

Dumfries and Galloway Council

# Annual Accounts

## 2022–23

Unaudited





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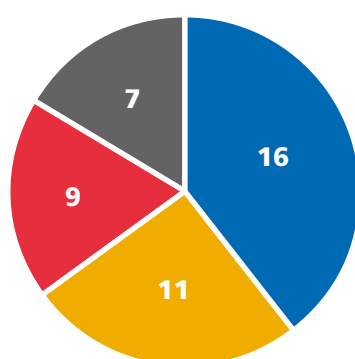
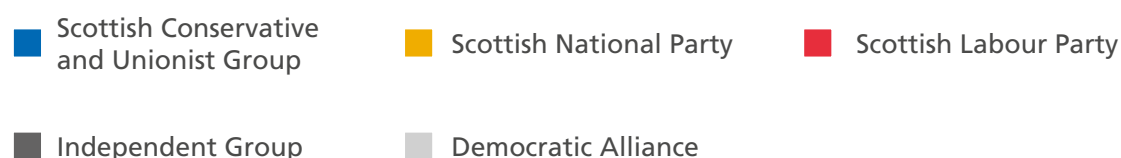
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# Management Commentary

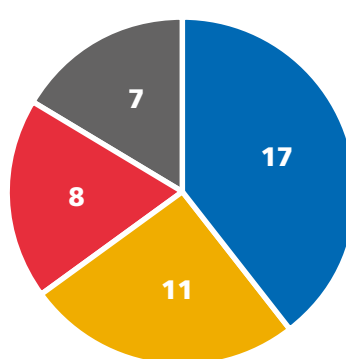
This Management Commentary is intended to assist readers of the annual accounts through providing an insight into the activities and priorities of the Council and through providing an analysis of financial performance as reflected in the following financial statements. The Management Commentary also provides an indication of the principle risks and uncertainties facing the Council over the upcoming period and the main measures in place to address these risks.

## About Dumfries and Galloway Council

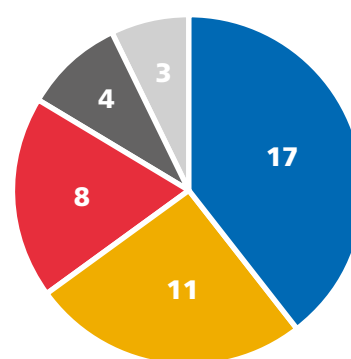
### Political make-up



This administration was a partnership between Scottish Labour Party, the Scottish National Party (SNP) and the Independent Group, as at 5 May 2022.



This administration was a partnership between Scottish Labour Party, the Scottish National Party (SNP) and the Independent Group until February 2023 when new leadership arrangements were agreed.



On 7 March 2023 elected members agreed a Conservative administration.



**The Dumfries and Galloway Council area is 6,426km<sup>2</sup>, and is the third largest Council area in Scotland.**

**4,320km roads**

312km trunk roads  
68km motorway



**4,201km of roads.  
We are the third largest roads authority in Scotland.**

Dumfries and Galloway population

**148,790\***



**Dumfries and Galloway had the 13th highest population in 2021, out of all 32 council areas in Scotland.**

\*NRS Mid-2021 Population Estimates

# Strategic Priorities

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Dumfries and Galloway Council is ambitious for our region, focussed on supporting our communities to thrive and prosper and ensuring that we provide quality services. This year, we continued to deliver on our agreed priorities while we underwent a period of change.

A new Council was elected in May 2022 following the Scottish Local Elections. We delivered an Induction Programme for the new and returning Councillors that covered a wide range of issues and achieved a high satisfaction rating from participants. The programme included partners, including at the Ward Orientation Sessions.

In July 2022, we welcomed our new Chief Executive, Dawn Roberts, who joined us from Cumbria County Council. Derek Crichton, our Director of Communities, undertook the role of Interim Chief Executive for the first part of this reporting period.

We also agreed new Inclusive Leadership arrangements in June 2022, introducing a Leaders Panel, Budget Panel and Business Bureau. These remained in place throughout the changes to our political leadership – the Council's administration and leadership was agreed in May 2022, with a change in arrangements agreed in February 2023, and a new administration agreed in March 2023.

This cross-party approach was evident during the development of a new Dumfries and Galloway Council Plan for 2023–2028, which was agreed at the end of February 2023. The Plan sets out

the vision and priorities for the next five years reflecting the opportunities and challenges we face. It was developed alongside the budget-setting process, and included Member workshops and consultation with staff, stakeholders and citizens on the draft Council Plan. More than 500 people across the region responded to the consultation and over 150 staff provided comments on the vision, principles, themes and strategic outcomes.

To help us deliver on the Plan, for the start of each financial year, the Council will produce an annual delivery statement. This will set out what we intend to do to achieve our strategic outcomes that year and review our performance over the last 12 months. The annual deliverables for 2023–24 were agreed on 30 March 2023.

The new Council Plan contains Themes and Strategic Outcomes, and there is continuity with our outgoing Plan and Priorities. For 2022–23, we continued to work towards our agreed existing Priorities to ensure all our services and activities work together to:

- Build the local economy.
- Provide the best start in life for all our children.
- Protect our most vulnerable people.
- Be an inclusive Council.
- Urgently respond to climate change and transition to a carbon neutral region.





Global and national events reaffirmed the importance of our Council's Priorities and they have underpinned our response. To help our most vulnerable citizens, address inequality, and support our local economy, we have taken measures to mitigate the impact of the cost-of-living increases being experienced across our region. This was agreed as the first Policy Priority for the new Leaders Panel and the work undertaken has identified a wide range of stakeholders affected. In November 2022, we allocated additional funding to key services to help them maintain frontline services in the face of higher fuel and food prices; introduced a new cost-of-living support page on the Council website, working closely with partners to point people in the right direction to access available support; and supported our partner third sector organisations and volunteers in hosting events in warm spaces and operating food banks.

We have also welcomed and supported others to our region. We continued to work alongside our communities and partners to play our part in the humanitarian effort to resettle people from Syria, Afghanistan and Ukraine.

In common with other councils, we faced a continued period of austerity and pressures on our services. In September, Elected Members received a report on the development of Dumfries and Galloway Council's Medium-Term Financial Strategy and in November they considered the impact of inflationary cost increases on council budgets. We continued our programme of transformation, adapting how we deliver our services so that we could achieve positive outcomes for our communities and work effectively.

## Priority 1

# Build the Local Economy

We are committed to ensuring that Dumfries and Galloway emerges from the economic downturn in a stronger position by focussing on tackling the underlying weaknesses in our economy.



### Our commitments are to:

Improve the level of skills within our communities and workforce.

Invest in our key infrastructure.

Support or small and medium sized businesses to be established and grow.

Provide an attractive location to do business.

This year progress has been made in a number of partnership settings. This includes The Regional Economic Strategy Delivery Plan through the Regional Economic Partnership; arrangements within the Borderlands Partnership to support transition from Deal-development to delivery; and the development of a strong local partnership to support development of a Southwest Euro Gateway proposal to put to Scottish Government.

Delivery of workstreams within the Economic Recovery Plan has continued, including the roll out of Kickstart and other initiatives to support employability and training. The Local Employability and Skills Partnership has completed preparatory work to move to a co-commissioning model and will be the vehicle for commissioning delivery of services funded through Government programmes including No-one Left Behind.

The Council's Economic Development Capital Programme focusses on supporting projects that will promote the economic recovery and resilience of our region's places, and on growing the productivity of our regional economy by facilitating local business expansions and attracting investment. We reported the progress on this throughout the year, including on the significant work to secure our Levelling Up Fund (LUF) bids and our Shared Prosperity Fund allocation from UK Government.

Over £17.5m was awarded in the second round of the LUF for our Dumfries and Galloway Constituency bid for "Reactivating Galloway". We were allocated over £5.6m over the three financial years to March 2025 for the UK Shared Prosperity Fund. Delivery plans are in development for this significant source of funding for our area.

Our Council also received £2.6m to go towards the redevelopment of Dryfesdale Lockerbie Old School Project. The project is one of 23 across Scotland receiving a share of a £27m fund that aims to support projects in





disadvantaged and rural communities across Scotland. The grant to the Council will be the second largest in Scotland.

We managed the delivery of UK Government-funded UK Community Renewal Fund awards of over £1.4m to three projects in Dumfries and Galloway. We also delivered over £450k of Scottish Government grants through the Community Led Local Development fund.

In addition, support for the delivery of the Strategic Housing Investment Plan (SHIP) has continued, with substantial funding allocated by Scottish Government over the next five years for investment in affordable housing by our local delivery partners. A total Resource Planning Assumption of £106m was allocated for 2021/22 to 2025/6 from the Scottish Government Affordable Housing Supply Programme to the

region. This is further supplemented by development partners own finance, meaning that successful delivery of the Council's SHIP will enable investment of a significantly greater sum than the Scottish Government allocation. The SHIP annual review was submitted to the Scottish Government in October 2022 and a number of additional pipeline projects in areas of demand have also been included.

Our Council's £1m Town Centre Living Fund, funded from Council Tax on second and empty homes income, supports the regeneration and long-term sustainability of local town centres as well as contributing to the Council's wider housing plans. In March 2023 we agreed a number of financial allocations to support projects across our region.

## Priority 1

# Build the Local Economy

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The Council has continued to take a place-based approach to working with communities to identify local priorities for investment that will promote economic resilience, contribute to the Council's aim of building the local economy, and are aligned with the South of Scotland Regional Economic Strategy and the Borderlands Inclusive Growth Deal. In 2022–23, we agreed the process for developing Place Plans, set out their importance in the preparation of the next Local Development Plan (LDP3), and continued to support communities to develop their own plans.

In January 2023, we endorsed the Place Plan for Kirkconnel and Kelloholm, the first of five areas identified within the Borderlands Place Programme. "Place" is also at the heart of Dynamically Different Dumfries, agreed in spring 2022, which sets out our community's ambition for the social and economic recovery of Dumfries town centre.

Progress has been made with the development of community-led regeneration projects, with successful stage 1 Regional Capital Grant Fund bids for the Lockerbie Hub, Thornhill Hub and Kelloholm Skills and Innovation Centre. Projects including the Thornhill Hub and The Oven in Dumfries town centre have progressed to on-site delivery.

We have supported small and medium-sized businesses to establish and grow. Support for businesses has been delivered through our Business Gateway team, including the roll out of the new Net Zero Transition and Ecommerce Support Programme funds; advice and

support to 142 new businesses from Trading Standards and Environmental Health to ensure legal compliance in their trading activities; and the set-up of a dedicated one-stop shop webpage for households and businesses affected by the severe flooding that took place across Dumfries and Galloway in late December 2022.

The role of our Planning and Building Standards services in supporting economic recovery is important. Recommendations from the independent development management review have been taken forward and the average time for determining local applications has reduced, though there remains room for improvement.

The Council continued to invest in our key infrastructure. This included taking forward the Roads Service Review Improvement Action Plan. In autumn 2022, we agreed an £800k allocation for key projects and programmes and in February 2023, Full Council agreed a budget that contained a significant increase in funding for the Roads Service. The budget increase, which equates to more than £30m of additional funding over the next five years, will be used to develop the staff structure through recruitment, increase the capital and revenue roads maintenance investment and develop the software systems supporting the service.

We consulted on and agreed the second Dumfries and Galloway Active Travel Strategy and associated delivery plan in October 2022. Over the course of the year, 20mph speed limit projects were also completed at a number of primary schools.

In December 2022, Cycle 2 of the Local Flood Risk Management Plan for the period 2022–2026 was published, setting out actions to address flood risk across the region. Within the Cycle 1 Flood Risk Management projects, work on the Shoreline Management Plan was completed. The plan establishes an approach for managing the risk of coastal flooding and erosion along the Dumfries and Galloway coast.

We agreed The Dumfries and Galloway Events Strategy 2023–2027, which will continue investment in the Signature Events of the region and retains the Major Events Fund and Community Events Fund. In June 2022, our region hosted the British Cycling Road Race Championships for the first time; the successful event showcased our region to a broadcast audience of 1.7 million. It provided valuable learning and insight as we prepare to host the UCI 2023 World Para-cycling championships in the summer.





## Priority 2

# Provide the Best Start in Life for all our Children

Our Council is committed to giving the best start in life for all our children.



### Our commitments are to:

Ensure early intervention, in particular to keep our region's most vulnerable children safe.

Raise ambition and attainment, in particular to address inequalities.

Invest in creating schools fit for the 21st Century, which are at the heart of our communities.

Support children to be healthy and active.

We continued to help children and young people to be present, to participate and be included in their learning with a focus on literacy, numeracy, health and wellbeing and social and emotional support.

In the Senior Phase (S4–S6), there was a return to end-of-year examinations, including Scottish Qualifications Authority-accredited courses and assessment, College Academy courses

and Foundation Apprenticeships presentations. Pupils received results on 9 August 2022. Across Dumfries and Galloway for young people in the Senior Phase in 2022, National 4 and 5 entries increased.

The Framework for Inclusion has been developed in partnership with Education Scotland to support all school staff to deliver inclusive and nurturing approaches in our schools, whilst fulfilling our commitment to implementing the United Nations Convention on the Rights of the Child (UNCRC), The Promise and key recommendations from The Morgan Report.

Low-level mental health support for our young people has been delivered through Youth Information Projects in schools, communities and online. The early intervention programmes, funded by the Scottish Government and the Council, aim to provide support to young people when and where they need it. This has included support in relation to bereavement, loss, trauma, self-esteem, and relationships.

Investment and capital works to our school buildings has seen a significant increase from recent years, as the COVID-19 mitigations had significantly constrained this area of work. However, the impact is still being felt around construction material availability, spiralling material costs and, to a lesser degree, availability of workforce.



Projects continued to progress with £5m spent across the Primary and Secondary sector and £1.6 million spent on nurseries as part of the final phase expansion for 1140 hours Early Learning Childcare (ELC). Large scale multi-million-pound projects continue on-site at Locharbriggs Primary School, Noblehill Primary School, Park Primary School and St Michael's Primary School: these projects straddle multiple financial years and are all due to complete during academic year 2023–24. Condition-based investment continued to ensure our schools are prioritised and available resources are targeted where they are most needed.

In addition to Asset Class investment, planning and delivery of Dumfries Learning Town has continued at pace. The new Dumfries High School will be constructed on the current site and see the replacement of the existing building with a new, modern fit-for-purpose facility to provide education for around 880 pupils within the community. Building works are planned for completion in the last quarter of 2025, with the landscaping where the current school sits continuing into the early parts of 2026. Dumfries Academy and Loreburn Primary School are still at the planning and development stage, with views being gathered from all stakeholders.



## Priority 2

# Provide the Best Start in Life for all our Children

We continued to develop a cloud-based network for schools through implementation of the Virtual Desktop Infrastructure. Work to update the number of devices available in school for learners to use has been progressed with almost all primaries now having a ratio of devices of 1:2 in P4–P7; or 1:3 in P1–3 classes.

A programme of further investment in the Interactive Technology in schools is underway with new Interactive Panels being installed in every classroom across the estate. All aspects of our schools' digital strategy move towards more flexibility to support learners and teachers in whichever way they choose to utilise digital tools in their learning.

During 2022–23, the Council continued to maximise the take up of free school meals and clothing grants by cross-matching data from other sources to ensure all eligible families were contacted to apply. Over the academic year there were 4,299 nursery and school aged children who benefited from free school meals, and 3,903 who qualified for school clothing grants.

In August 2022, the Council's poverty and inequalities team also delivered four free back-to-school uniform events in Dumfries, Stranraer, Annan and Castle Douglas. These events supported 475 family members and resulted in over 5,595 items of new and pre-loved school uniform items being redistributed.



To mitigate the cost-of-Living crisis, families benefited from the additional Holiday Food payments and Scottish Bridging payments with £2.1m being paid over the past year. Proactive activity also led to a 21% increase in the number of families receiving means-tested Council Tax reductions.

The Youth Work Service has continued to deliver a wide range of universal and targeted youth work opportunities in local communities throughout the region. This has included the delivery of free holiday programmes including DG Summer Camp and the Amazing Summer Roadshows that were free for young people and their families to attend. In 2022, holiday provision was funded



jointly through the Council and the Scottish Government's Summer of Play scheme.

The number of hours children are taking in ELC continued to increase since the roll-out of 1,140 hours. Sixty-two per cent are taking their full entitlement and 84% taking 900 hours or more, which is supporting improved outcomes for children and parents to access work or training. This should increase over time through a more targeted approach to families using data received from Government through the new 'data pipeline platform'.

The Council continued to work in partnership with the Scottish Childminding Association to increase the number of childminders across the region; this will support growing the economy and more flexible childcare options for working parents/carers.

Dumfries and Galloway Council is the lead authority for the Southwest Educational Improvement Collaborative (SWEIC). The revised plan for 2022–23 was developed through consultation with our schools and those within the three Ayrshire councils. The overarching plan for the 512 schools within the SWEIC has prioritised quality assurance around the principles of Getting it Right for Every Child. All work is underpinned by children's rights and its principles and reflects the UNCRC.

## Priority 3

# Protect our Most Vulnerable People



We continue to want our most vulnerable residents, many of whom live in poverty or suffer poor health or inequality, to have the support and resources they need to live healthy and independent lives.

### Our commitments are to:

Tackle the causes and effects of inequality and poverty.

Ensure our older or vulnerable peoples receive the care and support they need.

Help older or vulnerable people live healthy and independent lives.

Keep our communities safe.

The Council has a duty and responsibility to work with partners to protect those who are most vulnerable. This shared commitment to protect continued to be at the heart of all that we collectively do.

Staff within the Health and Social Care Partnership have continued to work closely with NHS colleagues to address ongoing challenges and to support the

best care for vulnerable adults. The creation of eight multi-disciplinary Home Teams, working together to provide integrated care across our communities, was a significant milestone in delivering the best quality of care.

Following the publication of the statutory Joint Inspection report of Adult Support and Protection in November 2021, an improvement plan was put in place around three priority areas. The plan pulled together all improvement activity into one accessible source, providing assurance for the Dumfries and Galloway Public Protection Partnership, the Chief Officers Group, and the Care Inspectorate. The completed plan was signed off by the Care Inspectorate in February 2023.

The Dumfries and Galloway Missing Persons Protocol was launched in June 2022. A Missing Person Operational Group and Missing Persons Steering Group were established to ensure that missing people in this region are well supported during, and after, a missing episode.

During 2022–23 there were additional training events to support increased understanding of domestic abuse and the impact on survivors. Through the Domestic Abuse and Violence Against Women Partnership, we delivered staff awareness and training on the 'Safe and Together' approach and we continued to raise public awareness of violence



against women, particularly during the annual 16 Days of Action.

The Multi-Agency Safeguarding Hub (MASH) continued to screen and respond to referrals where there was a concern that an individual may be at risk of harm. In 2022–23, the number of children referred into Child MASH decreased by 17% compared to the previous year. A total of 934 children were referred, with 426 children discussed at Inter-agency Referral Discussion. We conducted 226 Child Protection Investigations resulting in 99 Children Protection Planning Meetings; an increase of 12% compared to the previous year.

Adult Support and Protection (ASP) concerns were screened by the Single Access Point to determine the initial level of concern and the agreed onward route. In 2022-23, the number of adult protection referrals to Adult MASH decreased by 6% compared to the previous year, with 2,783 referrals screened. A total of 1,137 ASP Duty to Inquires were undertaken, a decrease of 12% compared to the previous year. A total of 154 ASP Investigations were

undertaken within the last year, 7% less than in 2021–22. A total of 52 adults were discussed at Initial Case Conference, 42% more compared to the previous year.

Working in partnership with Public Health, we have focussed on the delivery of physical activity interventions to expand our initial social prescribing offer. This has helped to improve the health and wellbeing of our elderly and those with long-term conditions. Following the launch of the new regional physical activity website, DG Doing More, we have seen increased promotion of all our Active Communities programmes, particularly the 'Moving On' Alcohol and Drugs Partnership physical activity programme for people in recovery.

The Council continued to tackle poverty and inequalities, including those most impacted by the cost-of-living crisis. This included delivering national schemes such as the £150 Cost of Living payment which benefited 52,975 Council Tax households with a value of £7.9m. Self-isolation support grants paid out £96k to support 519 people in 2022–23.



## Priority 3

# Protect our Most Vulnerable People

Some of the most vulnerable people were further supported by an enhanced £350 Cost of Living payment from the Covid Economic Recovery Fund, which was issued to 2,957 residents. From January 2023, a national Alternative Energy Payment was administered by the Council to assist people off grid, or those who had not benefited from the main Energy Assistance scheme direct from suppliers.

Our Financial Wellbeing and Revenues Service ensured that 10,621 Scottish Welfare Fund applications were processed, paying out £1.65m. The Welfare and Housing Options Team provided support to those at threat of eviction, utilising the additional Tenant Support Grant funding from the Scottish Government to support 488 households who were struggling financially and potentially at threat of eviction. The service continued to promote the take

up of Discretionary Housing Payments for those on low income who need further assistance with rental shortfalls. This fund has been used particularly to support those families impacted by the Benefit Cap restrictions and as part of Homeless prevention for those with rent arrears.

The after-effects of the pandemic and subsequent Housing Crisis have had a detrimental impact on availability of housing both nationally and across Dumfries and Galloway. The Housing Options and Homeless Service has taken 1,247 Homeless applications in 2022-23, a 15.6% increase on the previous year. The increased demand has resulted in the need for the service to procure additional temporary accommodation and start to use Bed and Breakfast/Hotel accommodation to ensure all Homeless applicants are offered emergency accommodation.





There continued to be a very close working relationship with housing providers to meet the increased temporary accommodation needs and permanent Housing solutions. One of the permanent solutions, the Housing First project, continued to expand with 10 customers now in place, over half of which have now sustained their tenancy for over 12 months. In April 2022, new Housing Support contracts were commissioned in recognition of the increasing number of young people who were homeless, or at threat of homelessness, and one of the commissions was specifically for young people.

In March 2022, we allocated over £1m to address inequality, including Credit Unions, Emergency Energy Payments, and Poverty and Inequalities Area Committee Grant Funding.

The Finance, Procurement and Transformation Committee also allocated over £2m to additional Holiday Food Payments for Primary and Secondary pupils, Direct payments of £150 to around 4000 of our most vulnerable residents and the costs of Care Call for people experiencing financial hardship.

We also continued to increase our Fareshare Memberships (Community Food Sharing of Surplus Food) from 15 organisations to 19. This resulted in the delivery of over 194 tonnes of food, the equivalent of 462,456 meals and equivalent food monetary value of almost £694k. Through this project we have also saved 186 tonnes of Co2.

The Council's Advice and Information Services Commission, delivered by the Dumfries and Galloway Citizens Advice Service, provides a range of income maximisation, debt advice, welfare and benefit support. This year, 3,820 clients were supported to access £8 million of additional income.

Our Council's contribution to the Community Planning Resettlement Board and Programmes has been extensive and supports Syrian refugees, Afghan citizens and Ukrainian guests. During 2022–23 we have recruited additional temporary staff across a range of Council Services including Communications, Community Engagement, Employability, Lifelong Learning, Schools Services , and Social Work. Newsletters and celebratory events with partners are also now regular features.

Our Facilities Team was recognised by winning the highly acclaimed award of 'Outstanding Contribution to Cleaning' which is open to all 32 Scottish local authorities. The team received this award at the ASSIST FM National Conference in May 2022. This award recognised the work we did during the pandemic to keep people safe.

## Priority 4

# Be an Inclusive Council



We are passionate about the importance of working with citizens, customers, staff, Elected Members and partners in our region. We all have a shared interest in making the most of the talents, vision and commitment of the people who learn and work in Dumfries and Galloway.

### Our commitments are to:

Increase equality of opportunity.

Ensure that local people and communities are the heart of our decision making.

empower or communities to make the most of their assets.

