b>14,337</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(3,132)</b>
		(3,285)	(Surplus)/Deficit on revaluation of Fixed Assets			(14,255)
		(15,298)	Other Post Employment Benefits (Pensions)			(9,317)
		0	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			-
		<b>(18,583)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(23,572)</b>
		<b>(4,246)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(26,704)</b>

31 March 2025			31 March 2026	
£'000	£'000		£'000	£'000
		<b>Long Term Assets</b>		
		<b>Property Plant &amp; Equipment</b>		
455,904		Other Land and Buildings	464,308	
11,829		Vehicles, Plant, Furniture and Equipment	10,464	
255,831		Infrastructure Assets	276,104	
15,261		Community Assets	15,082	
5,319		Surplus Assets	3,128	
45,447		Assets Under Construction	54,696	
6,016		Right-of-Use Assets	4,822	
	<b>795,607</b>	<b>Total Property Plant &amp; Equipment</b>		<b>828,604</b>
	2,678	Heritage Assets		2,831
	1,100	Intangible Assets		1,111
	2,281	Investment Property		-
	5,473	Long-Term Debtors		5,360
	3,700	Long-Term Investments		3,428
	-	Other Long-Term Debtors (Pensions)		-
	10,628	Investment in Associates and Joint Ventures		15,814
	<b>821,467</b>	<b>Total Long Term Assets</b>		<b>857,148</b>
		<b>Current Assets</b>		
881		Inventories	818	
27,749		Short Term <i>Kirsty Flanagan</i> (rent)	48,636	
1,326		Assets Held for Sale	2,256	
1,432		Short Term Investments	5,161	
14,703		Cash and Cash Equivalents	20,382	
	<b>46,091</b>	<b>Total Current Assets</b>		<b>77,253</b>
		<b>Current Liabilities</b>		
(8,374)		Short-term Borrowing	(32,736)	
(54,149)		Short-term Creditors	(69,322)	
(3,099)		Provisions	(2,894)	
(7,543)		Other Short Term Liabilities	(7,725)	
-		Capital Grant Receipts in Advance	(2,170)	
	<b>(73,165)</b>	<b>Total Current Liabilities</b>		<b>(114,847)</b>
		<b>Long-term Liabilities</b>		
(122,536)		Borrowing Repayable within a Period in Excess of 12 Months	(127,036)	
(104,626)		Other Long-term liabilities	(97,823)	
(16,995)		Other Long-term liabilities (Pensions)	(16,122)	
(2,628)		Provisions	(4,266)	
	<b>(246,785)</b>	<b>Total Long-term Liabilities</b>		<b>(245,247)</b>
	<b>547,608</b>	<b>Total Assets less Liabilities</b>		<b>574,307</b>

31 March 2025			31 March 2026	
£'000	£'000		£'000	£'000
		<b>Unusable Reserves</b>		
179,662		Revaluation Reserve	187,830	
255,558		Capital Adjustment Account	259,256	
(1,413)		Financial Instruments Adjustment Account	(895)	
(16,984)		Pensions Reserve	(16,111)	
(11,262)		Accumulated Absences Account	(9,761)	
	<b>405,561</b>			420,319
		<b>Usable Reserves</b>		
1,564		Capital Grants Unapplied	3,330	
3,358		Capital Funds	3,494	
3,608		Repairs and Renewals Funds	3,421	
112,705		General Fund Balance	118,520	
	<b>121,235</b>			128,765
	<b>11,419</b>	<b>Group Reserves</b>		16,199
	<b>9,393</b>	<b>Common Good Reserves</b>		9,025
	<b>547,608</b>	<b>Total Reserves</b>		<b>574,307</b>

The Unaudited Annual Accounts were issued on 26 June 2026.

*Kirsty Flanagan*

Kirsty Flanagan  
Section 95 Officer  
26 June 2026

## Group Statement of Movement in Reserves



Movements in 2025-26	Argyll and Bute Council											Total Reserves
	Usable Reserves					Total Unusable Reserves	Total Reserves of the Council	Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Capital Grants Unapplied	Total Usable Reserves							
<b>Balance at 31 March 2025</b>	(112,705)	(3,608)	(3,358)	(1,564)	(121,235)	(405,561)	(526,796)	(10,629)	(790)	-	(9,393)	(547,608)
(Surplus)/Deficit on Provision of Services	2,011	-	-	-	2,011	-	2,011	(5,270)	(237)	-	368	(3,128)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(24,299)	(24,299)	85	642	-	-	(23,572)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,011</b>	<b>(24,299)</b>	<b>(22,288)</b>	<b>(5,185)</b>	<b>405</b>	<b>-</b>	<b>368</b>	<b>(26,700)</b>
<b>Total Statutory Adjustments</b>	<b>(3,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,206)</b>	<b>4,973</b>	<b>1,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,767</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(1,195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,195)</b>	<b>(19,326)</b>	<b>(20,521)</b>	<b>(5,185)</b>	<b>405</b>	<b>-</b>	<b>368</b>	<b>(24,933)</b>
<i>Other Transfers required by Statute</i>												
Transfer to/from Other Statutory Reserves	(51)	187	(136)	(1,766)	(1,766)	-	(1,766)	-	-	-	-	(1,766)
Adjustments permitted by Accounting Standards	(4,568)	-	-	-	(4,568)	4,568	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(5,814)</b>	<b>187</b>	<b>(136)</b>	<b>(1,766)</b>	<b>(7,529)</b>	<b>(14,758)</b>	<b>(22,287)</b>	<b>(5,185)</b>	<b>405</b>	<b>-</b>	<b>368</b>	<b>(26,699)</b>
<b>Balance at 31 March 2026 Carried Forward</b>	<b>(118,520)</b>	<b>(3,421)</b>	<b>(3,494)</b>	<b>(3,330)</b>	<b>(128,765)</b>	<b>(420,319)</b>	<b>(549,083)</b>	<b>(15,814)</b>	<b>(385)</b>	<b>-</b>	<b>(9,025)</b>	<b>(574,307)</b>