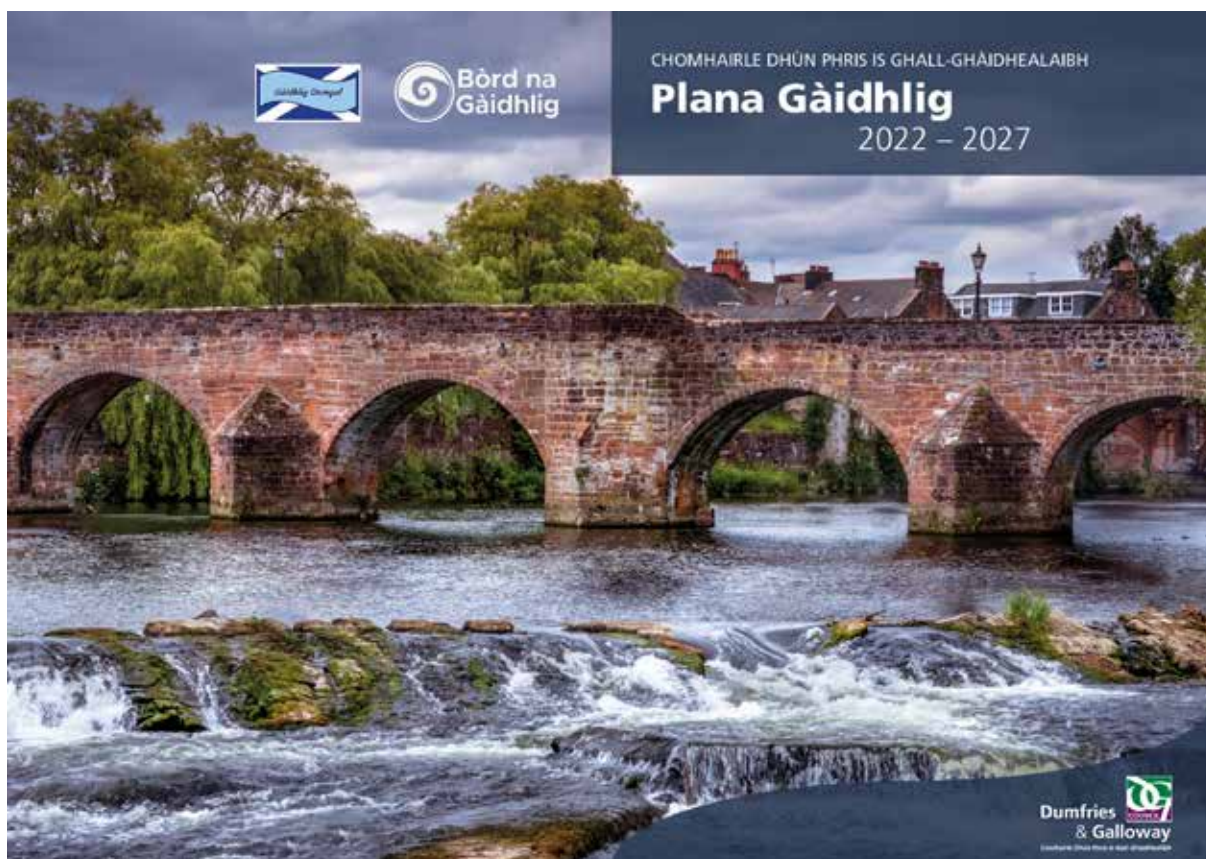
Work to implement our Equalities Outcomes continued. In March 2023, a Progress Report was presented to Full Council along with our 2021–2023 Equalities Mainstreaming Report which highlighted the progress we have made over the last two years.

Engagement with our communities, in line with our Council's Community Participation and Engagement Strategy (which embodies the National Standards) has continued including over 20 individual engagement programmes like Community Conversations on flooding; and a survey on the Council Budget for 2023–24.

The Council has continued to seek feedback and hold public consultations so that residents can have a voice and an opportunity to influence important decisions. This has ranged from consulting on the Council's strategic direction over the next five years, with the draft Council Plan receiving over 500 responses through the online survey, to understanding views on Vacant and Derelict Land and Property, School Models, Children's Services Plan 2023–26, Active Travel, and Licensing on Sexual Entertainment venues.

The Council became the first whole Council in Scotland to be awarded the Investing in Volunteers Quality Standard of Excellence by Volunteer Scotland. The award, which involved a rigorous evaluation of the Council's volunteer programme is recognition of the important role volunteers undertake in supporting the Council's Priorities and service delivery.

We continue to work well with Community Councils about local issues with newsletters being issued monthly and special bulletins in-between times. Training sessions to support office-bearers in handling difficult meetings and the Community Council Complaints Procedure have been agreed and we had special webinars, including with Lord-Lieutenants about the Queen's Platinum Jubilee Green Canopy initiative in April 2022. Elections for Community Council membership and the development of federations have also been part of our work over the last year.



We continued to be at the forefront of community empowerment with our Community Asset Transfers – a further three have been completed in 2022–23 for communities in Dumfries, Lockerbie and Tundergarth.

Our new Gaelic Language Plan for 2022–27 was developed – with extensive engagement with the Gaelic speaking community – and it was approved by the national body Bòrd na Gàidhlig in August 2022. During the development process, close working relationships were formed with local voluntary group Gàidhlig Dumgal and the Council continue to work with them to help promote Gaelic learning opportunities.

The local government election was successfully carried out in May 2022. We delivered an induction programme for the new and returning Councillors for the first two weeks. This covered a wide range of issues and the programme included partners, including at the Ward Orientation Sessions. Following the

initial two-week induction, a further stage of training and development for Members was put in place focussing on skills development and information and knowledge transfer. The programme was developed by drawing on national guidance from the Improvement Service, previous decisions by Members; and recommendations from a Review of financial internal controls and procurement standing orders and a scrutiny review on support for Elected Members.

We refreshed our approach to engaging with young people through the approval of the Youth Participation and Engagement Strategy 2022–2027 at the third joint meeting with Dumfries and Galloway Youth Council which took place in November 2022. This Strategy outlines the Council-wide commitment to engaging with and involving young people in decision-making processes.



## Priority 4

# Be an Inclusive Council

During this term, it was also agreed that there would be representation from the Youth Council on Area Committees, complementing existing representation on the Education, Skills and Learning Committee. Reflecting the principles of The Promise, the Youth Participation and Engagement Strategy outlines our approach to engaging with care-experienced young people and providing opportunities for young people to influence service design and delivery.

One of the highlights of the year for the Youth Council was the organisation of hustings events for the Local Government elections in May 2022. The hustings involved all candidates standing for elections with questions put forward to candidates by young people, about their priorities and what they planned to do for young people if elected.



Community Learning and Development (CLD) Partners worked together to take forward actions outlined within the CLD Partner's Plan 2021–24. Two significant pieces of work included the Scottish Government Adult Learning Recovery Fund and the National Thematic Inspection. The national inspection focussed on how CLD partners supported the Covid-19 recovery, the feedback was very positive around how partners worked closely together to support the most vulnerable.

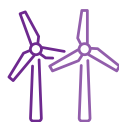
Our joint working with Armed Forces serving and former personnel has continued, as evidenced in the Armed Forces Champion's Annual Report in December 2022. We have also worked with the Ministry of Defence, COSLA and the UK Government around the new Armed Forces Covenant Statutory Guidance since its introduction in November 2022.





## Priority 5

# Urgently Respond to Climate Change and Transition to a Carbon Neutral Region



The Council declared a Climate Emergency in 2019 and set out a 12-point plan to achieve our ambitions of achieving net zero carbon status by 2025.

We launched our Strategic Plan and Route Map to Net Zero in 2021, which identifies the key priority areas that require immediate assistance and action to help reduce the region's carbon footprint, protect the natural environment, biodiversity and, live sustainably.

The Carbon Route Map provided analysis and insight into the regions carbon baseline emissions of CO<sub>2</sub>e and created a range of assumptions and activities

for the reduction of CO<sub>2</sub>e over the next 10 years. The assumptions focussed on direct and indirect emissions, direct emissions completely within the scope of the Council and indirect where the Council would have to influence and support those reductions. In order to ascertain better baseline figures for the region, work was undertaken to secure a local tender for the next three years in order to allow the collection and capture of more localised data to provide a more detailed capture of carbon emissions at a regional level.

All our departments now have climate change at the heart of their activities, and we continued to make progress in the last year relating to our property portfolio, energy consumption, waste collection service, education provision and our vehicle fleet.



The Council's kerbside recycling collection service helped reduce waste volumes to be processed and increased the recycling of materials, consequently reducing the need for raw materials. In the year 2022–23 there was a total of 7,596 tonnes of dry recyclate collected and a total of 1,576 tonnes of food waste collected from the kerbside.



Work is continuing the drive to electrify the Council's fleet. External funding for a number of projects to install electric vehicle charging points has been successfully secured. All site works have been completed and we have approximately 400 live electric vehicle charging bays. Forecasts suggest that by 2030 Dumfries and Galloway Council will need in the region of 551 publicly available EV chargers.

In November 2022, we agreed to take steps to reduce energy use across the Council's estate. This included reducing the heating season, adjusting heating systems with a set point at 18 degrees Celsius, and introducing Energy Champions on-site with responsibility for ensuring that use is limited wherever possible.

Our Council's Building Cleaning team introduced cleaner and green chemicals and invested in upgrading cleaning equipment. This work was recognised with the Council being awarded an APSE (Association for Public Service Excellence) Soft Facilities Management Innovation Award in January 2023.

With the adoption of the climate emergency there is now acceptance that the biodiversity crisis is interlinked with the climate crisis, and a recognition of the importance of the region's Natural Capital to its economic viability.

Proposals were progressed under the Borderlands Natural Capital Programme, including the Solway Coast and Marine Project (SCAMP). As part of this, the Environment Team is developing a scheme to enable research and innovation for habitat restoration, including a proposal to build a new marine research centre on Stranraer waterfront.

Projects to review our woodland strategy and biodiversity action plan are underway and, through the Galloway Glens project, considerable progress has been made in funding and supporting new initiatives such as the South of

Scotland Tree Planting Grant Scheme, Threave Landscape Restoration Project, habitat restoration at the Black Dee, and ongoing delivery of the project's own small grant scheme.

In November 2022, we agreed the Council's first Vacant and Derelict Land and Property Strategy. By prioritising the reuse of persistent vacant and derelict land, and protecting our existing natural capital, we can ensure that future investment goes into areas where it is needed the most while avoiding loss of areas of carbon storage such as green space and woodlands.

The delivery of the Energy Efficient Scotland: Area Based Scheme in this region has now provided around 2,000 energy efficient measures to privately owned homes in the region. These measures will save over 73,171t of carbon in their lifetime and result in fuel bill savings for local residents in excess of £17m at current prices. The ongoing programmes will further improve these outcomes, while also providing wider climate change and regeneration objectives. Dumfries and Galloway was

allocated over £2.37m for the delivery of this scheme in 2022–23, with work currently ongoing and full funding utilisation expected.

The Council understands that we alone cannot achieve net zero carbon status for the region by 2025. We continued our work with the Regional Stakeholder Network for Dumfries and Galloway and established the Citizens Panel across the region so that the people that live and work here have a meaningful say and can influence the actions we take.

In partnership with Scottish Borders Council and South of Scotland Enterprise, we undertook consultation events across the region from September to November to allow anyone with an interest in land use to have their say in the Regional Land Use Partnership. The partnership is looking at tackling carbon emissions and climate change through land management activities in the region to meet local and national objectives, support the Just Transition to Net Zero – which Scotland is aiming to achieve by 2045 – and help address biodiversity loss.



# Dumfries and Galloway Council Plan 2017–2023

## Vision

**Dedicated to creating opportunity for all.**

**We'll support ambition, promote and establish Dumfries and Galloway as the best place to live, work and learn**

## Our Principles

Focus on early intervention and prevention	Encourage safe and resilient communities	Help the most vulnerable people and those in need
Develop skills and opportunities	Listen to our communities and people	Deliver efficient and sustainable services
Be open and honest	Work in partnership	Be ambitious for our region
	Deliver locally	

## Strategic Outcomes our 'Priorities'

Build the Local Economy	Provide the best start in life for all our children	Protect our most vulnerable people	Be an inclusive Council	Urgently respond to climate change and transition to a carbon neutral region
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## Strategic Objectives our 'Commitments'

Improve the level of skills within communities and workforce	Ensure early intervention, in particular to keep our region's most vulnerable children safe	Tackle the causes and effects of inequality and poverty	Ensure that local people and communities are at the heart of our decision making	Encourage understanding of how the way we live and work in the region impacts on climate change
Support our small and medium sized businesses to be established and grow	Invest in creating schools fit for the 21st Century, which are at the heart of our communities	Help older or vulnerable people live healthy and independent lives	Empower our communities to make the most of their assets	Empower our communities and stakeholders to make significant changes to reduce emissions and adapt to a low carbon approach
Invest in our key infrastructure	Raise ambition and attainment, in particular to address inequalities	Ensure our older or vulnerable people receive the care and support they need	Increase equality of opportunity	Lead on the transition to cleaner and greener technologies
Provide an attractive location to do business	Support children to be healthy and active	Keep our Communities Safe		Promote and protect our region's natural environment
				Contribute to a greener economy, maximising the region's green energy potential

## Strategies and Plans

Regional Economic Strategy	Children's Services Plan	South West Educational Improvement Collaborative Improvement Plan 2021/22	ICT and Digital Strategy	Regional Tourism Strategy
Equalities Outcome	Volunteer Strategy	Carbon Management Plan	Customer Strategy	Anti Social Behaviour Strategy
Health and Social Care Strategic Plan	Advocacy and Lobbying Strategy	Major Festivals and Events Strategy	CLD Partners' Strategic Plan	Community Engagement and Participants Strategy
Regional Transport Strategy	Procurement Strategy	Local Development Plan	Education Authority Annual Plan	Financial Strategy
Anti Poverty Strategy / Poverty and Inequalities Strategy	Food and Drink Strategy	Local Housing Strategy	Active Travel Strategy	Workforce Strategy

## Our Approach

Develop a workforce for the future	Deliver fewer and better assets	Sustain services through change	Improve communication	Add value through procurement
Build sustainable finances	Meet customer needs and expectations at first point of contact	Promote equality	Ensure community participation	Lead digital innovation



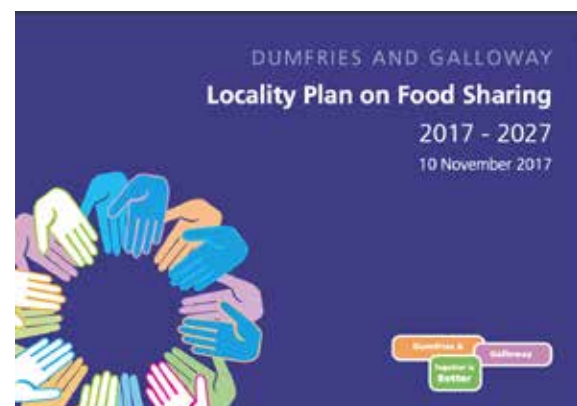
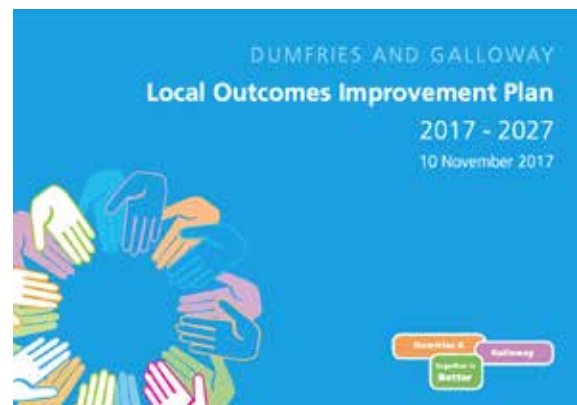
# Community Planning

The Council works in partnership with public agencies, private enterprise and third sector organisations to support the delivery of its Priorities, enable the delivery of a wide range of local services and support communities across our rural region. The Council plays a significant role in the Dumfries and Galloway Community Planning Partnership (CPP) and the Council's Priorities are reflected in the CPP's Local Outcomes Improvement Plan 2017–2027 and the Locality Plan on Food Sharing for 2017–2027. The fifth Annual Reports, for 2021/22, on the Locality Plan and the LOIP were approved in March 2023 at the Community Planning Partnership board and evidenced good progress. Key improvement features during 2022-23 were the refreshing of our Governance Framework with new arrangements agreed by the Board in November 2022; and approval of the Annual Reports of all Community Planning Partnership Working Groups and forums by the Executive Group throughout the year. The performance monitoring of the 12 Strategies and Plans that contribute to the LOIP continued.

## The CPP's Vision is:



**Working together to create an ambitious, prosperous and confident Dumfries and Galloway where people achieve their potential.**





**The LOIP's Outcomes are:**

**Outcome 1**

Everyone who needs help to work receives the right support.



**Outcome 5**

The money available to people on Benefits and low wages is maximised.



**Outcome 2**

Learning opportunities are available to those who need them most.



**Outcome 6**

People are safe and feel safe.



**Outcome 3**

Health and wellbeing inequalities are reduced.



**Outcome 7**

People are well connected.



**Outcome 4**

There is affordable and warm housing for those who need it most.



**Outcome 8**

Individuals and communities are empowered.



# Service Performance

Our approach to service performance is based on the cycle of 'plan-do-review-revise' and provides the mechanism for linking objectives, priorities, and resources. It is ongoing and each step of the process must be repeated to ensure that improvement is secured and embedded. This shows how we continuously review our performance to improve our services.

Our Council Plan sets out the Priorities and Commitments for the Council and these are delivered through our Service Business Plans. Business Plans are produced for a five-year period reviewed, and updated annually, to align with the budget-setting process and Council Strategy.

Each of our services has a business plan that identifies how they will deliver their services and what they will be doing to support the Council Plan. These plans directly link back to the Council Plan and individual Heads of Service report their performance to Service and Area Committees on a six-monthly basis.

The latest performance reports can be found on the Council's web site Business plans and performance reports - Dumfries and Galloway Council ([dumgal.gov.uk](http://dumgal.gov.uk))

## How well are we doing it?

By collecting, producing and interpreting performance information.

## What do we want to do?

This is where we agree council plan, partnership plans, service business plans and team plans.



## What should we do next?

Reacting to changes in circumstance and what the information is telling us.

## How do we intend to do it?

This is where we deliver against the agreed plans and achieve the Council priorities.



# A Workforce Fit for the Future

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**Our Workforce:** Dumfries and Galloway Council developed and agreed a new People Strategy in November 2021. The strategy sets out our ambition through six outcomes of how we want to engage and develop our workforce, outlining key priorities and drivers through to 2026.

Six outcomes are included in the People Strategy to support our ambition:

1. Providing a positive experience.
2. Developing our people.
3. Engaging our people
4. Supporting our people.
5. Recognising good performance.
6. Creating a positive one team culture.

During February/March 2022 and May 2023, we conducted our Workforce Supportive Conversations programmes, these took place across the region either face to face or virtually. The conversations allowed staff a safe space to be formally recognised for the work they do, reflect on the last 12 months, and lastly a roundup of what has happened during that time. From the 2022 programme a 'you said, we did' document was produced and communicated to staff; this will continue to be updated and tracked with regular updates provided to staff.

A partner organisation has been procured to work with our Council to develop and implement a People Staff Survey; this survey will be open to allow staff to participate during June 2023.

The results will be analysed and detailed action plans developed to provide improvement where required.

A programme of Leadership Events was developed with the first event in November 2022, this event allowed a number of managers/leaders to come together to collaborate, share experiences and celebrate success. The main topics at the event in May 2023 were our Council Plan delivery and leadership for a digital future.

We organised focus groups to inform the new Council Plan, the feedback was given to the Council Plan Working Group where colleagues brought a variety of ideas from both themselves and also colleagues.

We undertook an Essential Digital Skills Survey to capture and understand the digital skills gap for staff across our Council. The results were analysed where service actions plan developed to support staff going forward.

We have developed a Coaching and Mentoring Framework and an Inspire Through Recognition framework to provide staff with the support and praise they need to work in the Council.

We provided regular communication to our staff; this allowed us to disseminate UK/Scottish Government and COSLA guidance relating to strategic workforce issues and provided essential, regular, and targeted information on health and safety, working arrangements (annual leave etc.), terms and conditions and health and wellbeing through our staff briefing programme.



A key component in supporting our workforce is to provide learning and development opportunities through both internal and external learning. We have continued to support our workforce to undertake Graduate Apprenticeships and other formal qualifications. We are procuring a new learning system, the system will be inclusive and allow our staff to access a learning environment that suits their learning style. The aim is to implement the new system fully by December 2023.

Health and wellbeing of the workforce is a priority for the Council. A fit, healthy, and engaged workforce will ensure that productivity remains high, and high quality services are delivered efficiently. There have been regular campaigns, projects, activities and staff communications issued by the Council and a range of dedicated resources and

support are available for the workforce. The strategic health and wellbeing group has oversight of the health and wellbeing framework and the initiatives that continue to be developed and delivered, with close collaborative working with the Joint Trade Unions and partner organisations to develop joint initiatives and a true partnership approach to health and wellbeing throughout the region. There are over 100 mental health champions within our Council available to anyone who wishes to talk through any wellbeing concerns, and this is a real support network for the workforce. Work that will be delivered during 2023/24 includes:

- Delivery of a programme of mental health awareness training to senior, middle, and frontline managers.



# A Workforce Fit for the Future

- Continuation of DGTogether – a strategic approach to health and wellbeing, a programme of information, campaigns and activities, self-help, communication, and engagement to support a mentally healthy workforce and families, and other activities to support physical, and financial wellbeing.
- Provision of wellbeing checks for workforce and an Employee Assistance Programme.
- Delivery of a rolling calendar of events across key wellbeing themes such as mental, physical and financial wellbeing.
- Cross-council projects such as gambling harm, financial planning and promotion of a suite of wellbeing policies including proactive stress prevention and mental wellbeing which encourages individual wellness action plan and proactive self-referral to key services.
- Development of a Menopause Policy and the creation of a tailored trauma informed flexible approach to wellbeing.
- Development of a wellbeing promotion and signposting platform to support engagement with the workforce and our local communities.

**Health and Safety:** To have a positive health and safety culture, our Council expect health and safety management and practice to be in everyone's ethos and a natural part of how we do business. We recognise the potential impact and influence we have on our service users, pupils, our partners and community, and it is imperative that we lead the way in good health and safety practice and look to support and empower those around us. In line with delivery of our revised council plan and our new people strategy, the latest recruitment of Health and Safety Officers is now embedded into the new consolidated council health and safety team single leadership model to deploy expertise in priority risk areas and engage with and support across the broad range of our Council services.



# Trade Union Activities

On 1 April 2017 the UK Government implemented the requirement introduced by the Trade Union Act 2016 for Public-Sector employers to report annually on paid time off provided to relevant Trade Union Officials for Trade Union duties and activities. A summary of this information is provided below, and the full report can be found on the Council website.

	<b>No of Reps</b>	<b>No of Paid Reps</b>	<b>Cost of Reps</b>	<b>%age of Total Pay</b>
	(FTE)	(FTE)	(£)	Bill
Non-Teaching	17.75	3.0	£127,422	0.06%
Teaching	5	1.5	£83,090.50	0.03%



# Chief Officers





# Financial Performance

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## The Statements in the Annual Accounts

The principal financial statements in the Annual Accounts are:

- **Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e., those that can be applied to fund expenditure) and unusable reserves (e.g., reserves reflecting unrealised gains on the revaluation of assets).
- **Comprehensive Income & Expenditure Statement** – this statement is a summary of the resources generated and consumed by the Council in the year.
- **Balance Sheet** – this shows the value of the Council's assets and liabilities and reflects the overall financial position of the Council at the end of the financial year.
- **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with external third parties.
- **Notes to the Financial Statements** – this provides further information on the Council's financial statements.

The supplementary financial statements are:

- **Council Tax Income Account** – this shows the gross and net income received from Council Tax,

the number of properties on which Council Tax is levied and the charge per property.

- **Non-Domestic Rates Account** – this shows the gross and net income from non-domestic rates (NDR) and details the amount payable to or by the national NDR pool, and the resulting redistribution of NDR income to the Council.

Additional notes in the Annual Accounts are:

- **Trust Funds** – this details the income and expenditure in respect of Trust Funds that are administered by the Council in its capacity as a trustee. All trusts are registered Scottish charities.
- **Common Good Funds** – this details the income and expenditure in respect of Common Good Funds that are held by the Council for the benefit of residents of former Burghs in the region.
- **Group Accounts** – this provides an overview of the financial position of the Council along with other organisations with whom the Council has control and/or a significant interest, i.e., Swestrans and the Integrated Joint Board. The statements provide an overview of the financial position for the group as a whole; comparable to what the financial position would have been should these entities have been included within the Council.

## Financial Review

During 2022/23, the impact of significant inflationary increases on expenditure such as pay, food, fuel and energy has been the primary area of focus and financial pressure for the Council, increasing costs by £18.6 million.

Overall, service spending was contained within the available budget levels with a net underspend of £1.56 Million transferred to reserves at the end of the financial year, to support service commitments for the upcoming financial period.

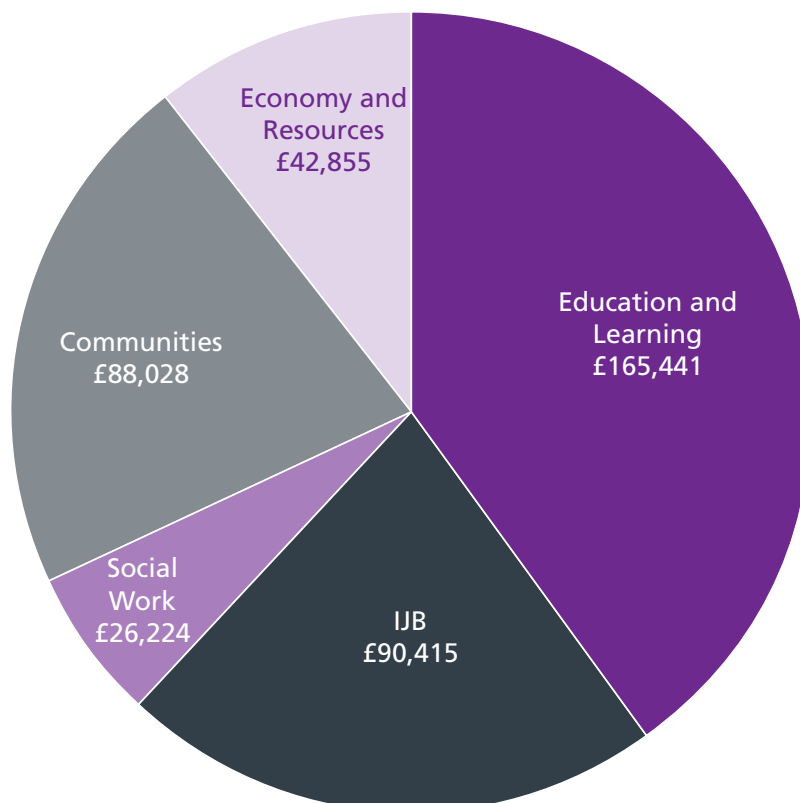
In addition, the Council returned a corporate surplus of £1.457 Million, equating to 0.25% of the agreed

budget, primarily due to the release of unallocated funding and additional Council tax receipts, which were partially offset by increased costs associated with the pay award and inflationary pressures.

This position provides a strong basis from which to approach what is expected to be an exceptionally challenging period associated with further reductions in core funding, increasing demands on Council services and continued pressures from pay and non-pay inflationary increases.

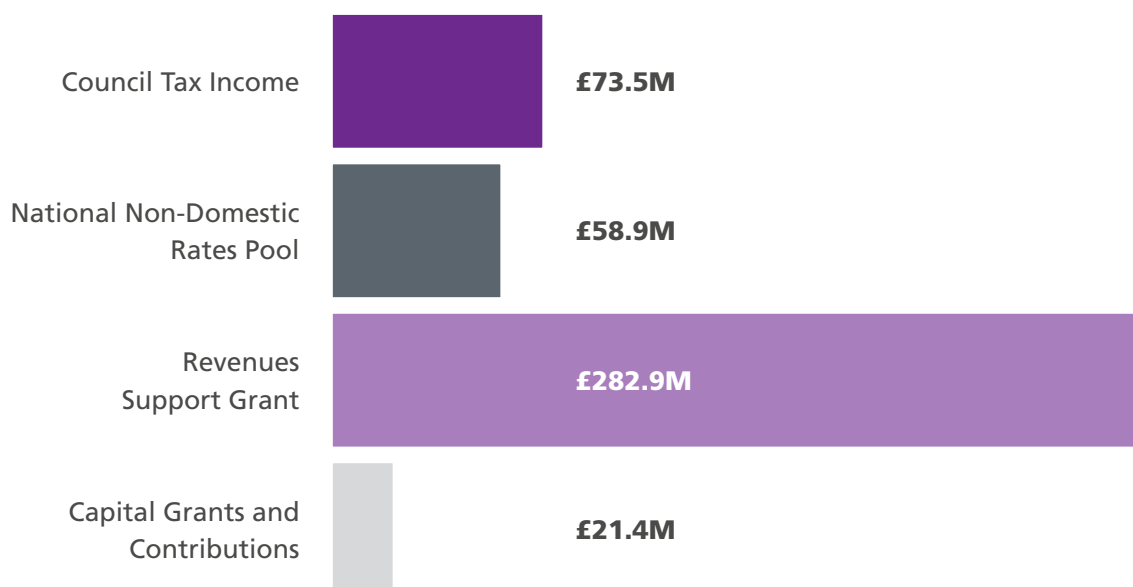
The following charts summarise the net spending per service and the main sources of funding for the Council in 2022/23.

### Net Spend per Service £000



While the Comprehensive Income and Expenditure Statement on page 73 reflects a surplus for the year, it is important to recognise that this includes the impact of accounting adjustments (particularly pensions accounting entries) and a more informative indication of the Council's financial performance for the year is reflected in the movement in General Fund Balances shown in the Movement in Reserves Statement on page 74.

## Sources of Council Funding



## Capital Programme and Borrowing Facilities

Note 19 to these accounts provide summary information on capital expenditure and funding for 2022/23.

The Council's capital plans are determined on a prudential basis with the level of expenditure based on an assessment of the level of investment that is considered to be prudent, affordable and sustainable. This is assessed over a 10-year period.

The progress of capital projects and the level of capital investment incurred by the Council in 2022/23 was impacted by ongoing supply chain issues and the resourcing of projects (both internal and external). The net Capital Spending in 2022/23 was £30.9 Million (i.e., gross capital spend less direct funding for specific projects) with the main areas of investment including:-

- £11 Million invested in our key infrastructure including roads and bridges.
- £6.7 Million invested in our school property estate.
- £3.6 Million invested in our non-school property estate.
- £3.9 Million invested in Economic Development Projects.
- £3.2 Million invested in our ICT and Vehicles/Fleet.
- £1.8 Million on Initial design work for Dumfries Learning Town Phase 2.

It is expected that capital investment levels will be increased over the upcoming period through a significant investment in roads improvement works and also to support ongoing investment in key assets such as schools as well as funding for major priority projects including the Dumfries Learning Town Phase 2 and the Borderlands Inclusive Growth Programme.

## Amounts Held at the Year-End

As reflected at Note 30 to the Financial Statements (page 106), the Council holds useable reserves totalling £101.2 Million as at 31 March 2023.

**£8.6M**

Unallocated Balance

**£14.0M**

Service Concessions  
(formerly Schools PPP)

**£9.8M**

Resilience and Change

**£14.0 M**

To support Medium Term  
Financial Strategy

**£5.3M**

Education ASN/  
Technology Investment

**£11.2M**

Capital Fund and  
R&R Fund

**£3.6M**

Insurance Fund

**£34.7M**

Agreed Commitments



As detailed at Note 30 to the Financial Statements, most of these resources are committed for specific purposes and can be summarised as follows:-

- £14 million is committed to support the application of fiscal flexibilities in relation to Service Concessions, which will result in the gradual release of these resources to deliver annual savings of £3.7 million to be delivered. The application of the revised accounting arrangements for service concessions will be reflected in these accounts from financial year 2023/24.
- Agreed commitments include £3.5 Million to support affordable housing, £1.7 Million to provide increased investment in carriageway defect repairs and winter maintenance, £2 Million to support costs associated with improvements in the Council's Waste Collection, Treatment & Disposal service, £1.2 Million to support economic recovery measures plus amounts to support investment in anti-poverty initiatives, schools technology, young persons employability and support for Social Work Services.
- £4.9 Million is being held in a Corporate Change Fund to support the delivery of change, savings and efficiencies over the upcoming period and a further £5 Million is held in a Budget Pressures/Resilience Fund to provide some protection against the significant inflationary pressures currently being faced by the Council, particularly in relation to energy price increases.
- Unallocated General Fund Balances have been maintained at the agreed minimum level of 2% of annual planned expenditure which equates to £8.6 million.
- £14 million is being held to support the delivery of the Council's Medium Term Financial Strategy, with £12.1 million of these resources committed to support the three-year budget agreed by Full Council in February 2023.

## Key Financial Indicators

The following financial indicators are designed to assist the reader to assess the performance of the Council over the financial year.

Financial Indicator	Commentary	2022-23	2021-22
<b>Reserves</b>			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's policy is 2% of annual expenditure which is considered appropriate in the context of the Council's financial and on-going risk profile. This is also a fundamental factor to the Council's Finance Strategy	2.00%	2.00%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its uncommitted General Fund Balance. There was no use of uncommitted general balances in 2022/23.	No Change	No Change
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.	97%	96.1%
<b>Financial Management</b>			
Actual Outturn compared with Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management.	99.7%	98.7%
Number of Invoices paid within 30 calendar days of receipt	Indicates how timeously the Council is meeting its commitment to pay its suppliers within 30 days of receiving invoices.	94.8%	92.5%

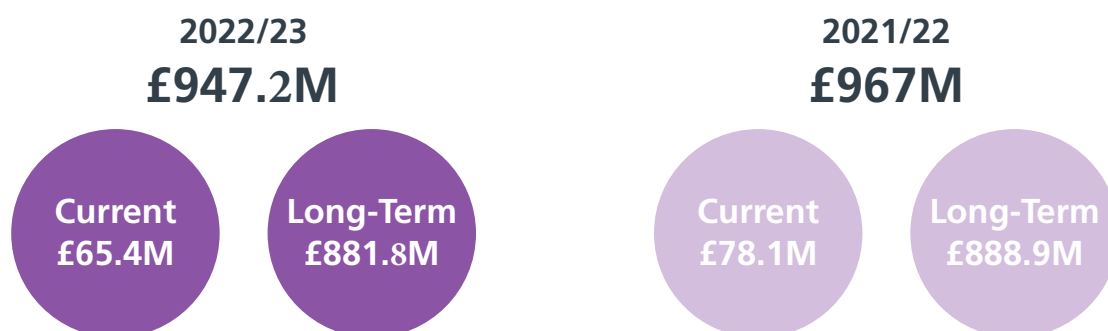
Financial Indicator	Commentary	2022-23	2021-22
<b>Debt/Long Term Borrowing</b>			
Loans Fund Interest Rate	Indicated the effectiveness of treasury management activities through showing the average cost of servicing the Council's net debt	3.40%	3.16%
Ratio of Financing Costs to Net Revenue Stream	This is a measure of how affordable the Council's capital plans are. It shows the cost of annual borrowing repayments as a % of annual revenue spend.	5%	5.5%



## Balance Sheet Assets and Liabilities

The Balance Sheet represents a snapshot of Dumfries & Galloway Council's overall financial position as at 31 March 2023. It brings together the year-end balances of all Dumfries & Galloway Council's accounts and presents money owed to and by the Council, assets owned and the reserves at the Council's disposal. More information on its component parts can be seen in the notes to the Accounts.

### Total Assets



### Total Liabilities



Decrease in long-term liabilities due to decreased pension liability, with decrease in current liabilities due to a decrease in short-term borrowing and short-term creditors.

### Total Reserves



Unusable Reserves relate to revaluation gains or to hold adjustments to reconcile accounting and statutory adjustments. These reserves are not available to fund the day to day running expenses of the Council.





## Details of Assets and Liabilities

### Assets

Cash and Cash  
Equivalents

**£36.5M**



Vehicles, Plant  
and Equipment

**£22.7M**



Infrastructure  
Assets

**£140.4M**



Other Land and  
Buildings

**£681.1M**



Other Assets - **£66.5M**

### Liabilities

Borrowing

**£179.6M**



Finance Leases

**£101.1M**



Pension Liability

**£23.3M**



Short Term  
Creditors

**£68.7M**



Other Liabilities

**£0.5M**

The estimated cost to the Council if all pension scheme members' future pension benefits were payable now.

The pension liability figure decreased by £346.7m from 2021/22 mainly as a result of changes in demographic, financial and other assumptions.



## Financial Outlook and Principal Risks

The 2022/23 corporate outturn position represents a positive position for the Council from which to address the exceptional challenges facing the Council, including further reductions in Scottish Government funding support, increasing demands on Council services and the ongoing impact of current inflationary increases on both pay and non-pay expenditure.

The ongoing development of the Council's Medium Term Financial Strategy will continue to review the Council's approach to addressing these challenges, as well as maximising the benefits from using the non-recurring resources set aside to support this process over the upcoming financial planning period.

## 2023/24 Revenue Budget Plan

Full Council, at its meeting of 28 February 2023, agreed the Council's Revenue Budget 2023/24 (and the indicative revenue budget for the subsequent two financial years 2024/25 & 2025/26) alongside an updated 10-Year Capital Investment Strategy. The key elements of the agreed budget include:

- Increased investment in a range of priority areas including roads improvement, cost-of-living Support and a Change & Enabling Team to support the development of future change and savings proposals.
- Savings of £7.1 million for 2023/24 as part of a £21.1 million three-year savings plan.
- An increase in the Council Tax level of 6% for 2023/24 and indicative increases of 6.5% per annum for each of 2024/25 & 2025/26.
- A requirement for the application of £2.8 Million of non-recurring resources to support the 2023/24 budget and an indicative plan/need to use a further £11.3 Million from non-recurring resources over the following two financial years.

## 10-Year Capital Investment Strategy

The development of a 10-Year Capital Investment Strategy is a key element in allowing the Council to develop large scale investment proposals over the medium-term. The latest 10-year Capital Investment Strategy was agreed at Full Council in February 2023 and reflects total planned Council investment of £473.2 Million in a range of key initiatives, many of which will attract significant additional external funding from Scottish Government and other contributors. The projects being progressed include Dumfries Learning Town Phase 2, the Borderlands Inclusive Growth Programme, Newton Stewart Flood Protection Scheme as well as a £20 Million Roads Improvement Programme.

## Financial Risks

The exceptional levels of inflation currently being experienced across the United Kingdom are impacting significantly on the Council's spending with energy costs (gas, electricity and oil), fuel and food costs all subject to significant variation. Although the 2023/24 Agreed Budget includes provision to address the estimated impact of further inflationary increases over the upcoming period the extent to which current inflation levels will be sustained is difficult to predict and therefore continues to represent a significant financial risk to the Council.

The current inflationary increases have also resulted in a cost-of-living crisis, which in turn has raised staff and

trade union expectations in relation to pay increases. While the 2022/23 Pay Award has now been concluded, with teachers agreeing a two-year pay deal that encompasses 2023/24, the SJC pay award (covering non-teaching staff) for 2023/24 is currently subject to ongoing negotiations, with the trade union request significantly in excess of the current offer that equates to 5.5%.

While the Resource Spending Review announced in May 2022 set out the Scottish Government's high-level spending plans for the period 2023/24 to 2026/27, and provided indications that funding allocations for local government would be 'cash flat' (i.e., retained at the 2022/23 levels in cash terms) there have been several revisions to the Local Government portfolio, with the 2023 Budget reflecting a small cash increase. This increase is associated with the partial recognition of the increased pay and non-pay inflation costs on councils.

However, it is still anticipated that local government funding will continue to see a significant reduction in real-terms resources – requiring councils to fund pay increases, increases in energy, fuel, food, and other spending impacted by inflation, or for the increased need for councils to support individuals and communities impacted by cost-of-living increases. The development of the Council's Medium Term Financial Strategy and Council Plan sets out the Council's approach to addressing these challenges, as well as maximising the benefits from using the significant non-recurring resources that are currently available to the Council.



## Plans to Address Principal Risks

The Council has set aside funding to address budget pressures and the impact of increased inflation over the immediate term and has also developed a strategy to seek to manage these cost increases over the medium term (while recognising that the extent of cost increases remains volatile and difficult to accurately predict at this stage).

The availability of non-recurring funding set aside to support the Council's Medium Term Financial Strategy provides a valuable opportunity to support and invest in the measures that the Council will need to take to make changes and achieve savings over the upcoming period.

The Financial Strategy and the Capital Investment Strategy continue to be supported by underlying plans including the Treasury Management Strategy and Prudential Indicators, which clearly set out the Council's borrowing and investment arrangements and guidelines for the day-to-day management of its cash flow activities within appropriate policies and procedures. The Council also has an agreed Procurement Strategy to ensure compliance with regulations and the achievement of value for money in the procurement of goods and services.

## Pension Fund Annual Report and Accounts

Dumfries and Galloway Council is the administering authority for the Dumfries and Galloway Council Pension Fund and produces a separate Pension Fund Annual Report and Accounts. These are available on the Council's website.

## Acknowledgements

We would like to thank Elected Members and colleagues for their assistance and support throughout the year in maintaining and promoting a sound financial management and control framework. We would also like to thank all those staff whose efforts have contributed to the preparation of these accounts.

## Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Finance & Procurement.
- Manage its affairs, to secure economic, efficient and effective use of resources and safeguard its assets.
- 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).
- Approve the Statement of Accounts.

I confirm that these Unaudited Annual Accounts were approved for signature by the Dumfries & Galloway Council Committee at its meeting on 27 June 2023.

### Signed on behalf of Dumfries and Galloway Council

**Gail McGregor, Leader**

### The Head of Finance & Procurement Responsibilities

The Head of Finance & Procurement is responsible for the preparation of the authority'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 this statement of accounts, the Head of Finance & Procurement has:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Head of Finance & Procurement 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 financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2023.

**Paul Garrett**  
**Head of Finance & Procurement**  
**27 June 2023**

## Annual Governance Statement 2022/23

### 1. Scope of Responsibility

1.1 Dumfries and Galloway Council continues to monitor the effectiveness of the governance framework to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for properly. Since the last report Dumfries and Galloway has continued to develop its monitoring and reporting of performance indicators and improved good governance practices.

1.2 Dumfries and Galloway's Governance Framework ensures that it complies with the requirements on the Role of the Chief Financial Officer in Local Government, contained in the Chartered Institute of Public Finance and Accountancy's (CIPFA's) 2010 Statement, and the Local Authority Accounts (Scotland) Regulations, the Chartered Institute of Public Finance & Accountancy and Society of Local Authority Chief Executives model framework Delivering Good Governance in Local Government ("the CIPFA/SOLACE framework")

1.3 Over the period of 2022-23 Dumfries and Galloway Council has continued to maintain focus on ensuring proper arrangements for governance are in place while seeking to build on the existing good governance practices. Dumfries and Galloway continues to facilitate effective exercise of its functions and strategic leadership by making sure the authority's purpose, vision and objectives are clearly communicated to both citizens and service users.

1.4 The arrangements for the development of the AGS were agreed at Audit, Risk and Scrutiny Committee in September 2022. These reflect the recommendations agreed at 17 December 2020 when Full Council agreed the Findings and Recommendations from the Finance, Procurement and Transformation (FPT) Committee's Review of Internal Financial Controls and Procurement Standing Orders. Recommendation 9 on the Annual Governance Statement included:- the use of a Good Governance Questionnaire, greater oversight by audit, risk and scrutiny committee on the development of the AGS and an opportunity for service committees to comment on their delegated areas to inform the final draft.

1.5 A self-assessment of Dumfries and Galloway's governance practices was completed by Heads of Service and was designed to provide clarity and describe the actions, documents, strategies, policies, protocols and rigorous controls that are in place to support good governance across Dumfries and Galloway and assure its statutory compliance.

- 1.6 Dumfries and Galloway's Good Governance processes, protocols and practices include:
- Communicating clear strategic direction, vision, culture and values of Dumfries and Galloway Council;
  - Ongoing and regular improvements in corporate systems, processes and internal controls;
  - Continued commitment to engagement with and leading the community;
  - Ongoing monitoring and review whether strategic priorities and outcomes have been achieved;
  - Ensuring that services are delivered cost-effectively by reviewing our procurement standing orders and initiating a transformational programme for procurement;
  - Maintaining and continually reviewing appropriate arrangements for the management of risk;
  - Continued operation of the Integrity Group, established to:
    - Monitor and review Dumfries and Galloway's Anti-Fraud and Anti-Corruption Policy and Strategy to ensure a continuation of best practice approach and benchmarking;
    - Appoint a Single Point of Contact for Police Scotland;
    - Refresh and improve Dumfries and Galloway's whistleblowing policy
    - Improve Dumfries and Galloway's mechanism for investigating fraud, corruption and financial irregularity for breach of procurement and Standing Orders.

1.7 The Council assures its operational activities conform to the Governance Principles by implementing clear strategies and policies, the adherence of which are captured through performance monitoring tools to ensure each service is demonstrably striving to meet its service commitments set out in the Service Plans and Council Plan. The Council's use of such monitoring tools acts as self verification to not just monitor performance progress on activities, projects and particular commitments, but also to measure, monitor and report on key performance requirements and conformity with the Council's Financial Regulations and ensure all required activities have been actioned, lessons are learnt, and any required financial impacts and budget measures are scrutinised, follow up actions are implemented, monitored and reviewed. Each service reports on its service performance twice yearly to the relevant service committee for scrutiny. Any recommended actions following such scrutiny is captured through the Action Tracker which requires regular input and update.

## **2. The Governance Framework**

2.1 The Governance Framework comprises the systems and processes, culture and values which direct and control Dumfries and Galloway Council's activities and through which Dumfries and Galloway accounts to, engages with, and leads the community.

2.2 The Governance Framework enables Dumfries and Galloway to monitor achievement of the Dumfries and Galloway Community Planning Vision and Principles, the outcomes of which are set out in the new Council Plan, the region's Local Outcomes Improvement Plan and Locality Plan.

### **The Local Code of Corporate Governance**

2.3 Dumfries and Galloway's governance arrangements are reviewed and reported in accordance with statutory requirements and under a framework and guidance for Scotland called "Delivering Good Governance in Local Government" (CIPFA, 2016). Dumfries and Galloway's Local Code of Corporate Governance was agreed in 2019 and provides details of our key documents, policies and evidence which support our Governance Framework.

2.4 The Local Code adopts the seven core principles from the framework:

- Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity. Including the capability of leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

2.5 These principles are broken down into sub-principles which facilitates a focused evaluation of each element of our Local Code.

2.6 Following the Local Government Elections in May 2022, Dumfries and Galloway adopted its Governance Framework, consisting of the Standing Orders and Schemes of Administration and Delegation to Committees and Officers. These documents provide a robust framework for the regulation of the proceedings of Dumfries and Galloway Council and provide a clear decision-making structure.

2.7 After the Election, numerous induction sessions and training events for the new Council took place. These included, but were not limited to, the following: the Code of Conducts (including ethics and standards); Values, Behaviours, Culture and the Communities Model; Information Governance; Quasi-judicial functions, and the Member and Officer Protocol.

2.8 On 17 December 2020 Full Council agreed the Findings and Recommendations from the Finance, Procurement and Transformation (FPT) Committee's Review of Internal Financial Controls and Procurement Standing Orders including:

"Update the current AGS - it should be a living document with routine updates to the Audit, Risk and Scrutiny Committee - and produce the next AGS (starting in February and presented in July 2021) through a good-practice questionnaire of all senior managers (Chief Executive, Directors, Heads of Service and Service Managers) that seeks to gain assurance about the practices that the individuals or teams have used to ensure compliance. Consideration should be given to making this a six-monthly exercise for the next two years.

Full Council should also review the process for considering the AGS. Service Committees may be given the opportunity to consider a draft Statement to comment on their delegated areas and make recommendations to Full Council where required."

2.9 The Council adopted the Council Plan setting out the principles, themes, strategic outcomes and core behaviours (these behaviours are included within our People Strategy).

2.10 The Council and the local health board have chosen to delegate to the Dumfries and Galloway Integration Joint Board (IJB) a number of functions relating to health and social care. The Integration Scheme between Dumfries and Galloway Council and NHS Dumfries and Galloway is the legally binding agreement



between the two organisations that lays out what these two organisations do to enable the IJB to meet its responsibilities.