## Group Statement of Movement in Reserves



Movements in 2024-25	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	Capital Grants Unapplied	Total Usable Reserves								
	£'000	£'000	£'000	£'000	£'000								
<b>Balance at 31 March 2024</b>	(115,741)	(2,763)	(3,197)	-	(121,701)	(400,319)	(522,020)	(10,326)	(1,390)	-	(9,629)	(543,365)	
(Surplus)/Deficit on Provision of Services	13,520	-	-	-	13,520	-	13,520	(164)	748	-	236	14,340	
Other Comprehensive Income and Expenditure	-	-	-	-	-	(18,296)	(18,296)	(139)	(148)	-	-	(18,583)	
<b>Total Comprehensive Income and Expenditure</b>	<b>13,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,520</b>	<b>(18,296)</b>	<b>(4,776)</b>	<b>(303)</b>	<b>600</b>	<b>-</b>	<b>236</b>	<b>(4,243)</b>	
<b>Total Statutory Adjustments</b>	<b>(7,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,206)</b>	<b>8,770</b>	<b>1,564</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,564</b>	
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>6,314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,314</b>	<b>(9,526)</b>	<b>(3,212)</b>	<b>(303)</b>	<b>600</b>	<b>-</b>	<b>236</b>	<b>(2,679)</b>	
<b>Other Transfers required by Statute</b>													
Transfer to/from Other Statutory Reserves	1,006	(845)	(161)	(1,564)	(1,564)	-	(1,564)	-	-	-	-	(1,564)	
Adjustments permitted by Accounting Standards	(4,284)	-	-	-	(4,284)	4,284	-					-	
<b>(Increase)/Decrease in Year</b>	<b>3,036</b>	<b>(845)</b>	<b>(161)</b>	<b>(1,564)</b>	<b>466</b>	<b>(5,242)</b>	<b>(4,776)</b>	<b>(303)</b>	<b>600</b>	<b>-</b>	<b>236</b>	<b>(4,243)</b>	
<b>Balance at 31 March 2025 Carried Forward</b>	<b>(112,705)</b>	<b>(3,608)</b>	<b>(3,358)</b>	<b>(1,564)</b>	<b>(121,235)</b>	<b>(405,561)</b>	<b>(526,796)</b>	<b>(10,629)</b>	<b>(790)</b>	<b>-</b>	<b>(9,393)</b>	<b>(547,608)</b>	

## Group Cash Flow Statement

2024-25		2025-26
£'000		£'000
<b>14,337</b>	<b>Net Deficit on the Provision of Services</b>	<b>(3,132)</b>
(31,098)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(42,014)
(1,784)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8,645
<b>(18,545)</b>	<b>Net Cash OutFlow from Operating Activities</b>	<b>(36,501)</b>
3,274	Investing Activities	34,653
890	Financing Activities	(3,831)
<b>(14,381)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>	<b>(5,679)</b>
(322)	Cash and Cash Equivalents at the beginning of the Reporting Period	(14,703)
<b>(14,703)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>(20,382)</b>

*The Group Cash Flow Statement is materially consistent with the single entity statement. The only differences relate to minor operating activity adjustments from the inclusion of Live Argyll and small movements in Common Good Fund balances. Given the limited nature of these differences, no additional notes have been provided to accompany the Group Cash Flow Statement.*

### 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.

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 2026.

### 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 £0.075m towards Scotland Excel in the 2025-26 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 £86.771m towards the Argyll and Bute Integration Joint Board in the 2025-26 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 £25.224m. This gives an overall net asset position for the Group of £574.307m.

All associates and subsidiaries have prepared their accounts on a 'going concern' basis. For 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 2025-26 Argyll and Bute Council paid £3.266m in the form of a Management Fee to Live Argyll and increased the overall net worth of the Group Balance Sheet by £0.386m.

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 2025-26 Argyll and Bute Council contributed £1.315m towards estimated running costs and accounted for £0.269m of Balance Sheet assets 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>.

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:

2024-25 £m		2025-26 £m
	Argyll and Bute Council has a 44.02% share of:	
2.851	Gross Income	3.127
0.612	Net (Surplus)/Deficit	0.214
0.399	Long Term Assets	0.385
3.863	Current Assets	0.481
(3.537)	Liabilities due within one year	(0.101)
(0.154)	Pension Asset/(Liability)	(0.154)
0.571	Capital and Revenue Reserves	0.611

### 7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure 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 36 of the Notes to the Financial Statements have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £9.025m.

**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 share of the assets and liabilities of these other entities is 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 for 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.

**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 Councils 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.

**Repairs and Renewals 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.

### Trade Union Facility Time Statement 2025-26

*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	18	17.91
Education Function	7	7

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

## 2. Percentage of time spent on facility time

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

Percentage of time	Number of employees	
	Central Function	Education Function
0%	0	3
1% - 50%	18	2
51% - 99%	0	2
100%	0	0

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

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

	Central Function	Education Function
The total cost of facility time	£140,745	£74,235
The total pay bill (Finance figures)	£123,583,776	£69,332,106
The percentage of the total pay bill spent on facility time	0.11%	0.11%

### 4. Paid Trade Union activities

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

	Central Function	Education Function
Time spent on paid trade union activities as percentage of total paid facility time hours calculated as:  (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%