2.11 The IJB is made up of voting Members from the Dumfries & Galloway Council and NHS Dumfries & Galloway. Representation is also present from local medical services, Dumfries & Galloway Social Work, staff representation from Dumfries & Galloway Council and NHS, a representative from Scottish Care, the third sector, a workforce advisor appointed to the IJB, a nursing director, unpaid carers, a Chief Finance Officer appointed to the IJB, a governance officer, director of public health and a service user representative to ensure as full representation as possible ensuring arrangements for integrating health and social care are established to improve outcomes for patients, service users, carers and their families. The Public Bodies (Joint Working) (Scotland) Act 2014 requires Health Boards and Local Authorities to work together effectively to agree a model of integration to deliver quality, sustainable care services and the Dumfries & Galloway IJB strives by working in the spirit of partnership to achieve this whilst adhering to clear governance remits set out in the Scheme.

2.12 The Council also strives to ensure full and regular engagement with all of its statutory, business and third sector partners to ensure the continuation of effective working with its business partners, statutory partners, Scottish Government and national agencies such as SOLAR, COSLA, Transport Scotland, Scottish Fire & Rescue, Police Scotland, the Integrated Joint Board and Dumfries and Galloway Health and Social Care Partnership Scottish Water, SEPA, Scottish Qualifications Authority, Youth Council, South of Scotland Enterprise, other educational establishments, colleges and universities, the Improvement Service, Borderlands Partnership, Citizens Advice, local national charities and sport and leisure agencies, the South of Scotland Regional Economic Partnership as well as continuing to work closely with our public health and protection partners all within the spirit of partnership.

### **3. Governance Principles**

#### **3.1 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

3.1.1 Dumfries and Galloway ensures that staff are fully aware of the Council's duties, powers and obligations and ensures it continues to foster a culture of integrity and responsibility. This awareness encourages staff to act in an ethical manner, with senior leadership ensuring this behaviour is thoroughly embedded in service cultures.

3.1.2 Acting in accordance with the rule of law is a fundamental principle of the Council to ensure it acts not just within the public interest, but to demonstrate accountability and integrity. Council Services actively ensure that they operate and deliver for the public in a manner consistent with the rule of law by undertaking proper engagement with the Legal Service when appropriate, by seeking out requisite professional training, by adhering to government guidance and professional body advice and ensuring the recruitment of suitably qualified and experienced staff.

3.1.3 Council Services have structured processes in place to ensure compliance with this principle, with all services frequently reviewing processes to ensure they remain fit for purpose. The Council utilises specialist software to enable and ensure consistent and frequent review of corporate governance compliance is captured, maintained and monitored.

3.1.4 All services have indicated that the 9 principles of public life are demonstrated and embedded in their Service/Business Plans.

3.1.5 Evidence that staff are aware of their relevant duties, powers and obligations are ensured by the Directorates through the continued monitoring and review of Council Policies and Strategies.

3.1.6 Examples of the Council's measures undertaken by the Council to reinforce its commitment to behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law can be found in the Appendix.

#### **3.2 Principle B – Ensuring openness and comprehensive stakeholder engagement**

3.2.1 All meetings of Dumfries and Galloway Council and its Committees are open to the public unless there are reasons for not doing so due to confidentiality concerns. Council meetings are recorded and available to the public, enhancing the openness of the Council. All decisions taken by the Council and its Committees are available to the public, with reports and minutes published detailing the grounds on which decisions are taken.

3.2.2 All Council Services engage with stakeholders and take part in consultations, with Dumfries and Galloway Council's Community Participation and Engagement Strategy providing guidance on how the Council can engage with communities to improve and sustain services.

3.2.3 Robust processes and procedures are in place to ensure that feedback (both positive and negative), is captured and responded to timeously, within the time frame and in full accordance with our feedback and complaints handling procedures. Specialist software, structured processes and regular service specific reviews ensure that improvements are identified, captured and implemented and all services monitor the same to ensure they continue to remain effective, appropriate, relevant and up to date in order to serve current needs.

3.2.4 Various engagement tools and measures are utilised to ensure openness and comprehensive stakeholder engagement and a list of this can be found in the Appendix.

3.2.5 To ensure that feedback, including complaints, are captured and improvements are implemented the methods used by Council Directorates are:

- Identifying improvement actions in service and business plans;
- Including interactive options on Dumfries and Galloway's website;
- Carrying out impact assessments;
- Conducting and participating in consultation processes;
- Exception reporting;
- Performance reporting;
- Forward planning and horizon scanning;
- Customer focussed apps;
- Rigorous freedom of information and complaint handling procedures;
- Team meetings, 1 to 1's, PDR processes, and other HR processes;
- Internal and external customer satisfaction and staff surveys;
- Internal communications;
- Global local;
- Attendance at wider public sector forums such as SOLACE/SOLAR;
- Direct engagement with Scottish Government on specific matters;
- Direct engagement with MSP's;
- Direct engagement with Elected Members through Dumfries and Galloway's EMES service (Elected Member's Enquiry Service');
- Identifying complaints and feedback through partnering networking with the IJB, NHS, SPA etc;
- Ongoing professional development and engagement with governing professional bodies;
- Scottish Assessors Association reporting on key activities and outcomes;
- Maintenance of the Comprehensive Contracts Register;
- Catch up sessions with key solicitors and key clients to ensure good horizon scanning and early intervention and prevention.

### **3.3 Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

3.3.1 Following the Local Government Elections in May 2022, Dumfries and Galloway Council has developed a new Council Plan for 2023-28, which defines the Council's strategic outcomes, themes, vision and principles. Services specific outcomes are being developed and embedded into service business plans, which are available to the public, Elected Members and other stakeholders through the Council's website and which are reviewed annually. These outcomes demonstrate clear vision and remit, management and monitoring of Key Performance Indicators (KPIs), key project monitoring tools and forward planning to ensure alignment with Dumfries and Galloway's budget, principles, priorities and other relevant plans, policies and strategies.

3.3.2 The Council is fully cognisant of the long-term nature and impact of decisions and ensures that it takes care to define and ensure outcomes which further the organisation's purpose deliver economic, social and environmental benefits. Services utilise a variety of methods to develop and define outcomes within their service plans, such as ensuring statutory provision is met, direction from the Scottish Government is recognised, ward working arrangements are effective and impact assessments and stakeholder engagement are realised.

3.3.3 Examples of how the Council ensures openness and stakeholder engagement can be found in the Appendix.

3.3.4 Dumfries and Galloway Council ensures that service plans, strategies and policies clearly demonstrate:

- The principle of SUPPORT;
- Clear vision and remit;
- Defined outcomes;
- Business continuity planning;
- Resilience and succession planning;
- Alignment with Dumfries and Galloway's budget, plans, priorities and objectives;
- Alignment with the twelve principles set out in the new Council Plan;
- Reflect the 9 principles of public life;
- Alignment with economic, social and environmental policies;
- Forward planning and horizon scanning;
- Management and monitoring of service KPI's and Project progress;
- Identification and management of risk;
- Identifiable sustainable outcomes;
- Customer focussed actions and solutions;
- Service options and links to corporate objectives;
- Identification and management of conflicting needs;
- Training requirements and plans to deliver training;
- Financial impacts and budget pressures;
- Clear operational controls and service protocols.

3.3.5 The Council ensures it follows up actions affecting service delivery and decision making by the use of the Committees Action Tracker allocating actions to an identifiable owner making use of software (Pentana) to track project targets and achievements as well as ensuring all actions are captured appropriately in PDR's and 1:1's.

#### **3.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

3.4.1 Dumfries and Galloway Council is committed to delivering intended outcomes for the people of the region by focussing on the key themes and strategic outcomes contained in the new Council Plan. The new Council Plan sets out how it intends for services to be planned and delivered. It is a fundamental principle of Dumfries and Galloway Council that decision makers are provided with complete analysis of options and where necessary and appropriate, impartial advice from specialist officers is available in order for decision makers consider and make informed decisions. The Council continuously monitors and reports on performance, and such are made available to the public. Risk management techniques, project management tools and lessons learnt exercises together with appropriate impact assessments and budget monitoring enable Dumfries and Galloway to amend its procedures and approaches to ensure intended outcomes are achieved.

3.4.2 All committees and sub-committees are supported by Legal Services, Governance officers and other service experts such as HR and Planning, to provide additional advice and support.

3.4.3 Benchmarking, engaging with other organisations and option appraisals enable Dumfries and Galloway Council to design and deliver services to deliver best value for the people of the region, and to ensure intended outcomes are achieved.

3.4.4 Examples of how the Council determines interventions to optimise the achievement of intended outcomes are more specifically listed in the Appendix.

#### **3.5 Principle E – Determining the entity's capacity, including the capability of its leadership and the individuals within it**

3.5.1 The Senior Leadership Team of Dumfries and Galloway Council consists of the Chief Executive, three Directors (of Communities, Economy and Resources and Skills, Education and Learning) together with the Chief Social Work Officer. This team meets on a weekly basis to provide strategic oversight of Dumfries and Galloway. The Corporate Management Team, consisting of the Senior Leadership Team and Heads of Service meet every two weeks to discuss and provide oversight of Council services, address any immediate concerns or

developments within the administrative area and any national impacts. The Chief Executive communicates with staff through a monthly email providing an update on various subjects.

3.5.2 Dumfries and Galloway Council ensures that the appropriate people, with the right skills, qualifications and experience are appointed to ensure effective operation and delivery of services. The Council ensures that all staff are appropriately qualified, capable and have the capacity and necessary skillset and experience to carry out their roles. This is achieved through job descriptions specifying relevant qualifications, the provision of mandatory training for all staff on key roles and regular reviews to ensure staff maintain requisite qualifications and continued performance development to ensure robust decision-making protocols are consistently applied and provide resilience.

3.5.3 Dumfries and Galloway Council manages its workforce to ensure optimal service capacity through its service planning and by application of the Council's People Strategy 'Developing our people developed by the Council and designed to deliver the following outcomes:

- Providing a positive experience
- Engaging our people;
- Supporting our people;
- Recognising good performance and;
- Creating a positive one team culture.

3.5.4 Social Work recruitment challenges are addressed by 'growing our own' engaging with young inexperienced recruits and delivering ongoing training programmes.

3.5.5 The Council continues to take advantage of national funding intended to appoint strategic appointments and internships.

3.5.6 Solicitors attend SOLAR to ensure the Council's legal approach is consistent with the approach taken by other Local Authorities in-house legal services, and participate on national legal consultancy groups;

3.5.7 To improve the capacity to deliver outcomes for the region, Dumfries and Galloway continues to engage with a wide variety of external organisations as identified by Audit Scotland's Report on the Governance of Partnerships.

3.5.8 Examples of how the Council determines the entity's capacity, including the capability of its leadership and the individuals within it can be found in the Appendix.

### **3.6 Principle F – Managing risks and performance through robust internal control and strong public financial management**

3.6.1 The Council rigorously conforms to its Financial Regulations and Codes, the Capital Investment Strategy, Capital Revenue Reporting, the Scottish Government Public Sector Finance Manual, Audit Scotland Guidance, CIPFA Guidance, Scottish Government Guidance, Dumfries and Galloway's Budget Development Process, Reference to the Finance & Procurement Committee as and when required, political scrutiny the budget setting process, use of software (Integra), application of Anti-Fraud and Anti-Corruption Policy Statement and Strategy, benchmarking and best practice techniques, engagement with auditors and financial advisors and national strategies among other techniques and controls.

3.6.2 The Council has implemented a robust risk management protocol which has continued to be further developed in 2022/2023 in the form of a wider Corporate Risk Management Group which captures high risk matters and enables thorough scrutiny. Risk management software designed to effectively manage a risk register together with rigorous internal controls allow for healthy inquiry and analysis.

3.6.3 Together with strong public financial management is integral to the Council's management of risk and performance. Council services manage their own service risk registers, and key risks are escalated to Dumfries and Galloway's Risk Management Group for capture on the Corporate Risk Register. The Risk Management Group identifies, monitors and reviews key risks within the corporate risk register. Service risks and key corporate risks are encapsulated within the risk registers and regularly monitored and updated. The corporate risk register is presented to CMT, SLT and the relevant committee for review every six months.

3.6.4 The Council has robust internal controls in place, ranging from Council wide controls such as the Scheme of Administration and Delegation to Officers, Financial Regulations and Codes, to service specific



controls. All staff are subject to management supervision, receive mandatory training where appropriate and are required to comply with Council policies and procedures. Services regularly review arrangements to ensure robust internal controls and risk management assure their effectiveness.

3.6.5 Dumfries and Galloway Council in 2022/2023 has continued to operate an Integrity Group to monitor functions, complaints, financial risks, information and anti-fraud and corruption. The protocols and procedures for monitoring and managing the same are rigorously reviewed and updated.

3.6.6 The Council has clear whistleblowing policy on receiving and investigating complaints from the public, and such is accessible through Dumfries and Galloway's EthicsPoint hotline. Both staff and members of the public can raise serious issues anonymously through the use of EthicsPoint.

3.6.7 The Head of Finance and Procurement is the authorised Proper Officer (S.95 Local Government (Scotland) Act 1973) for the administration of Dumfries and Galloway's financial affairs and his role is outlined in Dumfries and Galloway's Scheme of Delegation to Officers. The Head of Finance and Procurement is a member of Dumfries and Galloway Corporate Management Team.

3.6.8 Dumfries and Galloway Council has an appointed Monitoring Officer with two Deputies, who act when the Monitoring Officer is absent from the office or considers there is a conflict of interest. In carrying out any enquiries, the Monitoring Officer has unqualified access to any information held by Dumfries and Galloway and to any employee who can assist in the discharge of the Monitoring Officer's functions.

3.6.9 Examples of Dumfries and Galloway Council measures to manage risks and performance can be found in the Appendix.

### **3.7 Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

3.7.1 Dumfries and Galloway publishes all committee reports and minutes (except those where confidentiality is a concern in which case such may be reported as exempt items), which are available to members of the public. Committee times are published well in advance and are livestreamed, which ensures that decisions are made in an open and transparent environment. Recordings of meetings are made available for viewing.

3.7.2 Dumfries and Galloway has report writing guidance, as well as a Communications Strategy to ensure effective communication, and part of Dumfries and Galloway's project management procedures includes a communications plan. Dumfries and Galloway communications, reports and other documentation are designed to be fair, balanced and presented in a manner understandable to the intended audience. Services aim to use plain English, with limited use of jargon (where possible) when dealing with members of the public. Committee reports are presented in a standardised template, which ensures a uniformity of presentation across all Committees, whilst allowing flexibility for officers in presenting information. Communication approaches and reporting styles are regularly reviewed.

3.7.3 Dumfries and Galloway responds to the findings and recommendations of Internal Audit and External Audit, and other professional bodies and ensures corrective actions are taken where required.

3.7.4 Examples of how the Council implements good practices in transparency, reporting and audit to delivery effective accountability can be found in the Appendix.

3.7.5 Dumfries and Galloway ensures it follows up requests for changes, actions arising from earlier decisions and other risks to ensure no matters are outstanding by:

- Implementation of a Committee Action Tracker;
- Allocating actions to an identifiable owner;
- Use of software (Pentana) to track project targets and achievements;
- PDR's and 1:1's;
- KPI monitoring and management.

## **4. Future Improvements and next steps**

Throughout the development of the Annual Governance Statement 2022-23, Council services were consulted with to assist in the identification of improvement actions:

- Training requirements across several Governance Principles have been identified and which will be taken forward and supported through the People Strategy;
- Further development is required to ensure written delegated authority procedures for authority delegated downwards is in place, and a process will be developed going forward;
- A legal guidance note for UK Subsidy Level Controls is to be developed and circulated;
- Additional training requirements on the best use of Dumfries and Galloway's software tools and other processes has been identified by some Services and will be addressed for the forthcoming year;
- It had been identified in 2021/2022 that staff organisation wide required more training on procurement practice, protocols and policy and this has recently been delivered over a course of two training days to service managers across Dumfries and Galloway;
- RIPSAs training will be delivered to appropriate Council staff in the summer of 2023;
- The Common Good and Trusts Register is undergoing improvement and development;
- Dumfries and Galloway's Digital Strategy Programme is currently in process.
- A review of the Dumfries and Galloway Council and NHS Dumfries and Galloway Integration Scheme is to be carried out 2023/2024;
- Governance & Assurance shall progress a review of the Schemes of Delegation and Member & Officer Protocol during 2023/2024;
- Governance & Assurance will carry out a review of the Local Code of Corporate Governance during 2023/2024.

## **5. Review of Effectiveness**

5.1 The Council continuously reviews the effectiveness of its governance arrangements. Senior Management arrangements have been strengthened with the strategic focus placed on the Senior Leadership Team (Chief Executive, three Directors, the Chief Social Work Officer which meets weekly, and the Corporate Management Team (consisting of the Senior Leadership Team and all Heads of Service) with additional senior officers participating as and when required meet on a fortnightly basis.

5.2 The agendas of these management groupings during 2022/2023 covered all aspects of the Council's corporate arrangements particularly Governance & Assurance Finance, Neighbourhood Services, Economy and Development, Roads and Infrastructure, People and Transformation, and includes representation from property; business planning; health and safety; and participation from officers involved in key strategic projects and programmes.

5.3 A review of a programme of reports relating to key corporate issues including for example Impact Assessment, Community Participation and Engagement is scheduled to be undertaken at the conclusion of the programme.

5.4 Elected Members are central to the Council's governance arrangements and there is a healthy culture of questions and challenge, evidenced by some modernisation in adopting remote access including the establishment of a Governance & Culture Member Officer Working Group which was initially presented to Full Council on 25 March 2021 and updated to Full Council in March 2022 and continues to operate efficiently.

5.5 The Internal Audit function within Dumfries & Galloway Council is responsible for independent appraisal of the Council's systems of internal control (including risk management). The work undertaken by Internal Audit during 2022/2023 was based on the assessment of risks and consultation with the Corporate Management Team.

5.6 Internal Audit communicates its findings through reports to operational management. These reports are also reviewed by the Audit, Risk and Scrutiny Committee particularly in respect of the effectiveness of Internal Audit's work and the adequacy of management's response. The recommendations in Internal Audit's reports are tracked and reported through to completion to provide assurance that necessary control improvements have been implemented by management.

5.7 The priority work for the Internal Audit section is the continuation of a three-year programme of assurance testing on the main financial systems of the Council.

## **6. Conclusion**

On the basis of the review of governance arrangements for 2022/2023, it is confirmed that the Council:

Dumfries and Galloway Council Unaudited Annual Accounts 2022/23

- Is committed to and will focus on the new Council Plan;
- Continues to work with its partners to deliver shared outcomes for its citizens and customers, notwithstanding a challenging budget environment;
- Continues to demonstrate and improve on the principles of good governance in the behaviours of its Elected Members and Officers;
- In consultation with local people it has made informed and transparent decisions which are subject to effective scrutiny;
- Has managed its risks effectively;
- Has responded appropriately when performance has not been adequate;
- Has made good progress in the Best Value Assurance Report Improvement Plan;
- It has ensured Elected Members and Officers have the capacity and capability to deliver its purpose effectively.
- The use of the Good Governance self assessment questionnaires has illustrated that generally the governance practices across the organisation are good.

We are therefore satisfied that the Council has in place appropriate arrangements for the governance of its affairs and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's corporate governance systems in the year to 31 March 2023.

**Signed:**

**Gail McGregor, Leader,  
Dumfries & Galloway Council**

**Dawn Roberts, Chief Executive  
Dumfries & Galloway Council**

**Appendix**

The Good Governance Questionnaire generated the following examples of good governance practice

<b>Examples of the Council's commitment to behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (Principle A):</b>
Updating of the School Leadership and Management Induction programme to include financial, regulatory and compliance responsibilities in line with the Devolved School Management agreements
Solicitors providing overview of draft committee reports and attendance at committee meetings
The implementation of a Legal Services process to capture new proposed legislation (in particular the Scotland Programme) and prepare summary guidance to services at an early stage
Comprehensive mandatory induction training delivered to Elected Members following the election within the first two weeks of the election followed by a roll out of further development and specific training
Preparation and delivery of an elected member handbook containing codes of conduct and guidance
The embedding of fostering transparent behaviours within service plans
Ensuring open communications
Leading by example
Ensuring Services are aligned with the People Strategy
Ensuring Services have established protocols in place to comply with Anti-Fraud and Anti-Corruption Policy Statement
Embedding policies, procedures and strategies into Service/Business Plans
Ensuring the Service culture reflects and supports the Code of Conduct and Members and Officers Protocol
Underpinning service behaviours with the vision for ethical values set out in Dumfries and Galloway Plan
Regular customer satisfaction surveys conducted by most relevant Services
Service specific models of core ethical values and principles

<b>Examples of how the Council ensures openness and comprehensive stakeholder engagement (Principle B)</b>
Enhancement of information available to Council officers and suppliers through the Comprehensive Contracts Register
Publication of a monthly Economic Bulletin outlining key trends in the local economy
Elements of the new Council Plan Principles are currently being developed into a new Communities Model to be rolled out to the Communities Directorate
Development of a detailed comprehensive Common Good & Trusts Register is being developed
Use of statutory and government guidance
Social media
Alert tools and apps
Engagement in Scottish and UK government consultations, as well as other stakeholder consultations
Conducting our own consultations and impact assessments
Council website is kept up to date and informative
Forward planning and committee action tracker
Internal reporting to senior leadership team and corporate management team
Community engagement and involvement through area committees and ward officer engagement
Direct engagement with stakeholders and service users
Service and business plans
Press releases through partnership working
Headteacher strategy group
Clear governance charts
Parent Council forums
Weekly communications reporting
Community bulletin
Publishing multi agency debriefs in response to major incidents such as storms/flooding etc.
Ensuring ward members are fully briefed on ward matters



Participation and Engagement Network (a voluntary citizens panel)
The Climate Change Citizens Panel
The Digital and Customer Strategy

<b>Examples of how the Council ensures openness and stakeholder engagement (Principle C)</b>
Utilising the Budget Development Process, development of the Capital Investment Strategy and Procurement Strategy
Development of the Active Travel Strategy
Dedicated website for the Borderlands Inclusive Growth Deal and CX programme
Regular update of Planning and Building Standards portals and direct engagement with customers
Full and regular engagement with our statutory, business and third sector partners

<b>Examples of how the Council determines interventions to optimise the achievement of intended outcomes (Principle D)</b>
Development and Delivery of the 1140 hours of Early Learning and Childcare project, demonstrating connected elements of options appraisal, capital, revenue, stakeholder, procurement and national negotiation
Compliance with Procurement Standing Orders and Financial Regulations in awarding contracts for capital works
Attendance at professional networking support forums such as SOLACE/SOLAR and other Scottish Government networking forums ensures Dumfries and Galloway's services, Elected Members and stakeholders receives the best most up to date advice and guidance available and consistent with other public sector bodies
Dumfries and Galloway has created a clear vision through service business plans, policies, strategies and Dumfries and Galloway Plan which are easily available and accessible to the wider corporate organisation, Elected Members, the public and third party organisations
Dumfries and Galloway regularly reviews and monitors its policies, strategies and service plans and ensures it understands the current issues affecting stakeholders through ward wording, participation in government networking forums, and engagement with other Councils, for example
Environmental Services have recently procured external expertise to review existing processes and make recommendations for process mapping and streamlining administration with the purpose of enabling more time to deliver services and less time spent on administrative tasks
Dumfries and Galloway strives to further develop its strategies and policies to suit current issues or pressure points
Impacts of Covid-19 pandemic
Impact of the Ukraine war and other refugee issues

<b>Examples of how the Council determines the entity's capacity, including the capability of its leadership and the individuals within it (Principle E)</b>
Introduction of an extensive professional development plan for aspiring school leaders (Introducing School Leadership)
An external review of our Development Management team within the Planning Service
A service review by Governance and Assurance resulting in investment into the Legal Service to increase resources, capacity and resilience
Representation on the Law Society of Scotland and SOLAR

<b>Examples of Dumfries and Galloway Council measures to manage risks and performance (Principle F)</b>
Adoption of construction project management processes aligned with Scottish Capital Investment Manual to manage and mitigate risk in construction contracts
The annual staffing exercise which takes place from December each year is a sophisticated centrally driven budget management approach from which the Performance and Development Review (PDR) is derived
Service heads ensure all professional staff complete annual required continued professional development requirements and the PDR's ensure that such is done and wants of required training or qualification are attended to

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Clear protocols for escalations for decision making, highlighting risk and whistleblowing
Performance monitoring and reporting
Application of lessons learnt techniques
Data validation and verification techniques including due diligence applied by Legal, Procurement and Finance teams
Engagement with internal and external audit
Rigorous elected member scrutiny and approval processes
Clear guidance to all staff to ensure escalation to monitoring officer as and when and if required
Established project management techniques utilised across the organisation
Comprehensive budgeting systems
Regular reviews of periodic financial reports that measure financial performance against forecasts
Targets against which financial and operational plans can be assessed
Preparation of regular financial reports which compare expenditure with plans and forecasts
Clearly defined capital expenditure guidelines
Formal project management disciplines
The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
The draft Annual Accounts were approved by the Audit, Risk and Scrutiny Committee on 21 September 2021
Annual Reports on Treasury Management and Procurement were approved by the FPT Committee in November 2022
The External Audit Plan considered by Members in September 2022 and is now being implemented
A Quality Plan prior to submission to Scottish Government as part of the Learning Estate Investment Programme continues to be utilised
The introduction in 2021/2022 of the Strategic Plan on Climate Emergency is significant and relevant to strengthening the Council Plan and delivery and continues to reinforce the Council's aspiration to manage the climate change risk
Continued effective management of change and transformation including the use of self-evaluation through Public Sector Improvement Framework; system and business process reviews, using lean approaches; service review programmes; implementing major business change projects; and benchmarking for improvement

<b>Examples of how the Council implements good practices in transparency, reporting and audit to delivery effective accountability (Principle G)</b>
Community Planning Process
Escalation to SLT/CMT
Publication of an annual Planning Performance report
Direct advice and guidance from the Scottish Government/other funding bodies
Use of Terms of Reference and decision making flowchart to clarify roles and responsibilities
Self evaluation techniques
Regular reporting to full council on all financial impacts
Regular reporting to committees on project KPI's
Legal representation on key project boards
Legal representation on committees
Legal oversight of committee reports prior to being made public
Communications to stakeholders containing the right amount of information
Development of key strategies and identification of processes for adoption
Customer Strategy continues to ensure that customers needs and expectations are met at their first point of contact
Introduction of complaints handling software in 2020 ensures better tracking and monitoring of customer complaints. Annual complaints monitoring ensures Dumfries and Galloway meets the targets and such is reported which is available through the Council's website

## Remuneration Report

### Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(5) of the Code for the totals of elected members' salaries, allowances and expenses, and those under 3.4.5.3. of the Code for the number of officers whose remuneration in the year was greater or equal to £50,000 grouped in bands of £5,000 and the number of exit packages agreed have been included in separate tables within this report.

All information disclosed in the tables in this Remuneration Report will be audited by the Council's appointed auditors, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

### Arrangements for Remuneration

#### **Leader, Depute Leader & Senior Councillors**

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007. The regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Convenor, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Convenor 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.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2022/23 the salary for the Leader of Dumfries & Galloway Council was £39,148. The Regulations permit the Council to remunerate one Civic Head (Depute Leader). The Regulations set out the maximum salary that may be paid to that Civic Head. The Administration of the Council have agreed that the remuneration for the Leader and Depute Leader are equalised however, the total remuneration is still in accordance with Band B Councils as set out in Councillors' Remuneration, Allowances and Expenses Guidance from recommendations made by the Scottish Local Authorities Remuneration Committee (SLARC) in its 2009 Report "Annual Review of Remuneration for Local Authority Councillors".

The regulations set out the remuneration that may be paid to senior councillors and the total number of senior councillors that 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 of its senior councillors, excluding the Leader and the Depute Leader, shall not exceed £343k. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits.

In 2022/23 Dumfries & Galloway Council had 14 senior councillors, excluding the Leader and the Depute Leader, and the remuneration paid to these councillors totalled £323k. Due to Local Government Elections and changes in the Council's political leadership, the number of Senior Councillors to be disclosed in the following table is greater than 14, however, only 14 were appointed at one time and the Council complied with all prescribed Regulations. The level of remuneration for a Senior Councillor was graded at £24,466, with the salaries noted within the statement below slightly lower due to the number of changes in appointments during the year. 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. The Dumfries & Galloway Council Members' Salaries and Expenses Scheme which encompasses the salaries of all Elected Members including the Leader, the Depute Leader and Senior Councillors was agreed at a meeting of the Full Council on 24 May 2022.

#### **Senior Employees**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. The rate of pay for Directors and other Chief Officials are set out in SJNC Circular CO/150.

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The Full Council sets the remuneration levels for senior officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services, and the funds available to the Council. Pay bonuses or performance related pay are not applicable to any senior employees.

### **Remuneration**

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

### **Remuneration of Senior Councillors**

The table below details the remuneration paid to Senior Councillors for Financial Year 2022/23 for the responsibilities they held.

Senior Councillors	Role	2022/23			Notes	2021/22
		Salary (including fees & allowances)	Taxable Expenses	Total Remuneration		Total Remuneration
		£	£	£		£
Stephen Thompson	Leader/Senior Councillor	32,136	1,665	33,801		24,413
Linda Dorward	Co-Leader/Senior Councillor	27,618	207	27,825		0
Gail MacGregor	Senior Councillor/Leader	22,746	2,471	25,217	2	0
Sean Marshall	Senior Councillor	20,918	0	20,918		0
Carolyn Wilson	Senior Councillor	20,828	687	21,515		0
Dougie Campbell	Senior Councillor	20,143	834	20,977		0
Iain Howie	Senior Councillor	20,918	659	21,577		0
George Jamieson	Senior Councillor	20,828	1,515	22,343		0
Emma Jordan	Senior Councillor	20,828	130	20,958		0
Archie Dryburgh	Senior Councillor/Depute Convenor	30,583	2,090	32,673	3	30,682
Andy Ferguson	Senior Councillor	23,836	0	23,836		23,066
Tracey Little	Provost (until 28 February 2023)	23,843	0	23,843		23,066
Katie Hagmann	Senior Councillor	23,137	3,974	27,111	2	23,066
Jim Dempster	Senior Councillor	24,157	783	24,940		23,431
John Campbell	Senior Councillor	23,137	0	23,137		23,178
Ian Carruthers	Senior Councillor	5,569	0	5,569		23,066
Richard Brodie	Senior Councillor	22,258	152	22,410		0
Ian Blake	Senior Councillor (from 7 March 2023)	1,085	0	1,085		0
Jacqueline McCamon	Senior Councillor (from 7 March 2023)	1,085	0	1,085		0
David Inglis	Senior Councillor (from 7 March 2023)	1,085	381	1,466		0
Pauline Drysdale	Senior Councillor (from 7 March 2023)	1,085	0	1,085		0
Christine Hill	Senior Councillor (from 7 March 2023)	0	0	0	4	0
Ivor Hyslop	Senior Councillor (from 7 March 2023)	1,085	0	1,085		0
Richard Marsh	Senior Councillor (from 7 March 2023)	1,085	0	1,085		0
Andrew Giusti	Senior Councillor (from 7 March 2023)	1,085	520	1,605		0
Malcolm Johnstone	Convenor and Civic Head (from 7 March 2023)	1,354	0	1,354		0
Maureen Johnstone	Provost (from 7 March 2023)	1,085	0	1,085		0
Former Senior Councillors resigned / not re-elected on 5 <sup>th</sup> May.		20,320	0	20,320	5	203,698
<b>Total</b>		<b>413,837</b>	<b>16,068</b>	<b>429,905</b>		<b>397,666</b>



**Note:**

1. The above details reflect those Councillors who have undertaken a Senior Councillor role during 2022/23. It should be noted that some Councillors have undertaken more than one role during the year following the Local Government Elections in May 2022 due to changes in the Council's political leadership on 28 February 2023, with new appointments confirmed on 7 March 2023. Full details of all political changes applied during the year can be viewed on the Council's Full Council Committee webpage.
2. Katie Hagmann and Gail McGregor undertake additional roles with COSLA, where the first £2,500 of expenses in relation to the attendance of COSLA meetings are required to be met by the Council. COSLA will reimburse any costs in excess of £2,500 with no claims having been made in 2022/23.
3. Archie Dryburgh received a payment of £6,050 within 2022/23 for their role as APSE Chair (Association for Public Service Excellence). Dumfries and Galloway Council have been reimbursed for these costs.
4. Christine Hill was appointed as a Senior Councillor on 7th March but has not yet been remunerated for this role.
5. The Former Senior Councillors/not re-elected cost of £20,320 includes the costs of individuals that were in post from 1 April 2023 until the elections on 5th May. Payments made in 2022/23 include £3,233 made to both Elaine Murray and Rob Davidson as Former Leader/Depute Leader during this period, and payments of £2,309 to the following senior Councillors, Jeff Leaver, Ross Surtees, John Martin, David McKie, Adam Wilson and Jane Maitland.
6. Total remuneration disclosed in the above table is presented on an accrual's basis.

**Total Remuneration paid to Elected Members'**

The Council paid the following salaries, allowances, and expenses to all councillors (including the senior councillors above) during the year.

	(restated) 2021/22 £000	2022/23 £000
Salaries	891	928
Allowances	6	6
Expenses	10	39
<b>Totals</b>	<b>907</b>	<b>973</b>

The annual return of Councillors' salaries and expenses for 2022/23 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at [www.dumgal.gov.uk](http://www.dumgal.gov.uk)

**Remuneration of Senior Employees**

The following table shows the remuneration paid to the Council's senior employees. The term senior employee includes any local authority employee:

- who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
- whose annual remuneration is £150,000 or more.

Senior Officers	Post	Salary (including fees & allowances) £	Taxable Expense allowances £	Total remuneration excluding pension contributions 2022/23 £	Note	Total remuneration excluding pension contributions 2021/22 £
Dawn Roberts	Chief Executive from 11 July 2022	108,555	585	109,140	1 & 4	0
Gavin Stevenson	Chief Executive (Retired)	1,706	0	1,706	2	143,212
Fiona Lees	Interim Chief Executive	0	0	0		57,185
Derek Crichton	Interim Chief Executive/ Director Communities	126,977	0	126,977	3	121,214
Lorna Meahan	Director Economy and Resources	117,661	0	117,661		114,864
Gillian Brydson	Director Skills, Education and Learning	117,661	0	117,661		112,223
James Brown	Head of Education	101,458	0	101,458		95,437
Lillian Cringles	Head of Social Work	101,499	10	101,509		96,871
Paul Garrett	Head of Finance and Procurement	92,732	0	92,732		90,721
Vladimir Valiente	Head of Governance and Assurance	92,959	0	92,959	4	93,451
Richard Grieveson	Chief Officer – Renewal, Restart and Recovery (FYE - £97,458)	10,163	0	10,163	5	94,929
Shaun Morley	Interim Director Communities until 30 September 2022 (FYE - £113,628)	52,861	13,765	66,626	6	14,109
		<b>924,232</b>	<b>14,360</b>	<b>938,592</b>		<b>1,034,216</b>

**Notes:**

1. Gavin Stevenson retired from his role as Chief Executive on 16 December 2021. Payment of £1,706 is in relation to their role as Returning Officer.
2. Derek Crichton ceased acting as Interim Chief Executive on 10 July 2022.
3. The following payments were made in relation to Election duties: - D Roberts £234, V Valiente £270.
4. Richard Grieveson moved to the role of Head of Community Services on 8 May 2022. Remuneration disclosed relates to role of the Renewal, Restart and Recovery Chief Officer only.

**Remuneration of Employees receiving more than £50,000**

The Council's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Code, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

Salary	Teachers		Council		Total	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£150,000 to £154,999	0	0	0	0	0	0
£145,000 to £149,999	0	0	1	0	1	0
£140,000 to £144,999	0	0	0	0	0	0
£125,000 to £129,999	0	0	0	1	0	1
£120,000 to £124,999	0	0	0	0	0	0
£115,000 to £119,999	0	0	1	2	1	2
£110,000 to £114,999	0	0	2	0	2	0
£105,000 to £109,999	0	0	0	1	0	1
£100,000 to £104,999	0	0	0	2	0	2
£95,000 to £99,999	0	0	2	1	2	1
£90,000 to £94,999	0	4	3	8	3	12
£85,000 to £89,999	2	5	7	1	9	6
£80,000 to £84,999	1	5	1	2	2	7
£75,000 to £79,999	8	7	2	3	10	10
£70,000 to £74,999	5	15	8	8	13	23
£65,000 to £69,999	12	44	9	21	21	65
£60,000 to £64,999	45	77	22	33	67	110
£55,000 to £59,999	79	114	36	20	115	134
£50,000 to £54,999	122	75	25	43	147	118
<b>Total Headcount</b>	<b>274</b>	<b>346</b>	<b>119</b>	<b>146</b>	<b>393</b>	<b>492</b>

**Exit Packages**

During the year 1 April 2021 to 31 March 2023, no staff left the Council under Early Retirement/Voluntary Severance.

**Pension Benefits****Local Government Pension Scheme**

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

From 1 April 2015 the LGPS moved to a Career Average Revalued Earning (CARE) scheme. From then benefits for all members are worked out on a career average basis. Pension benefits accrued to 31st March 2015 are protected and worked out on final pay for employee members and career average for Councillor members when leaving. Normal Pension age in the scheme is State Pension age. On retirement members have the option of giving up some of their annual pension for a tax-free lump sum.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much of their pensionable pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. The tiers and member contribution rates for 2022/23 are as follows:

Actual Pensionable Pay	Contribution Rate 2021/22	Actual Pensionable Pay	Contribution Rate 2022/23
On earnings up to and including £22,300	5.50%	On earnings up to and including £25,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%	On earnings above £25,301 and up to £31,000	7.25%
On earnings above £27,301 and up to £37,400	8.50%	On earnings above £31,001 and up to £42,500	8.50%
On earnings above £37,401 and up to £49,900	9.50%	On earnings above £42,501 and up to £56,600	9.50%
On earnings above £49,901	12%	On earnings above £56,601	12%

Members pay contributions based on their actual pay. For part time employees pensionable pay includes additional hours up to their post's full time equivalent hours.

There are two sections to the LGPS, the main section and the 50/50 section. All members are placed in the main scheme. The member pays contributions in accordance with the table above and receives 1/49th of their pensionable pay as an annual pension pot for the year, or proportion of the year while in the main scheme.

The 50/50 section of the scheme was introduced as a short-term measure for members who may be having financial difficulties and would benefit from paying a reduced contribution for a period of time, rather than opting out of the scheme. Whilst in the 50/50 section the member pays half contributions to build up 1/98th of actual pensionable pay as an annual pension pot. Members of the 50/50 section can move back to the main section on request and are re-enrolled in the main scheme by their employer at the employer's Automatic Enrolment re-enrolment date.

Members have a Pension Account in the scheme for each pensionable employment held. The amount of pension in a Pension Account at the end of each scheme year is adjusted in line with the cost of living - as currently measured by the Consumer Prices Index (CPI) - to ensure it keeps its value. The employer's contribution rate was 22% for 2022/23.

Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th or 1/98th of Actual Pensionable pay each year from 1 April 2015.

Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a guaranteed lump sum based on 3/80th of final pensionable salary and years of pension scheme membership. For employee members between 1 April 2009 and 31 March 2015 the scheme guaranteed an annual pension based on an accrual rate of 1/60th of final pensionable pay and years of pension scheme membership.

Councillors, prior to 1 April 2009, accrued an annual pension based on 1/80th and a guaranteed lump sum based on 3/80th of career average pay and years of pension scheme membership. Between 1 April 2009 and 31 March 2015, for Councillors, the scheme guaranteed an annual pension based on an accrual rate of 1/60th of career average pay and years of pension scheme membership. The LGPS Regulations define the calculation for pre-2015 career average pay differently to post 2015 CARE pay.

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

The pension figures shown relate to the benefits that the member has accrued as a consequence of their total local government membership and not just their current appointment only if the member has elected to aggregate all of their membership.



**Pension Benefits of Senior Councillors**

The pension benefits for senior councillors who are members of the Dumfries & Galloway Council Pension Fund are shown in the following table, together with the contribution made by the Council to each senior councillor's pension.

Senior Councillors	Role	In Year Pension Contributions			Accrued Pension Benefits		
		to 31 March 2023 £	to 31 March 2022 £		31 March 2023 £000's	31 March 2022 £000's	Difference £000's
Stephen Thompson	Leader/Senior Councillor	7,070	5,075	Pension Lump Sum	5 0	4 0	1 0
Linda Dorward	Co-Leader/Senior Councillor	6,241	N/A	Pension Lump Sum	1 0	N/A N/A	
Gail Macgregor	Senior Councillor/Leader	5,391	N/A	Pension Lump Sum	4 0	N/A N/A	
Sean Marshall	Senior Councillor	5,154	N/A	Pension Lump Sum	7 2	N/A N/A	
Carolyne Wilson	Senior Councillor	4,747	N/A	Pension Lump Sum	0 0	N/A N/A	
Dougie Campbell	Senior Councillor (note 1)	(171)	N/A	Pension Lump Sum	0 0	N/A N/A	
Iain Howie	Senior Councillor	5,142	N/A	Pension Lump Sum	3 0	N/A N/A	
George Jamieson	Senior Councillor	4,736	N/A	Pension Lump Sum	0 0	N/A N/A	
Emma Jordan	Senior Councillor	4,747	N/A	Pension Lump Sum	0 0	N/A N/A	
Archie Dryburgh	Senior Councillor/Depute Convenor	5,397	5,075	Pension Lump Sum	8 2	6 2	2 0
Andy Ferguson	Senior Councillor	5,244	5,075	Pension Lump Sum	7 0	6 0	1 0
Tracey Little	Provost (until 28 February 2023)	5,246	5,075	Pension Lump Sum	3 0	2 0	1 0
Katie Hagmann	Senior Councillor	5,244	5,075	Pension Lump Sum	3 0	2 0	1 0
Jim Dempster	Senior Councillor (note 2)	0	2,817	Pension Lump Sum	0 0	9 1	
John Campbell	Senior Councillor	5,244	5,075	Pension Lump Sum	3 0	2 0	1 0
Ian Carruthers	Senior Councillor	4,454	5,075	Pension Lump Sum	5 0	4 0	1 0
Richard Brodie	Senior Councillor	5,283	N/A	Pension Lump Sum	8 2	N/A N/A	
Ian Blake	Senior Councillor (from 7 March 2023)	4,353	N/A	Pension Lump Sum	9 2	N/A N/A	
Jacqueline McCamon	Senior Councillor (from 7 March 2023)	4,353	N/A	Pension Lump Sum	1 0	N/A N/A	
David Inglis	Senior Councillor (from 7 March 2023)	4,353	N/A	Pension Lump Sum	2 0	N/A N/A	
Pauline Drysdale	Senior Councillor (from 7 March 2023)	4,353	N/A	Pension Lump Sum	2 0	N/A N/A	
Christine Hill	Senior Councillor (from 7 March 2023)	3,887	N/A	Pension Lump Sum	0 0	N/A N/A	
Ivor Hyslop	Senior Councillor (from 7 March 2023)	4,353	N/A	Pension Lump Sum	5 0	N/A N/A	
Richard Marsh	Senior Councillor	1,399	N/A	Pension Lump Sum	0 0	N/A N/A	
Andrew Giusti	Senior Councillor (from 7 March 2023)	4,353	N/A	Pension Lump Sum	2 0	N/A N/A	
Malcolm Johnstone	Convenor and Civic Head (from 7 March 2023)	4,412	N/A	Pension Lump Sum	2 0	N/A N/A	
Maureen Johnstone	Provost (from 7 March 2023)	3,947	N/A	Pension Lump Sum	0 0	N/A N/A	
Former Senior Councillors resigned / not re-elected on 5 <sup>th</sup> May. (note 3)		3,962	39,701		31 3	30 2	
<b>Total</b>		<b>122,894</b>	<b>78,043</b>		<b>122</b>	<b>70</b>	

**Notes:**

1. Cllr Dougie Campbell had payments to the pension fund which were reversed in year. Due to the accruals concept this refund was not applied to the old year and thus has resulted in a credit amount.
2. Cllr Jim Dempster opted out of the pension scheme.
3. The Former Senior Councillors/not re-elected cost of £3,962 includes the costs of individuals that were in post from 1 April 2023 until the elections on 5th May. Contributions made in 22/23 include £711 made to both Elaine Murray and Rob Davidson as Former Leader/Depute Leader during this period, and payments of £508 to the following senior Councillors, Jeff Leaver, Ross Surtees, John Martin, Adam Wilson and Jane Maitland.

**Pension Benefits of Senior Employees**

The pension benefits for senior employees are shown in the table below, together with the contribution made by the Council to each senior employee's pension.

Senior Employees	Post	In year pension contributions		Accrued Pension Benefits			
		For year to 31 March 2023	For year to 31 March 2022	As at 31 March 2023	As at 31 March 2022	Difference from 31 March 2022	
		£	£	£000	£000	£000	
Dawn Roberts	Chief Executive – Note 1	23,934	0	Pension Lump sum	2 0	0 0	2 0
Gavin Stevenson	Chief Executive (Retired)	0	23,776	Pension Lump sum	0 0	74 114	
Lorna Meahan	Director Economy and Resources	25,885	24,697	Pension Lump sum	49 56	45 54	4 2
Derek Crichton	Director Communities – Note 2	27,935	26,666	Pension Lump sum	64 101	62 103	2 (2)
Gillian Brydson	Director Skills, Education and Learning	25,885	24,688	Pension Lump sum	58 86	53 82	5 4
James Brown	Head of Education	22,321	20,863	Pension Lump sum	5 0	3 0	2 0
Lillian Cringles	Head of Social Work	22,330	21,311	Pension Lump sum	35 22	30 21	5 1
Paul Garrett	Head of Finance and Procurement	20,401	19,474	Pension Lump sum	43 59	40 55	3 4
Vladimir Valiente	Head of Governance & Assurance – Note 3	20,392	18,931	Pension	19 6	2 0	17 6
Richard Grieveson	Chief Officer – Renewal, Restart and Recovery – Note 4	20,874	20,883	Pension Lump Sum	48 72	46 74	2 (2)
Shaun Morley	Interim Director Communities – Note 5	11,959	3,104	Pension Lump sum	2 0	0 0	2 0
Total		221,916	204,393		727	858	

**Note:**

1. Dawn Roberts was appointed as Chief Executive on 11 July 2022.
2. Derek Crichton ceased acting as Interim Chief Executive on 10 July 2022. Accrued pension benefits reduced as a result of this change.
3. Vladimir Valiente transferred pension benefits in from other schemes during the year.
4. The post of Chief Officer Renewal, Restart and Recovery was ceased on 7 May 2022, with the post holder (Richard Grieveson) undertaking the role of Head of Community Services from 8 May 2022. The Pension Benefits disclosed represent his full membership in local government pension scheme for 2022/23. Accrued pension benefits reduced as a result of the change in roles.
5. Shaun Morley ceased acting as Interim Communities Director on 30 September 2022.

**Gail McGregor**  
**Leader**

**Dawn Roberts**  
**Chief Executive**

**27 June 2023**

**Independent auditor's report to members of Dumfries and Galloway Council and the Accounts Commission**







**Comprehensive Income & Expenditure Statement**

This statement shows the accounting costs in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements, and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Gross Expenditure £000	2021/22			2022/23		Note
	Income £000	Net Expenditure £000		Income £000	Net Expenditure £000	
181,615	(18,707)	162,908	Education & Learning	181,951	(25,254)	156,697
33,709	(6,678)	27,031	Social Work Services	36,824	(7,064)	29,760
188,378	(106,160)	82,218	Integrated Joint Board (IJB)	220,691	(125,708)	94,983
152,781	(47,587)	105,194	Communities	157,051	(48,667)	108,384
63,189	(14,657)	48,532	Economy & Resources	73,995	(21,173)	52,822
4,161	(2,953)	1,208	Non-Distributable Costs	(1,898)	(1,887)	(3,785)
<b>623,833</b>	<b>(196,742)</b>	<b>427,091</b>	<b>Net Cost of Services</b>	<b>668,614</b>	<b>(229,753)</b>	<b>438,861</b> 7
	259		Other Operating Expenditure		908	
	26,596		Financing and Investment Income & Expenditure		24,571	9
	(423,767)		Taxation & Non-Specific Grant Income		(429,104)	10
	<b>30,179</b>		<b>(Surplus) /Deficit on the Provision of Services</b>		<b>35,236</b>	
	(13,387)		(Surplus)/deficit on revaluation of non-current assets		(6,284)	
			Impairment losses on non-current assets charged to			
	54		Revaluation Reserve		0	
	(162,756)		Remeasurement of net defined liability/ (asset)		(374,550)	
	0		Other unrealised (gains)/ losses		0	
	<b>(176,089)</b>		<b>Other Comprehensive Income &amp; Expenditure</b>		<b>(380,834)</b>	
	<b>(145,910)</b>		<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(345,598)</b>	

**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves – i.e. those that can be applied to fund expenditure or reduce local taxation – and unusable reserves. The (Surplus) or 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 & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The Net (Increase)/ Decrease before Transfers to/ (from) Other Statutory Reserves line shows the statutory General Fund Balance before any discretionary transfers to / (from) earmarked reserves undertaken by the Council.

	Usable Reserves						Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	Note
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Fund £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Grants & Receipts Unapplied £000				
<b>Balance at 31 March 2021</b>	<b>(70,180)</b>	<b>0</b>	<b>(1,626)</b>	<b>(3,480)</b>	<b>(2,968)</b>	<b>0</b>	<b>(78,254)</b>	<b>(4,268)</b>	<b>(82,522)</b>	
<b>Movements in Reserves during 2021/22</b>										
(Surplus) or Deficit on provision of services	30,179	0	0	0	0	0	30,179	0	30,179	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(176,089)	(176,089)	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>30,179</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,179</b>	<b>(176,089)</b>	<b>(145,910)</b>	
Adjustments to usable reserves permitted by accounting standards	(16,037)	0	0	0	0	0	(16,037)	16,037	0	
Adjustments between accounting basis & funding basis under regulations	(37,371)	0	26	0	0	(14)	(37,359)	37,359	0	14
<b>Net (increase)/ decrease before transfers to / (from) other statutory reserves</b>	<b>(23,229)</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>(14)</b>	<b>(23,217)</b>	<b>(122,693)</b>	<b>(145,910)</b>	
Transfers to/ (from) Other Statutory Reserves	3,406	0	(3,171)	355	(604)	14	0	0	0	15
<b>(Increase)/ decrease in year</b>	<b>(19,823)</b>	<b>0</b>	<b>(3,145)</b>	<b>355</b>	<b>(604)</b>	<b>0</b>	<b>(23,217)</b>	<b>(122,693)</b>	<b>(145,910)</b>	
<b>Balance at 31 March 2022 carried forward</b>	<b>(90,003)</b>	<b>0</b>	<b>(4,771)</b>	<b>(3,125)</b>	<b>(3,572)</b>	<b>0</b>	<b>(101,471)</b>	<b>(126,961)</b>	<b>(228,432)</b>	
<b>Movements in Reserves during 2022/23</b>										
(Surplus) or Deficit on provision of services	35,236	0	0	0	0	0	35,236	0	35,236	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(380,834)	(380,834)	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>35,236</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,236</b>	<b>(380,834)</b>	<b>(345,598)</b>	
Adjustments to usable reserves permitted by accounting standards	(14,988)	0	0	0	0	0	(14,988)	14,988	0	
Adjustments between accounting basis & funding basis under regulations	(20,017)	0	83	0	0	0	(19,934)	19,934	0	14
<b>Net (increase)/ decrease before transfers to / (from) other statutory reserves</b>	<b>231</b>	<b>0</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>314</b>	<b>(345,912)</b>	<b>(345,598)</b>	
Transfers to/ (from) Other Statutory Reserves	3,402	0	(3,495)	150	(57)	0	0	0	0	15
<b>(Increase)/ decrease in year</b>	<b>3,633</b>	<b>0</b>	<b>(3,412)</b>	<b>150</b>	<b>(57)</b>	<b>0</b>	<b>314</b>	<b>(345,912)</b>	<b>(345,598)</b>	
<b>Balance at 31 March 2023 carried forward</b>	<b>(86,370)</b>	<b>0</b>	<b>(8,183)</b>	<b>(2,975)</b>	<b>(3,629)</b>	<b>0</b>	<b>(101,157)</b>	<b>(472,873)</b>	<b>(574,030)</b>	



**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/ (liabilities) of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves – i.e. those reserves that 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. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses where the amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between the accounting basis and funding basis under regulations”.

<b>31 March 2022</b>		<b>31 March 2023</b>	<b>Note</b>
<b>£000</b>		<b>£000</b>	
876,094	Property, Plant & Equipment	869,599	16
2,350	Heritage Assets	2,356	17
22	Intangible Assets	15	17
894	Long Term Investments	855	
9,506	Long Term Debtors	9,021	19
<b>888,866</b>	<b>Long Term Assets</b>	<b>881,846</b>	
957	Assets Held For Sale	1,070	17
1,081	Inventories	899	
22,514	Short Term Debtors	26,967	20
53,594	Cash & Cash Equivalents	36,494	21
<b>78,146</b>	<b>Current Assets</b>	<b>65,430</b>	
(14,848)	Short Term Borrowing	(11,763)	33
(72,795)	Short Term Creditors	(68,741)	22
(3,343)	Short Term Liabilities	(3,389)	23
(1,005)	Short Term Provisions	(462)	24
<b>(91,991)</b>	<b>Current Liabilities</b>	<b>(84,355)</b>	
(175,442)	Long Term Borrowing	(167,850)	33
(101,096)	Other Long Term Liabilities	(97,707)	33
(370,051)	Other Long Term Liabilities (Pensions)	(23,334)	27
<b>(646,589)</b>	<b>Long Term Liabilities</b>	<b>(288,891)</b>	
<b>228,432</b>	<b>Net Assets/ (Liabilities)</b>	<b>574,030</b>	
101,471	Usable Reserves	101,157	30
126,961	Unusable Reserves	472,873	31
<b>228,432</b>	<b>Total Reserves</b>	<b>574,030</b>	

The unaudited accounts were issued on 27 June 2023.

**Paul Garrett**  
**Head of Finance & Procurement**

**Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows 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 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.

<b>2021/22</b>		<b>2022/23</b>		<b>Note</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	
30,179	Net (surplus) or deficit on the provision of services	35,236		
(86,882)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(62,174)		
21,294	Adjustments to net (surplus) or deficit on the provision of services that are investing or financing activities	17,871		
(35,409)	<b>Net cash flow from operating activities</b>		(9,067)	
	Investing activities			
31,003	- purchase of property, plant & equipment, heritage assets & intangible assets	30,548		
0	- other payments for investing activities	49		
(609)	- proceeds from the sale of property, plant, equipment	(985)		
(21,294)	- Other receipts from investing activity	(17,463)		
9,100			12,149	
	Financing activities			
3,380	- cash receipts from short & long term borrowing	(3,481)		
0	- other receipts from financing activities	0		
	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	3,343		
10,041	- repayments of short & long term borrowing	14,156		
64	- other payments for financing activities	0		
16,801			14,018	
(9,508)	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>17,100</b>	
44,086	Cash and cash equivalents at the beginning of the year		53,594	
<b>53,594</b>	<b>Cash and cash equivalents at the end of the reporting year</b>		<b>36,494</b>	21

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### a) General Principles

The Annual Accounts summarise the Council's transactions for the 2022/23 financial year and its financial position at the year end of 31 March 2023. They have been prepared on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). The Code is based on the International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector. The statements are designed to provide a 'true and fair view' of the financial performance and position of the Council and its group.

The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### b) Accruals of Income & Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- suppliers' invoices paid in the two weeks following the year-end have been analysed and included together with specific accruals in respect of further material items provided the goods and services were received in 2022/23,
- all known specific and material sums payable to the Council have been included. Revenue for the sale of goods or the provision of services is recognised when it is determined that the service has been provided,
- supplies are recorded as expenditure when they are consumed. When there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet,
- where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income which will not be collected,
- interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

#### c) Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on 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 an insignificant risk of changes in value. In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which are repayable on demand and form an integral part of the Council's cash management.

#### d) Changes in Accounting Policies and Prior Year Adjustments

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

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

#### e) Charges to Revenue for Non-Current Assets

Service revenue accounts and support services are charged with the following amounts to record the real 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 assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations; however, it is required to make provision for the annual cost of the repayment of previous borrowing. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by loans fund principal repayments in the Movement in Reserves Statement to recognise the difference between the two.

#### f) Employee Benefits

##### Benefits Payable During Employment

All employment costs relating to the year to 31 March 2023 have been accounted for in Net Cost of Services in the Comprehensive Income & Expenditure Statement. An accrual is made for the cost of leave entitlement earned by

employees but not taken at 31 March. This is charged to services in the Comprehensive Income & Expenditure Statement and reversed out in the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate employment before the normal retirement date or a decision to accept voluntary redundancy. These costs are charged to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council can no longer withdraw the offer of these benefits. 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 the 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 notional debits and credits for pension enhancement termination benefits and replace them with the debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

### Post Employment Benefits

The Council participates in the following separate pension schemes:

- The Local Government Pension Scheme (LGPS) administered by Dumfries & Galloway Council,
- The Teachers Pension Scheme.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as 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 and no liability for the future payments of benefits is recognised in the Balance Sheet, and the Education and Learning line in the Comprehensive Income & Expenditure Statement is charged with the employers' contributions payable to teachers' pensions in the year.

### *The Local Government Pension Scheme (LGPS)*

The LGPS is accounted for as a defined benefit scheme:

- the liabilities of the Dumfries & Galloway Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit basis – 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, etc. and projections of earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 2.7%, based on market yields at the end of the financial year on AA-rated corporate bonds,
- the assets of the Dumfries & Galloway Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value of current bid prices for securities,
- the change in the net pensions 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 to the Comprehensive Income & Expenditure Statement to the services for which the employee worked,
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is charged to Non Distributable Costs in the Comprehensive Income & Expenditure Statement,
    - net interest on the net defined benefit liability/ (asset) – the change during the year in the net defined liability/ (asset) that arises from the passage of time charged to the Financing and Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.
  - Remeasurements comprising:
    - return on plan assets - excluding amounts included in the net interest on the net defined liability/ (asset). This is charged to the Remeasurements of the Net Defined Benefit Liability/ (Asset) in the Comprehensive Income & Expenditure Statement.
    - actuarial gains and losses – changes in the net pension liability/ (asset) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Remeasurements of the Net Defined Benefit Liability/ (Asset) in the Comprehensive Income & Expenditure Statement,
  - contributions paid to the Dumfries & Galloway Council Pension Fund – cash paid as employers contributions to the Pension Fund in settlement of liabilities. This is not accounted for as an expense under accounting conventions but is replaced by the current service cost above.

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 appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits

and replace them with charges for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. 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 LGPS.

#### **g) Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events which occur between the end of the reporting year and the date when the Annual Accounts are authorised for issue. The Annual Accounts are adjusted for events which provide evidence of conditions that existed at the end of the reporting year. The Annual Accounts are not adjusted for events which are indicative of conditions which arose after the end of the reporting year. However, where such events would have a material effect, a disclosure is made in the Notes to the Financial Statements of the nature of the event and the estimated financial effect.

#### **h) Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income & Expenditure Statement or in the Notes to the Financial Statements, depending on how significant the items are to an understanding of the Council's financial performance.

#### **i) Financial Instruments**

##### Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount which was originally recognised. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses incurred as a result of the rescheduling of borrowing are charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement. Regulations allow the spreading of the gain or loss over the period of the replacement loans. The reconciliation between the amounts charged to the Comprehensive Income & Expenditure Statement and the amount required to be charged against the General Fund Balance is managed via the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

##### 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 cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI) – not applicable to the Council for 2022/23.

##### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to 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 that interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was



initially recognised, losses are assessed on a lifetime basis. Where credit risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

Financial assets that are measured at FVPL 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 quote market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

#### **j) Grants & 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.

Monies advanced as grants and contributions for which contributions have not been satisfied are carried in the Balance Sheet as grants in advance. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (revenue grants) or Taxation & Non Specific Grant Income (capital grants) in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & 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 and Receipts Unapplied Account. Amounts in the Capital Grants and Receipts Unapplied Account are transferred to the Capital Fund to enable them to be used to support future capital expenditure.

#### **k) Heritage Assets**

Heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture. The Council's heritage assets are held in the Council's museums across the region and in some other Council buildings.

Heritage assets are recognised and measured in accordance with the Council's policies on property, plant & equipment. Valuations have been made by a combination of professional valuations and estimates by curators based on current market values of similar items. In line with these policies only assets valued at over £5,000 have been included in the Balance Sheet. Due to the indeterminate lives and high residual value of heritage assets, it is not deemed appropriate to charge depreciation on these assets. The carrying amount of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised in accordance with the Council's impairment policy. The Council's policy for the acquisition, preservation, management and disposal of heritage assets is included in "A Museums Forward Plan for Dumfries & Galloway".

#### **l) 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. Intangible assets are initially measured 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 line in the Comprehensive Income & Expenditure Statement.

#### **m) Interests in Companies and Other Entities**

Where the Council has a material interest in subsidiaries, associates or joint ventures the Council will prepare Group Accounts in compliance with the Code. An interest is where the Council has either ownership of share capital or has rights to benefit from the capital of the entity. An interest also covers situations where the Council has the right to benefit from surpluses, a liability to contribute to losses, or an obligation to contribute to debts or expenses in the winding up of an entity. In assessing whether the interest is material or not an assessment will be made as to the influence and control which the Council exerts over the entity, not solely the financial interest or ownership.

#### **n) Inventories**

Inventories include consumable stock. Consumable stock is included in the Balance Sheet at the lower of cost and net realisable value. Inventory quantities are either based on physical stock at the end of the year or on a perpetual inventory throughout the year.

#### **o) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the two elements are considered separately for classification.

##### The Council as Lessee

###### *Operating leases*

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the service benefitting from the leased asset. Charges are made on a straight line basis over the term of the lease.

##### The Council as Lessor

###### *Operating leases*

Where the Council grants an operating lease over a property the asset is retained on the Balance Sheet. Rental income received from operating leases is credited to Net Cost of Service in the Comprehensive Income & Expenditure Statement on a straight line basis over the term of the lease.

#### **p) Overheads and Support Services**

The costs of overheads and support services are charged to the service that incurs the initial cost based on the organisation structure. For example, Finance & Procurement and People & Transformation are reported under Economy & Resources rather than being charged over the services that receive the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2022/23 (SeRCop). This is in line with the practice outlined in the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

#### **q) Public Private Partnerships (PPP) and similar contracts**

PPP and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the service passes to the PPP contractor. As the Council is deemed to control the services provided under the PPP 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 these contracts on its Balance Sheet as part of Property, Plant & Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the contractor to pay for the capital investment. Non-current assets recognised in the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable each year are analysed into:

- the service charge and lifecycle replacement costs, charged to services in the Comprehensive Income & Expenditure Statement,
- the interest, charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement,
- contingent rent (increases in the amount to be paid for the property arising during the contract), charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement,
- the repayment of the liability, applied to reduce the Balance Sheet liability owed to the operator over the remaining term of the contract.

#### **r) Property, Plant & Equipment**

Assets which have a physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant & equipment.

##### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant & equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the asset will flow to the Council and the cost of the item can be reliably measured. Expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

##### Measurement

Assets are initially measured at cost, comprising:

- the purchase price and
- 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 Council does not capitalise borrowing costs incurred while assets are under construction.

The Council adopts IFRS13 Fair Value Measurement, definition of fair value for those assets and liabilities which can be or are required to be measured as such, for example surplus assets.

Assets are carried on the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost.
- Surplus Assets – measure for their economic benefit at fair value. Fair value is the price that would be received to see an asset in an orderly transaction between market participants at the measure date.
- all other assets – current value, determined as the amount that would be paid for the assets in its existing use. Where there is no market based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives, low value or both, depreciated historical cost basis is used as a proxy for fair value.

Infrastructure Assets – In line with Finance Circular 09/2022 (Statutory Override – Accounting for Infrastructure Assets) the Council has elected to apply both statutory overrides. These constitute: -

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

Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is required to be a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

### Revaluation

All assets are formally revalued at least once every five years and the revised amount is then included in the Balance Sheet. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in the value are identified these are accounted for by:

- writing down any balances on the Revaluation Reserve for that asset up to the accumulated gain or,
- where there is no or insufficient balance on the Revaluation Reserve, the loss is charged against the relevant service line in the Comprehensive Income & Expenditure Statement.

The carrying value of assets is reviewed annually and where there has been significant investment in an asset, or where there are indications of impairment or significant change in RICS indices for a category of asset the revaluation of assets will be brought forward in the revaluation cycle to ensure the carrying value is not materially different to that if all assets had been revalued at 31 March of the reporting year.

An annual indexation exercise is undertaken to provide assurance that the overall value of Property Plant and Equipment does not differ materially from that disclosed on the balance sheet, given that assets are only valued on a 5-year rolling cycle. The materiality limit for valuation movements is 15% (of the total Property Plant and Equipment value) in recognition of the volatile nature and external influences that can have a short-term impact on property values. If there was deemed to be a material difference, our external valuers would be asked to revalue additional assets.

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

### Impairment

Assets are reviewed at each year end to determine whether there is an indication that an asset may be impaired. Where indications exist, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised. Impairment losses are accounted for by:

- writing down any balances on the Revaluation Reserve for that asset up to the accumulated gain or,
- where there is no or insufficient balance on the Revaluation Reserve, the impairment loss is charged against the relevant service line in the Comprehensive Income & Expenditure Statement.

### Depreciation

Depreciation is provided on all property, plant & equipment, other than land, assets under construction and assets held for sale, on a straight line basis over the expected life of the asset. Where an item of property, plant & equipment has major components whose lives are different and whose costs are 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 on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals & Non-Current Assets Held for Sale

When an asset is reclassified as surplus and meets the appropriate criteria (i.e. the asset is available for immediate sale, the sale is highly probable, the asset is being actively marketed and the sale will be complete within a year of

reclassification) then it is classified as an asset held for sale. The asset is revalued before classification and carried at the lower of this value and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised up to the amount of any previous losses recognised in the (Surplus)/Deficit on the Provision of Services. Assets which are to be abandoned or scrapped are not reclassified as assets held for sale.

If assets no longer meet the criteria of assets held for sale, they are reclassified back to operational assets and valued at the lower of their carrying amount before they were classified as assets held for sale, adjusted for depreciation, amortisation and revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income & Expenditure Statement 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are required to be credited to the Capital Receipts Reserve. They are then applied to support the cost of new capital investment. Any receipts not applied in year are transferred to the Capital Receipts Unapplied Account. Any receipts in the Capital Receipts Unapplied Account are then transferred to the Capital Fund to support future capital expenditure. Receipts are appropriated to the Reserve from the General Fund 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.

#### **s) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are created 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation, and are 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 carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

A contingent liability or asset arises where an event has taken place which gives the Council a possible obligation or benefit 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 or assets 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 or assets are not recognised in the Balance Sheet but are disclosed in a Note to the Accounts.

#### **t) 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 included in the appropriate service in that year so as to be included in the Comprehensive Income & 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 the Council Tax for the expenditure.

Reserves are categorised under accounting regulations into two broad categories:

- usable reserves, which are available to support services,
- unusable reserves, which are required to facilitate accounting requirements.

#### **u) VAT**

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs (HMRC) and all VAT paid is recoverable from it.

#### **v) New accounting standards**

The code of Practice on Local Authority accounting for 2022/23 was revised to take into account the latest International Financial Reporting Standards (IFRS) coming into effect.

- Revision of Section 4.2 (Leases) to allow authorities to adopt the provisions of IFRS 16 in advance.
- Revision of Section 4.3 (Service Concession Arrangements: Local Authority as Grantor) to specify that if IFRS 16 is adopted in advance of mandatory implementation, then the service concession arrangement liability is measured in accordance with the measurement requirements of IFRS 16.
- Augmentations to section 8.2 (Provisions, Contingent Liabilities and Contingent Assets) to clarify the treatment of social benefits under IAS 37/IPSAS 19.

These changes have been considered as part of the preparation of the Council's accounts for 2022/23 and have not impacted the financial statements, primarily due to the delay in the implementation of the IFRS16 as noted below.

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## **2. Adjustments to 2021/22 Audited Annual Accounts**

Within the Remuneration Statement, the remuneration of Elected Members has been restated to reflect the enhancements paid to Senior Members within the Salaries heading, rather than allowances. This is a presentational change and has no impact on other figures presented within the Annual Accounts.

Within Note 30, the presentation of the General Fund balance for the prior financial year (2021/22) has been updated to simply show the opening balance, rather than the movements during the year. This change has had no impact on the opening balances and represents a simplification of the information provided.

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## **3. Accounting Standards Issued and 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. The Code requires implementation from 1 April 2023, therefore there is no impact on the 2022/23 financial statements. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- Property Plant and Equipment; Proceeds Before Intended Use (Amendments to IAS 16).

The implementation of IFRS 16 for Leases Accounting, which should have been adopted with effect from 1 April 2022, has now been deferred until 1 April 2024 with local authorities having the option to adopt earlier if they decide to do so. The Council has opted to defer implementation until 1 April 2024

There are no other accounting standards issued and not yet adopted that will have a material impact on the 2022/23 Annual Accounts.

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## **4. 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. The critical judgements made in the Statement of Accounts are:

- **Public Sector Funding** – 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 of the assets of the Council which might be impaired as a result of the need to review service provision.
  - **Public Private Partnership (PPP)** - The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contract are included within Property, Plant and Equipment on the Council's Balance Sheet.
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**5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Estimation of the fair values and useful lives of assets are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require the Council to review current spending levels on asset repairs and maintenance, bringing into doubt fair values and useful lives assigned to assets.	Any significant change in repairs and maintenance spend would require a review of asset lives, thereby impacting directly on asset valuations and depreciation charges to Services.
LGPS Pensions Liability	Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pensions fund assets. External actuaries provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in a increase in the pension liability of £16.490 Million. However, the assumptions interact in complex ways.
Arrears Provision	The Council has made provision of £5.3 Million in relation to outstanding debtor balances and £14.7 Million in relation to outstanding Council Tax balances (notes 19 and 20). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, it is possible that future economic conditions could have a detrimental impact on collection levels.	If debtor collection rates were to deteriorate, consideration would need to be given to further reviewing the criteria for calculating provisions and the provision levels held.

**6. Events After the Balance Sheet Date**

The unaudited Annual Accounts were issued by the Head of Finance and Procurement on 27 June 2023.

Events taking place after this date are not reflected in the financial statements or notes.

## 7. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund (Note 2)	Adjustments Between the Funding and Accounting Basis (Note 1)	Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund (Note 2)	Adjustments Between the Funding and Accounting Basis (Note 1)	Expenditure in the Comprehensive Income & Expenditure Statement
£000	£000	£000		£000	£000	£000
142,044	20,864	162,908	Education & Learning	146,273	10,424	156,697
23,154	3,877	27,031	Social Work Services	26,225	3,535	29,760
77,024	5,194	82,218	Integrated Joint Board (IJB)	90,415	4,568	94,983
73,681	31,513	105,194	Communities	78,132	30,252	108,384
35,328	13,204	48,532	Economy & Resources	41,986	10,836	52,822
901	307	1,208	Non-Distributable Costs	(3,945)	160	(3,785)
<b>352,132</b>	<b>74,959</b>	<b>427,091</b>	<b>Net Cost Of Services</b>	<b>379,086</b>	<b>59,775</b>	<b>438,861</b>
30,519	(3,664)	26,855	Other Operating Income & Expenditure	35,742	(10,263)	25,479
(402,474)	(21,293)	(423,767)	Taxation & Non-Specific Grant Income	(411,195)	(17,909)	(429,104)
<b>(19,823)</b>	<b>50,002</b>	<b>30,179</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>3,633</b>	<b>31,603</b>	<b>35,236</b>
(70,180)			Opening General Fund Balance at 1 April	(90,003)		
(19,823)			Add/Less (Surplus) or Deficit for the Year	3,633		
<b>(90,003)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(86,370)</b>		

**Note 1: Breakdown of Adjustments between Funding and Accounting Basis**

2021/22						2022/23				
Capital Purposes	Pensions	PPP /PFI	Other Differences	Total		Capital Purposes	Pensions	PPP /PFI	Other Differences	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
21,738	7,362	(11,272)	3,036	<b>20,864</b>	Education & Learning	16,288	6,394	(11,191)	(1,067)	<b>10,424</b>
357	3,509	0	11	<b>3,877</b>	Social Work Services	148	3,359	0	28	<b>3,535</b>
406	4,823	0	(35)	<b>5,194</b>	Integrated Joint Board (IJB)	297	4,231	0	40	<b>4,568</b>
22,021	9,633	0	(141)	<b>31,513</b>	Communities	21,453	8,759	0	40	<b>30,252</b>
5,575	7,659	0	(30)	<b>13,204</b>	Economy & Resources	3,960	6,846	0	30	<b>10,836</b>
212	95	0	0	<b>307</b>	Non-Distributable Costs	160	0	0	0	<b>160</b>
<b>50,309</b>	<b>33,081</b>	<b>(11,272)</b>	<b>2,841</b>	<b>74,959</b>	<b>Net Cost Of Services</b>	<b>42,306</b>	<b>29,589</b>	<b>(11,191)</b>	<b>(929)</b>	<b>59,775</b>
(17,195)	5,392	7,956	183	<b>(3,664)</b>	Other Operating Income and Expenditure	(17,185)	(1,756)	7,849	829	<b>(10,263)</b>
(21,293)	0	0	0	<b>(21,293)</b>	Taxation & Non-Specific Grant Income	(17,909)	0	0	0	<b>(17,909)</b>
<b>11,821</b>	<b>38,473</b>	<b>(3,316)</b>	<b>3,024</b>	<b>50,002</b>	<b>Difference between General Fund (surplus)/deficit and the Comprehensive Income and Expenditure (Surplus)/Deficit</b>	<b>7,212</b>	<b>27,833</b>	<b>(3,342)</b>	<b>(100)</b>	<b>31,603</b>

**Note 2: Breakdown of Income and Expenditure Included in the Net Cost Of Services chargeable to the General Fund**

This analysis reflects the income and expenditure of each service as reported to Service Committees and excludes the year end accounting transactions. This breaks down the net expenditure chargeable to the general fund included in the analysis above.

<b>Service Income &amp; Expenditure 2021/22</b>	<b>Education &amp; Learning £000</b>	<b>Social Work Services £000</b>	<b>Integrated Joint Board £000</b>	<b>Communities £000</b>	<b>Economy &amp; Resources £000</b>	<b>Non Distributable Costs £000</b>	<b>Total £000</b>
Fees, charges & other service income	(1,923)	(2,116)	(108,201)	(24,109)	(10,738)	(707)	<b>(147,794)</b>
Grants	(16,803)	(4,634)	(6,492)	(33,932)	(7,258)	(2,245)	<b>(71,364)</b>
<b>Total Income</b>	<b>(18,726)</b>	<b>(6,750)</b>	<b>(114,693)</b>	<b>(58,041)</b>	<b>(17,996)</b>	<b>(2,952)</b>	<b>(219,158)</b>
Employee expenses	117,160	15,205	20,587	43,475	31,897	1,819	<b>230,143</b>
Other service expenses	43,610	14,699	171,130	88,247	21,427	2,034	<b>341,147</b>
<b>Total Expenditure</b>	<b>160,770</b>	<b>29,904</b>	<b>191,717</b>	<b>131,722</b>	<b>53,324</b>	<b>3,853</b>	<b>571,290</b>
<b>Net Expenditure</b>	<b>142,044</b>	<b>23,154</b>	<b>77,024</b>	<b>73,681</b>	<b>35,328</b>	<b>901</b>	<b>352,132</b>

<b>Service Income &amp; Expenditure 2022/23</b>	<b>Education &amp; Learning £000</b>	<b>Social Work Services £000</b>	<b>Integrated Joint Board £000</b>	<b>Communities £000</b>	<b>Economy &amp; Resources £000</b>	<b>Non Distributable Costs £000</b>	<b>Total £000</b>
Fees, charges & other service income	(495)	(512)	(106,283)	(21,475)	(9,825)	(637)	<b>(139,227)</b>
Grants	(24,775)	(6,630)	(19,425)	(34,836)	(13,092)	(1,250)	<b>(100,008)</b>
<b>Total Income</b>	<b>(25,270)</b>	<b>(7,142)</b>	<b>(125,708)</b>	<b>(56,311)</b>	<b>(22,917)</b>	<b>(1,887)</b>	<b>(239,235)</b>
Employee expenses	126,164	17,180	21,826	46,127	35,642	(4,865)	<b>242,074</b>
Other service expenses	45,379	16,187	194,297	88,316	29,261	2,807	<b>376,247</b>
<b>Total Expenditure</b>	<b>171,543</b>	<b>33,367</b>	<b>216,123</b>	<b>134,443</b>	<b>64,903</b>	<b>(2,058)</b>	<b>618,321</b>
<b>Net Expenditure</b>	<b>146,273</b>	<b>26,225</b>	<b>90,415</b>	<b>78,132</b>	<b>41,986</b>	<b>(3,945)</b>	<b>379,086</b>

\*The IJB income and expenditure figures are increased by £95,377k (£77,900k in 2021/22) to represent our contribution to the IJB and income is increased by the same amount to represent the funding received back from the IJB to support the provision of services.

The negative expenditure reflected within Non-Distributable Costs is due to the inclusion of IAS19 accounting transactions at the end of the year.

**8. Key Items of Income and Expenditure**

The following table provides an overall analysis of all key items of Income and Expenditure that is attributable to the Surplus or Deficit on the Provision of Services included within the Comprehensive Income and Expenditure Statement.

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Fee, charges & other service income	(147,794)	(139,227)
Interest & investment income	(110)	(2,128)
Income from Council Tax	(70,236)	(73,462)
Income from NDR	(41,904)	(51,388)
Grants & Contributions	(382,991)	(404,262)
<b>Total Income</b>	<b>(643,035)</b>	<b>(670,467)</b>
Employee expenses	266,065	270,735
Other service expenses	329,875	365,056
Depreciation, amortisation & impairment	50,309	42,305
Interest payments	26,706	26,699
Other (gains)/losses	259	908
<b>Total Expenditure</b>	<b>673,214</b>	<b>705,703</b>
<b>(Surplus) or deficit on the Provision of Services</b>	<b>30,179</b>	<b>35,236</b>

**Revenue from Contracts with Service Recipients**

The following table provides details on amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients. This is income received from external parties for goods or services that they have been provided.

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Education & Learning	(413)	(435)
Social Work Services	(210)	(370)
Integrated Joint Board	(11,217)	(10,766)
Communities	(6,794)	(8,259)
Economy & Resources	(2,483)	(2,284)
	<b>(21,117)</b>	<b>(22,114)</b>

**9. Financing and Investment Income & Expenditure**

The Financing and Investment Income & Expenditure in the Comprehensive Income & Expenditure Statement comprises the following elements:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Interest payable & similar charges	16,545	16,805
Net interest on the net defined benefit liability/ (asset)	10,161	9,894
Interest receivable & similar income	(110)	(2,128)
	<b>26,596</b>	<b>24,571</b>



**10. Taxation and Non Specific Grant Income**

The Taxation and Non Specific Grant Income in the Comprehensive Income & Expenditure Statement comprises the following elements:

	2021/22 £000	2022/23 £000
Council Tax income	(70,236)	(73,462)
Non-domestic rates redistribution	(41,904)	(51,388)
Non ring fenced government grants	(290,334)	(282,889)
Capital grant funding applied to support principle Loans repayment	-	(3,456)
Capital grants & contributions	(21,293)	(17,909)
	<b>(423,767)</b>	<b>(429,104)</b>

The Non-domestic rates income for 2021/22 included an additional £3.074 Million in relation to the Business Rates Incentivisation Scheme. During 2022/23 additional Capital Grant funding was received from the Scottish Government to support the additional cost of the pay award. As this has been received as capital funding this has been applied to support the principle loans repayment.

**11. Agency Services**

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2022/23 the Council collected £53.696 Million (£41.846 Million in 2021/22) and transferred £2.308 Million of this to the NDR pool (£3.016 Million was transferred to the NDR pool in 2021/22). These transactions resulted in a Net Non-Domestic Rates benefit to the Council totalling £51.388 Million in 2022/23 (£41.904 Million in 2021/22).

The Council bills and collects domestic water and wastewater charges on behalf of Scottish Water as part of its Council Tax billing and collection arrangements. During 2022/23 the Council transferred £22.8 Million (£21.7 Million in 2021/22) to Scottish Water. The Council has received £485K in relation to 2022/23 (£485K in 2021/22) for providing this service.

The Council acted on behalf of the Scottish Government to distribute a cost of living award of £150 to eligible households across the region. The council received and distributed funding of £7.962 Million in relation to this requirement which has not been reflected within the Comprehensive Income and Expenditure Account.

The Council also supported the distribution of Scottish Children Bridging payments on behalf of the Scottish Government to eligible children and young people within the region. The council received and distributed funding of £1.934 Million (£2.088 Million in 2021/22) which has also not been reflected within the Comprehensive Income and Expenditure Account.

**12. External Audit Fees**

The external audit fee payable for 2022/23 was £390k (£349k in 2021/22). There were no non-audit fees payable in the year.

**13. Grant Income**

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

	2021/22 £000	2022/23 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Council Tax income	(70,236)	(73,462)
Non-domestic rates redistribution	(41,904)	(51,388)
Capital grants & contributions	(21,293)	(17,909)
Capital grant funding – support principle Loans repayment	0	(3,456)
Non ring fenced Government grants	(290,334)	(282,889)
<b>Total</b>	<b>(423,767)</b>	<b>(429,104)</b>
<b>Credited to Services</b>		
DWP Housing Benefits	(31,707)	(30,684)
Criminal Justice Service	(3,086)	(2,046)
Home Efficiency Programmes for Scotland	(2,837)	(3,163)
Attainment Fund	(3,248)	(3,700)
Early Learning and Childcare	(11,083)	(16,336)
Economic Development Grants	(3,190)	(5,117)
Other Government Grants	(1,244)	(3,986)
Other Government Grants: NHS	(8,162)	(8,054)
Dalbeattie DBFM	(1,974)	(1,974)
Resettlement Grants	-	(2,062)
All Other Grants	(4,833)	(10,192)
<b>Total</b>	<b>(71,364)</b>	<b>(87,314)</b>

**14. Adjustments between Accounting Basis & Funding Basis under Regulations**

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure in the Comprehensive Income & Expenditure Statement (CIES) recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future revenue and capital expenditure.

	Adjustments to Comprehensive Income & Expenditure Statement				Unusable Reserves				
	General Fund balance	Capital Receipt Reserve	Capital Receipt & Grant Unapplied	Capital Fund	Capital Adjustm't Account	Financial Instrum'ts Adjustm't Account	Pensions Reserve	Employee Statutory Adjustm't Account	Net movem't in Unusable Reserves
Adjustments during 2021/22	£000	£000	£000	£000	£000	£000	£000	£000	£000
• Charges for depreciation and impairment of non-current assets	(34,263)	0	0	0	34,263	0	0	0	34,263
• Amortisation of intangible assets	(8)	0	0	0	8	0	0	0	8
• Capital grants and contributions applied	21,293	0	0	0	(21,293)	0	0	0	(21,293)
• Net gain/(loss) on disposal of non-current assets	(259)	0	0	0	259	0	0	0	259
• Statutory repayment of debt (Loans Fund advances)	13,543	0	0	0	(13,543)	0	0	0	(13,543)
• Statutory repayment of debt (PFI/PPP)	3,316	0	0	0	(3,316)	0	0	0	(3,316)
• Capital expenditure charged in year to General Fund balance	246	0	0	0	(246)	0	0	0	(246)
• Capital receipts received during the year	0	(595)	(14)	0	609	0	0	0	609
• Use of the Capital Reserves to finance new capital expenditure	0	595	0	26	(621)	0	0	0	(621)
• Amount by which finance costs charged to the CIES are different to the amount of finance costs chargeable in the year in accordance with statutory requirem'ts	76	0	0	0	0	(76)	0	0	(76)
• Reversal of items relating to retirement benefits debited or credited to the CIES	(66,047)	0	0	0	0	0	66,047	0	66,047
• Employers' pension contributions and direct payments to pensioners payable in the year	27,574	0	0	0	0	0	(27,574)	0	(27,574)
• Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration charged in year in accordance with statutory requirements	(2,842)	0	0	0	0	0	0	2,842	2,842
<b>Total Adjustments</b>	<b>(37,371)</b>	<b>0</b>	<b>(14)</b>	<b>26</b>	<b>(3,880)</b>	<b>(76)</b>	<b>38,473</b>	<b>2,842</b>	<b>37,359</b>

	Adjustments to Comprehensive Income & Expenditure Statement				Unusable Reserves				
	General Fund balance	Capital Receipts Reserve	Capital grant & receipt Unapplied	Capital Fund	Capital Adjustm't Account	Financial Instrum'ts Adjustm't Account	Pension Reserve	Employee Statutory Adjustm't Account	Net movem't in Unusable Reserves
Adjustments during 2022/23	£000	£000	£000	£000	£000	£000	£000	£000	£000
• Charges for depreciation and impairment of non-current assets	(27,311)				27,311				27,310
• Amortisation of intangible assets	(8)				8				8
• Capital grants and contributions applied	17,909				(17,909)				(17,909)
• Net gain/(loss) on disposal of non-current assets	(908)				908				908
• Statutory repayment of debt (Loans Fund advances)	13,653				(13,653)				(13,653)
• Statutory repayment of debt (PFI/PPP)	3,343				(3,343)				(3,342)
• Capital expenditure charged in year to General Fund balance	130				(130)				(130)
• Capital receipts received during the year		(985)			985				985
• Use of the Capital Reserves to finance new capital expenditure		985		83	(1,068)				(1,068)
• Amount by which finance costs charged to the CIES are different to the amount of finance costs chargeable in the year in accordance with statutory requirem'ts	79					(79)			(79)
• Reversal of items relating to retirement benefits debited or credited to the CIES	(57,571)						57,571		57,571
• Employers' pension contributions and direct payments to pensioners payable in the year	29,738						(29,738)		(29,738)
• Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration charged in year in accordance with statutory requirements	929							(929)	(929)
<b>Total Statutory Adjustments</b>	<b>(20,017)</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>(6,891)</b>	<b>(79)</b>	<b>27,833</b>	<b>(929)</b>	<b>19,934</b>

**15. Transfers to/(from) Other Statutory Reserves**

This note sets out the amounts set aside from the General Fund balances in statutory reserves, established under Schedule 3 of the Local Government (Scotland) Act 1975, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in the year.

<b>Movements in 2021/22</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Fund</b>	<b>Repairs &amp; Renewals Fund</b>	<b>Insurance Fund</b>	<b>Capital Grants &amp; Receipts Unapplied</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Receipts Transfer to Capital Fund	3,155	0	(3,155)	0	0	0
Contribution to Repairs & Renewals from General Fund	0	0	(14)	0	0	14
Transfer to Repairs & Renewals from General Fund	(360)	0	0	360	0	0
Transfer to Insurance from General Fund	600	0	0	0	(600)	0
Interest on balances	11	0	(2)	(5)	(4)	0
	<b>3,406</b>	<b>0</b>	<b>(3,171)</b>	<b>355</b>	<b>(604)</b>	<b>14</b>

<b>Movements in 2022/23</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Fund</b>	<b>Repairs &amp; Renewals Fund</b>	<b>Insurance Fund</b>	<b>Capital Grants &amp; Receipts Unapplied</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Transfer from General Fund to fund new Capital Investment	3,413	0	(3,413)	0	0	0
Capital Receipts Transfer to Capital Fund	0	0	0	0	0	0
Transfer from Repairs & Renewals to General Fund	(204)	0	0	204	0	0
Transfer to Insurance from General Fund	0	0	0	0	0	0
Interest on balances	193	0	(82)	(54)	(57)	0
	<b>3,402</b>	<b>0</b>	<b>(3,495)</b>	<b>150</b>	<b>(57)</b>	<b>0</b>



## 16. Property, Plant & Equipment

The movements on balances for Property, Plant & Equipment are shown in the following tables. Figures for 2021/22 are provided for comparison.

Movements in 2021/22	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
<b>Gross Book Value at 1 April 2021</b>	<b>761,978</b>	<b>50,670</b>	<b>0</b>	<b>5,028</b>	<b>8,314</b>	<b>8,601</b>	<b>834,591</b>
Reclassifications of assets	(576)	0	0	0	0	576	0
Assets reclassified (to)/ from Held for Sale	(208)	0	0	0	0	(633)	(841)
Additions	9,446	10,602	0	479	1,019	34	21,580
Derecognition – disposals	0	(345)	0	0	0	0	(345)
Revaluation increase/ (decreases) recognised in the Revaluation Reserve	(3,127)	(744)	0	0	0	0	(3,871)
Revaluation losses recognised in the (surplus)/deficit on the provision of services	(3,442)	(83)	0	(2)	0	0	(3,527)
Impairment losses recognised in the revaluation reserves	(54)	0	0	0	0	0	(54)
Impairment losses recognised in the (surplus)/deficit in the provision of services	(275)	0	0	0	0	0	(275)
<b>Gross Book Value at 31 March 2022</b>	<b>763,742</b>	<b>60,100</b>	<b>0</b>	<b>5,505</b>	<b>9,333</b>	<b>8,578</b>	<b>847,258</b>
<b>Accumulated Depreciation at 1 April 2021</b>	<b>(59,130)</b>	<b>(34,807)</b>	<b>0</b>	<b>(736)</b>	<b>0</b>	<b>(47)</b>	<b>(94,270)</b>
Depreciation on reclassifications	223	0	0	0	0	(223)	0
Depreciation on reclassification to Assets Held for Sale	37	0	0	0	0	25	62
Depreciation charge for year	(31,233)	(4,534)	0	(182)	0	(35)	(35,984)
Depreciation written back on disposals	0	302	0	0	0	0	302
Depreciation written out to the Revaluation Reserve on revaluations	16,787	984	0	0	0	0	17,771
Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services	873	65	0	0	0	0	938
Depreciation written out to the Revaluation Reserve on impairments	84	0	0	0	0	0	84
<b>Accumulated Depreciation at 31 March 2022</b>	<b>(72,359)</b>	<b>(37,990)</b>	<b>0</b>	<b>(918)</b>	<b>0</b>	<b>(280)</b>	<b>(111,547)</b>
Net Book Value at 31 March 2022	<b>691,383</b>	<b>22,110</b>	<b>140,384</b>	<b>4,587</b>	<b>9,333</b>	<b>8,298</b>	<b>876,095</b>
Net Book Value at 31 March 2021	<b>702,848</b>	<b>15,863</b>	<b>142,648</b>	<b>4,292</b>	<b>8,314</b>	<b>8,554</b>	<b>882,519</b>

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<b>Movements in 2022/23</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Gross Book Value at 1 April 2022</b>	<b>763,742</b>	<b>60,100</b>	<b>0</b>	<b>5,505</b>	<b>9,333</b>	<b>8,578</b>	<b>847,258</b>
Reclassifications of assets	0	0	0	0	0	0	0
Assets reclassified (to)/ from Held for Sale	(1,172)	0	0	80	0	(1,156)	(2,248)
Additions	11,718	4,094	0	463	2,015	26	18,316
Derecognition – disposals	0	(20,061)	0	0	0	0	(20,061)
Revaluation increase/ (decreases) recognised in the Revaluation Reserve	(5,290)	(2,353)	0	(242)	0	1,610	(6,275)
Revaluation losses recognised in the (surplus)/deficit on the provision of services	(1,795)	0	0	86	0	0	(1,709)
Impairment losses recognised in the revaluation reserves	0	0	0	0	0	0	0
Impairment losses recognised in the (surplus)/deficit in the provision of services	0	0	0	0	0	0	0
<b>Gross Book Value at 31 March 2023</b>	<b>767,203</b>	<b>41,780</b>	<b>0</b>	<b>5,892</b>	<b>11,348</b>	<b>9,058</b>	<b>835,281</b>
<b>Accumulated Depreciation at 1 April 2022</b>	<b>(72,359)</b>	<b>(37,990)</b>	<b>0</b>	<b>(918)</b>	<b>0</b>	<b>(280)</b>	<b>(111,547)</b>
Depreciation on reclassifications	0	0	0	0	0	0	0
Depreciation on reclassification to Assets Held for Sale	146	0	0	0	0	269	415
Depreciation charge for year	(29,507)	(5,310)	0	(207)	0	(46)	(35,070)
Depreciation written back on disposals	0	20,042	0	0	0	0	20,042
Depreciation written out to the Revaluation Reserve on revaluations	9,830	4,193	0	268	0	0	14,291
Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services	5,792	0	0	29	0	0	5,821
Depreciation written out on impairments recognised in the (Surplus)/ Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>Accumulated Depreciation at 31 March 2023</b>	<b>(86,098)</b>	<b>(19,065)</b>	<b>0</b>	<b>(828)</b>	<b>0</b>	<b>(57)</b>	<b>(106,048)</b>
Net Book Value at 31 March 2023	<b>681,105</b>	<b>22,715</b>	<b>140,366</b>	<b>5,064</b>	<b>11,348</b>	<b>9,001</b>	<b>869,599</b>
Net Book Value at 31 March 2022	<b>691,383</b>	<b>22,110</b>	<b>140,384</b>	<b>4,587</b>	<b>9,333</b>	<b>8,298</b>	<b>876,095</b>

## Depreciation

Depreciation has been provided for on non-current assets (other than assets under construction and assets held for sale) with a finite useful life which can be determined at the time of acquisition or revaluation. The depreciation methods and useful lives used within each category of non-current assets have been determined on an individual asset basis by the Council's internal valuers in line with the Royal Institute of Chartered Surveyors (RICS) recommended practice. The Council employed the following depreciation policies for each class of non-current asset held during the year:

Other Land & Buildings	Buildings depreciated on a Straight Line basis over up to 50 years
Vehicles, Plant, Furniture & Equipment	Depreciated on a Straight Line basis over up to 20 years
Infrastructure Assets	Depreciated on a Straight Line basis over up to 50 years
Community Assets	Depreciated on a Straight Line basis over up to 50 years
Surplus Assets	Depreciated on a Straight Line basis over up to 50 years

## Valuations

Valuations are undertaken as part of a rolling programme which has been designed to ensure that each of the Council's non-current assets is revalued at least once every 5 years in line with statutory requirements. These valuations are undertaken in line with the professional standards of RICS. The valuations of the Council's non-current assets are undertaken by an external valuer, Colliers International Valuation UK LLP, who following a procurement process were awarded to undertake the Council's valuations commencing in 2020/21. The main bases of valuation can be summarised as follows:

Operational Land & Buildings	Current value based on existing use or depreciated replacement cost
Vehicles, Plant, Furniture & Equipment	Existing use value or depreciated replacement cost
Infrastructure Assets	Depreciated historic cost
Community Assets	Depreciated historic cost
Surplus Assets	Economic Benefit at Fair Value *
Assets Held for Sale	Fair value less costs to sell
Assets Under Construction	Historic cost

Infrastructure Assets – In line with Finance Circular 09/2022 (Statutory Override – Accounting for Infrastructure Assets) the Council has elected to apply both statutory overrides. These constitute: -

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

Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is required to be a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

\* In 2016/17, the Code of Practice adopted IFRS13 Fair Value Measurement, providing a single definition of fair value for those assets and liabilities which can be or are required to be measured as such, for example surplus assets. There are 21 surplus assets valued at fair value measurement and these were measured using level 1 inputs in the fair value hierarchy.

The carrying value of assets is reviewed annually and where there has been significant investment in an asset, or where there are indications of impairment or significant change in RICS indices/market valuations for a category of asset the revaluation of assets will be brought forward in the revaluation cycle to ensure the carrying value is not materially different to that if all assets had been revalued at 31 March of the reporting year. The following table outlines the progress of the Council's five year rolling programme of valuations.

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	2,194	22,715	139,986	0	11,348	0	176,243
Valued at fair value as at:							
31 March 2023	61,542	0	0	1,370	0	6,640	69,552
31 March 2022	92,843	0	0	80	0	0	92,923
31 March 2021	154,160	0	0	2,171	0	1,574	157,905
31 March 2020	180,056	0	375	665	0	600	181,696
31 March 2019	190,310	0	5	778	0	187	191,280
<b>Total Cost or Valuation</b>	<b>681,105</b>	<b>22,715</b>	<b>140,366</b>	<b>5,064</b>	<b>11,348</b>	<b>9,001</b>	<b>869,599</b>

**Capital Commitments**

At 31 March 2023, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment. In 2023/24 this is budgeted to cost £12.123m. The major commitments are:

<b>Property</b>	<b>Project Description</b>	<b>Commitment £000</b>
Locharbriggs Primary School	Refurbishment	1,970
St. Michael's Primary School	Refurbishment	1,157
Noblehill Primary School	Nursery Alterations	1,544
Park Primary School	Refurbishment	1,320
Elmvale Primary School	Refurbishment	194
Springholm Primary School	Nursery Alterations	379
Lochmaben Community Centre	Roof works	366
Newington Sports Centre	Refurbishment	287
Ryan Leisure Centre	Refurbishment	529
Commerce Road Depot, Stranraer	Refurbishment	1,187
Dumfries Fountain	Refurbishment	175
Stranraer Museum	Refurbishment	451
DGRI New Abbey Road Scheme	Road Improvements	690
Play Parks	Purchase and Installation of Play Equipment	284
Lochar Moss MBT Plant, Dumfries	Purchase of Equipment	393
Transport	Purchase of Buses/Hotboxes	1,197

**17. Other Assets – Intangible, Heritage and Assets Held For Sale**

The movements on Intangible, Heritage and Assets Held for Sale are shown in the following table. Figures for 2021/22 have been provided for comparison.

	<b>Intangible Assets</b>		<b>Heritage Assets</b>		<b>Assets Held For Sale</b>	
	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Cost or Valuation</u></b>						
<b>Balance at 1 April</b>	2,965	2,965	2,310	2,350	810	962
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	841	2,248
Additions	0	0	44	0	95	156
Derecognition - Disposals	0	(2,889)	0	0	(848)	(2,287)
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	0	(4)	6	51	20
Revaluation increases/ (decreases) in the CIES	0	0	0	0	13	0
<b>Balance at 31 March</b>	<b>2,965</b>	<b>76</b>	<b>2,350</b>	<b>2,356</b>	<b>962</b>	<b>1,099</b>
<b><u>Accumulated Depreciation</u></b>						
<b>Balance at 1 April</b>	(2,935)	(2,943)	0	0	(15)	(5)
Eliminated on the reclassification of Assets Held For Sale	0	0	0	0	(62)	(415)
Depreciation / Amortisation Charge	(8)	(9)	0	0	0	0
Depreciation - Disposals	0	2,891	0	0	17	387
Depreciation written out to the Revaluation Reserve	0	0	0	0	55	4
<b>Balance at 31 March</b>	<b>(2,943)</b>	<b>(61)</b>	<b>0</b>	<b>0</b>	<b>(5)</b>	<b>(29)</b>
<b>Net Book Value at 31 March</b>	<b>22</b>	<b>15</b>	<b>2,350</b>	<b>2,356</b>	<b>957</b>	<b>1,070</b>

**18. Capital Expenditure & Financing**

The total amount of capital expenditure incurred in the year and the resources that have been used to finance it are shown below. The Capital Financing Requirement (CFR) reflects the Council's underlying need to borrow to fund capital expenditure.

	2021/22 £000	2022/23 £000
<b>Opening Capital Investment Requirement</b>	<b>393,952</b>	<b>386,112</b>
<b>In Year Adjustment</b>	<b>0</b>	<b>0</b>
<b>Capital Investment</b>		
Property, Plant & Equipment – non PFI/PPP assets	30,960	30,548
Property, Plant & Equipment – PFI/PPP/DBFM assets	0	0
Heritage assets	44	0
	<b>31,004</b>	<b>30,548</b>
<b>Financed as follows:</b>		
Capital receipts	595	985
Government grants & other contributions	21,103	16,656
Loans Fund principal	13,543	13,653
Direct revenue contributions	3,603	4,291
	<b>38,844</b>	<b>35,585</b>
<b>Closing Capital Requirement</b>	<b>386,112</b>	<b>381,075</b>
<b>Explanation of movements in the year:</b>		
In Year Adjustment	0	0
Increase/(decrease) in underlying need to borrow	(4,524)	(1,694)
Increase/(decrease) in relation to PFI/PPP contracts	(3,316)	(3,343)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(7,840)</b>	<b>(5,037)</b>

It should be noted that the above information will be impacted by the adoption of Service Concessions in 2023/24.

**19. Long Term Debtors**

The Long Term Debtors identified in the Balance Sheet comprise of the following elements:

	Gross Debtors £000	2021/22 Provision for debt impairment £000	Net Debtors £000	Gross Debtors £000	2022/23 Provision for debt impairment £000	Net Debtors £000
Scottish Police Authority	7,207	0	7,207	6,898	0	6,898
Scottish Fire & Rescue Service	2,096	0	2,096	1,938	0	1,938
Other entities & individuals	251	(48)	203	228	(43)	185
<b>Total Long Term Debtors</b>	<b>9,554</b>	<b>(48)</b>	<b>9,506</b>	<b>9,064</b>	<b>(43)</b>	<b>9,021</b>



**20. Short Term Debtors**

The Short Term Debtors identified in the Balance Sheet comprise of the following elements:

	<b>Gross Debtors</b>	<b>2021/22 Provision for debt impairment</b>	<b>Net Debtors</b>	<b>Gross Debtors</b>	<b>2022/23 Provision for debt impairment</b>	<b>Net Debtors</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Scottish Government bodies	6,025	0	6,025	5,028	0	5,028
Central Government bodies	1,020	0	1,020	5,874	0	5,874
Other local authorities	39	0	39	23	0	23
NHS bodies	23	0	23	0	0	0
Public corporations	454	0	454	6	0	6
Other entities and individuals	19,097	(6,364)	12,733	16,223	(5,237)	10,986
	<b>26,658</b>	<b>(6,364)</b>	<b>20,294</b>	<b>27,154</b>	<b>(5,237)</b>	<b>21,917</b>
Council Tax	16,135	(15,274)	861	14,958	(14,744)	214
Non-Domestic Rates	1,359	0	1,359	4,836	0	4,836
<b>Total Short Term Debtors</b>	<b>44,152</b>	<b>(21,638)</b>	<b>22,514</b>	<b>46,948</b>	<b>(19,981)</b>	<b>26,967</b>

**21. Cash & Cash Equivalents**

The balance of Cash & Cash Equivalents identified in the Balance Sheet comprises of the following elements:

	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Cash held by the Council	50	50
Bank current accounts	13,833	15,440
Short-term deposits	39,711	21,004
<b>Total Cash &amp; Cash Equivalents</b>	<b>53,594</b>	<b>36,494</b>

**22. Short Term Creditors**

The Short Term Creditors identified in the Balance Sheet comprise of the following elements:

	<b>2021/22</b>				<b>2022/23</b>			
	<b>Trade creditors</b>	<b>Receipts in advance</b>	<b>Other creditors</b>	<b>Total Creditors</b>	<b>Trade creditors</b>	<b>Receipts in advance</b>	<b>Other creditors</b>	<b>Total Creditors</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Scottish Government bodies	0	(15,993)	(1,574)	(17,567)	0	(12,401)	(265)	(12,666)
Central Government bodies	0	(2,367)	0	(2,367)	0	(2,477)	0	(2,477)
Other Local Authorities	(135)	0	32	(103)	(7)	(7)	0	(14)
NHS bodies	(3)	(1,596)	0	(1,599)	0	(4)	0	(4)
Public Corporations	0	0	0	0	(2)	(5)	0	(7)
Payroll	0	0	(18,066)	(18,066)	0	0	(21,218)	(21,218)
IJB	0	(5,668)	0	(5,668)	0	(9,606)	0	(9,606)
Other entities & individuals	(12,183)	(2,793)	(12,449)	(27,425)	(10,160)	(3,804)	(8,785)	(22,749)
<b>Total Short Term Creditors</b>	<b>(12,321)</b>	<b>(28,417)</b>	<b>(32,057)</b>	<b>(72,795)</b>	<b>(10,169)</b>	<b>(28,304)</b>	<b>(30,268)</b>	<b>(68,741)</b>

**23. Short Term Liabilities**

The Short Term Liabilities identified in the Balance Sheet comprise of the following elements:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
PPP/DBFM liabilities	(3,343)	(3,389)
	<b>(3,343)</b>	<b>(3,389)</b>

**24. Provisions**

Short term provisions are identified in the Balance Sheet. This note provides more detailed information on the provisions made by the Council.

	<b>Balance at 31 March 2022</b>	<b>Amount used in year</b>	<b>Additional provision made in year</b>	<b>Balance at 31 March 2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Providers Sustainability Payments	(1,005)	543	0	(462)
<b>Total Provisions</b>	<b>(1,005)</b>	<b>543</b>	<b>0</b>	<b>(462)</b>

**Provider Sustainability Payments**

The Scottish Government provided additional resources to Health & Social Care partnerships in 2021/22 to support the provision of Provider Sustainability Payments to those Social Care Providers who have sustained significant financial impacts associated with the COVID-19 pandemic. A provision of £1,005K was set aside in 21/22 to support these payments. At the end of 2022/23 the provision was reduced to £462k in respect of those payments that have yet to be made to providers.

**25. Private Finance Initiatives & Similar Contracts****Smarter Schools PPP/DBFM Projects**

In January 2008 the Council signed a 30-year Smarter Schools PPP contract with E4D&G, a project company formed by Amey Ventures Investments Limited and Currie & Brown (Investments D&G) Limited. The project company will provide ten schools over eight sites in Dumfries & Galloway. E4D&G will provide building maintenance, grounds maintenance and a range of facility management services over the life of the project.

In January 2016 the Council also signed a 25 year DBFM contract with Hub SW Dalbeattie DBFM Co Limited to build a new Dalbeattie Learning Campus. Hub SW Dalbeattie DBFM Co Limited will also provide a degree of ongoing maintenance to October 2042.

Property, Plant & Equipment

The assets used to provide services under the contract are recognised in the Council's Balance Sheet. Movements in their value are detailed below and are included under "Other Land & Buildings" in Note 16.

	PPP/DBFM Schools	
	2021/22	2022/23
	£000	£000
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>145,915</b>	<b>145,915</b>
Additions	0	
Revaluations	0	390
<b>At 31 March</b>	<b>145,915</b>	<b>146,305</b>
<b>Accumulated Depreciation at 1 April</b>	<b>(6,870)</b>	<b>(11,906)</b>
Depreciation charge for year	(5,036)	(5,037)
Depreciation Written Out on Revaluations	0	5,008
<b>Accumulated Depreciation at 31 March</b>	<b>(11,906)</b>	<b>(11,935)</b>
<b>Net Book Value at 31 March</b>	<b>134,009</b>	<b>134,370</b>

Liabilities

Although the payments to the contractors are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractors for the capital expenditure (the outstanding finance lease obligation) is as follows:

	PPP/DBFM Schools	
	2021/22	2022/23
	£000	£000
Balance outstanding at the start of the year	107,755	104,439
Payments during the year	(3,316)	(3,343)
<b>Balance outstanding at year end</b>	<b>104,439</b>	<b>101,096</b>

Payments

The Council makes an agreed payment each year. The payment is increased annually for inflation and can be reduced if the contractor fails to meet performance standards set in the contract. The projected future payments due under the PPP and DBFM agreements are as follows:

	Payments for Services £000	Finance Interest £000	Repayment of Liability £000	Contingent Rentals £000	Total £000
Payments due within one year	7,755	6,866	3,389	786	<b>18,796</b>
Payments due within two to five years	32,546	24,899	16,368	3,917	<b>77,730</b>
Payments due within six to ten years	47,325	24,095	26,322	5,649	<b>103,391</b>
Payments due within eleven to fifteen years	51,889	13,126	38,046	8,099	<b>111,160</b>
Payments due within sixteen to twenty years	19,995	1,675	16,971	2,032	<b>40,673</b>
Payments due within twenty one to twenty five	0	0	0	0	<b>0</b>
	<b>159,510</b>	<b>70,661</b>	<b>101,096</b>	<b>20,483</b>	<b>351,750</b>

**26. Termination Benefits**

There were no termination benefits provided in relation to the Council's Early Retirement/Voluntary Severance Scheme in 2022/23.

**27. Defined Benefit Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The liabilities detailed in the tables below include the potential additional liabilities in relation to the McCloud Ruling.

The Council participates in the following separate pension schemes:

- **The Local Government Pension Scheme (LGPS)** for administrative and manual employees is administered locally by Dumfries & Galloway Council. This is a funded defined benefit final salary scheme, which operates through both the Council and employees paying contributions into the fund with the contribution rates set at a level intended to balance pensions liabilities against investment assets.
- **The Teachers Pension Scheme** for teachers is a defined benefit scheme administered by the Scottish Government. Further details on the scheme are provided in Note 28.

**Transactions relating to retirement benefits**

The Council recognises 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 the Council is 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 in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and Movement in Reserves Statement:

	<b>LGPS</b>	
	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Included within the Net Cost of Services:		
• current service cost	55,856	54,488
• past service costs	30	0
• (gain)/loss from settlements	0	(6,811)
Included within Financing and Investment Income & Expenditure:		
• net interest expense	10,161	9,894
<b>Total post-employment benefits charged to (Surplus) or Deficit on the Provision of Services</b>	<b>66,047</b>	<b>57,571</b>
Other post-employment benefits charged to the CIES, included in remeasurement of the net defined liability:		
• return on plan assets (excluding the amount included in the net interest expense)	(70,690)	69,034
• actuarial (gains) & losses arising on changes in demographic assumptions	(7,673)	(9,653)
• actuarial (gains) & losses arising on changes in financial assumptions	(89,450)	(493,828)
• other	5,131	59,939
<b>Total Post Employment Benefit charged to CIES</b>	<b>(96,635)</b>	<b>(316,937)</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (Surplus) or Deficit on Provision of Services for post-employment benefits in accordance with the Code	<b>(66,047)</b>	<b>(57,571)</b>
Actual amount charged against the General Fund Balance for pensions in the year		
• employers' contributions payable to scheme	<b>22,870</b>	<b>24,974</b>

**Pension assets and liabilities recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	<b>LGPS</b>	
	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	1,355,527	950,662
Fair value of plan assets	(985,476)	(927,328)
<b>Net liability arising from defined benefit obligation</b>	<b>370,051</b>	<b>23,334</b>

**Reconciliation of the movements in the fair value of scheme (plan) assets**

	<b>LGPS</b>	
	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of scheme assets</b>	<b>719,709</b>	<b>985,476</b>
Interest income	17,940	26,515
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	70,690	(69,034)
• other	0	(16,766)
Contributions from employers	27,648	29,780
Contributions from employees into the scheme	6,251	6,834
Benefits paid	(35,435)	(35,477)
<b>Closing fair value of scheme assets</b>	<b>985,476</b>	<b>927,328</b>

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

	<b>Funded Liabilities LGPS</b>	
	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	<b>1,392,716</b>	<b>1,355,527</b>
Current service cost	55,856	54,488
Interest cost	28,101	36,409
Contribution from scheme participants	6,251	6,834
Remeasurement (gains) & losses:		
• actuarial (gains) & losses arising on changes in demographic assumptions	(7,673)	(9,653)
• actuarial (gains) & losses arising on changes in financial assumptions	(89,450)	(493,828)
• other experience	5,131	59,939
Past service cost	30	0
Effect of settlements	0	(23,577)
Benefits paid	(35,435)	(35,477)
<b>Closing balance at 31 March</b>	<b>1,355,527</b>	<b>950,662</b>

**Local Government Pension Scheme assets comprised:**

	<b>Fair value of scheme assets</b>					
	<b>2021/22</b>			<b>2022/23</b>		
	<b>Quoted</b>	<b>Unquoted</b>	<b>TOTAL</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash & cash equivalents	4,580	0	4,580	4,052	0	4,052
Real Estate						
• UK Property	94,906	0	94,906	147,636	0	147,636
	<b>94,906</b>	<b>0</b>	<b>94,906</b>	<b>147,636</b>	<b>0</b>	<b>147,636</b>
Other investment funds						
• equities	683,461	0	683,461	533,128	0	533,128
• bonds	146,630	0	146,630	242,512	0	242,512
• other	55,900	0	55,900	0	0	0
	<b>885,990</b>	<b>0</b>	<b>885,990</b>	<b>775,640</b>	<b>0</b>	<b>775,640</b>
<b>Total assets</b>	<b>985,476</b>	<b>0</b>	<b>985,476</b>	<b>927,328</b>	<b>0</b>	<b>927,328</b>



**Basis for estimating assets and liabilities**

Liabilities 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 assumptions about mortality rates, salary levels, etc. The independent actuaries appointed by the Council, Hymans Robertson, have assessed the liabilities of the Council based on the latest interim valuation of the scheme as at 31 March 2020. The principal assumptions used by the actuary have been:

	<b>LGPS</b>	
	<b>2021/22</b>	<b>2022/23</b>
Long term expected rate of return on assets in the scheme:		
• equity investments	2.7%	4.8%
• bonds	2.7%	4.8%
• property	2.7%	4.8%
• cash	2.7%	4.8%
Mortality assumptions		
• longevity at 65 for current pensioners		
○ men	20.8 years	20.4 years
○ women	23.3 years	23.1 years
• longevity at 65 for future pensioners		
○ men	21.8 years	21.4 years
○ women	25.2 years	24.9 years
Rate of increase in salaries	4.0%	3.8%
Rate of increase in pensions	3.2%	3.0%
Rate for discounting scheme liabilities	2.7%	4.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from the previous year.

	<b>Impact on the defined benefit obligation in the scheme</b>	
	<b>Increase in assumption £000</b>	<b>Decrease in assumption £000</b>
Rate of increase in salaries (increase or decrease by 0.1%)	1,681	(1,681)
Rate of increase in pensions (increase or decrease by 0.1%)	15,047	(15,047)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	16,490	(16,490)
1 year increase/decrease in the salary increase rate	38,026	(38,026)

**Impact on the Council's cash flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Dumfries & Galloway Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored on an annual basis. The last triennial valuation was undertaken as at 31 March 2020. The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2024 is £24.974 million.

**28. Pension Schemes Accounted for as Defined Contribution Schemes**

(a) Dumfries and Galloway Council participates in the Scottish Teachers' Pension Scheme. 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 in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2020.

(b) Dumfries and Galloway Council has no liability for other employers obligations to the multi-employer scheme.

(c) 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.

(d) (i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Dumfries and Galloway Council is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 September 2019 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) Dumfries and Galloway level of participation in the scheme is 2.32% based on the proportion of employer contributions paid.

The amounts paid to the Scottish Public Pensions Agency in 2022/23 amounted to £6.58 Million (£6.07 Million in 2021/22) being deducted from employees and £16.3 Million (£14.77 Million in 2021/22) funded from the Council as the employer.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. The total added years discretionary payments made to former teachers in 2022/23 amounted to £2.26 Million (£2.24 Million in 2021/22).

## 29. Dumfries & Galloway Council Pension Fund

Dumfries & Galloway Council is the administering authority for the Local Government Pension Scheme. The Council is responsible for the Dumfries & Galloway Council Pension Fund. The Pension Fund members include most of the employees of the Council (excluding Teachers), four scheduled bodies and six admitted bodies. The Local Government Pension Scheme Amendment (Scotland) Regulations 2008 require an administering authority to publish a pension fund annual report as a separate document, which are available on the Council's website.

## 30. Usable Reserves

The following table lists the Usable Reserves held by the Council. This table summarises the movements which are included in the Movement in Reserves Statement, Note 14 Adjustments Between Accounting Basis and Funding Basis Under Regulations, and Note 15 Transfers to/(from) Other Statutory Reserves. Further information on the purpose and movements on each reserve is detailed after the following table.

	Balance as at 31/3/22 £000	Balance as at 31/3/23 £000
Capital Receipts Reserve	0	0
Capital Fund	(4,771)	(8,183)
Repairs & Renewals Fund	(3,125)	(2,975)
Insurance Fund	(3,572)	(3,629)
General Fund	(90,003)	(86,370)
Capital Grants & Receipts Unapplied	0	0
	<b>(101,471)</b>	<b>(101,157)</b>

### Capital Receipts Reserve

The Capital Receipts Reserve represents resources generated through the sale of capital assets which are available to the Council to be spent on capital projects and approved expenses.

	2021/22 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Amounts received in year	(609)	(985)
Amounts applied to fund new capital investment	595	985
Amounts Transferred to the Capital Fund	0	0
Amount Transferred to Capital Grant & Receipts Unapplied	14	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**Capital Fund**

The Capital Fund represents the amount set aside by the Council to fund expenditure on non-current assets.

	2021/22 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>(1,626)</b>	<b>(4,771)</b>
Transfers to/(from) General Fund	(3,155)	(3,413)
Amounts applied to fund new capital investment	26	83
Unapplied Capital Grants and Contributions	(14)	0
Interest on balances	(2)	(82)
<b>Balance at 31 March</b>	<b>(4,771)</b>	<b>(8,183)</b>

**Repairs & Renewals Fund**

The Repairs & Renewals Fund represents amounts set aside to fund expenditure incurred in repairing, maintaining, replacing and renewing non-current assets.

	2021/22 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>(3,480)</b>	<b>(3,125)</b>
Transfer to/(from) General Fund	360	204
Interest on balances	(5)	(54)
<b>Balance at 31 March</b>	<b>(3,125)</b>	<b>(2,975)</b>

**Insurance Fund**

The Council has a self-insurance policy in respect of all liability claims intimated against the Council and all motor claims involving the Council's fleet. This means that the first £50,000 arising on each claim is payable by the Council. In order to limit the total cost to the Council in any one financial year, a stop-loss policy exists with the insurers. The main purpose of the Insurance Fund is to meet the cost to the Council of self-insured claims and associated expenses.

	2021/22 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>(2,968)</b>	<b>(3,572)</b>
Transfer to/(from) General Fund	(600)	0
Interest on balances	(4)	(57)
<b>Balance at 31 March</b>	<b>(3,572)</b>	<b>(3,629)</b>

**Capital Grants and Receipts Unapplied**

The Capital Grants and Receipts Unapplied Account represents resources generated through the sale of capital assets or Capital Grants which have not yet been applied to support Capital Projects. These amounts are then transferred to the Capital Fund to ensure they are available to support future capital expenditure.

	2021/22 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Amounts Received in year not applied to Capital Expenditure	(14)	0
Amounts Transferred to the Capital Fund	14	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**General Fund**

General Fund balances are a fundamental part of prudent financial management. The following table identifies those amounts that have already been set aside for specific purposes and those which remain 'unallocated' to be used to resource unforeseen expenditure demands, to assist cash flow management and to be used in the Council's medium to longer term financial planning.

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	Balance at 31 March 2022 £000	Reserves Review (Nov 22) £000	Transfers In £000	Transfers Out £000	Presentation Adjustments £000	Balance at 31 March 2023 £000
Service Concessions Reserve (formerly Schools PPP)	(14,361)	0	(239)	550	0	(14,050)
Waste Review Reserve	(2,385)	0	0	393	0	(1,992)
Affordable Social Housing (2nd Homes Discount)	(3,659)	0	(1,173)	1,333	0	(3,499)
Planning & Development Reserve	0	0	(524)	0	(1,233)	(1,757)
Digital Transformation Reserve	0	0	(197)	0	(787)	(984)
Devolved School Management Reserve	(1,114)	0	(264)	0	0	(1,378)
Severe Weather Emergency Fund	(500)	0	0	0	0	(500)
Social Work Support Fund	(1,000)	0	0	0	0	(1,000)
AEF Funding	(10,139)	146	(2,263)	3,249	(300)	(9,307)
Policy Development Funding	(2,842)	132	(100)	1,377	(684)	(2,117)
Anti-Poverty/Cost of Living	(660)	0	0	400	(1,298)	(1,558)
Economic Recovery	(1,587)	0	(50)	605	(170)	(1,202)
Young Persons Employability	(595)	0	0	50	0	(545)
Response, Renew & Recovery	(259)	30	0	0	229	0
Financial Wellbeing & Revenues Additional Resources	0	0	0	64	(721)	(657)
FPT Implementation Plan Resourcing	(1,468)	0	0	723	0	(745)
Carriageway Defect Repairs	(1,739)	0	0	766	0	(973)
Employment Issues	(1,237)	737	0	0	0	(500)
Children's Services Transformation	(1,966)	1,966	0	0	0	0
Budget Pressures/ Resilience Funding	(4,970)	0	0	0	0	(4,970)
Corporate Change Fund	(5,588)	0	0	734	0	(4,854)
Roads Winter Additional Resources	0	(800)	0	85	0	(715)
Medium Term Financial Planning (formerly unallocated for members consideration)	(11,671)	(2,085)	(591)	0	339	(14,008)
Education ASN/Technology Investment	0	0	(5,282)	0	0	(5,282)
Earmarked/Committed Amounts	(6,567)	(2,300)	(1,686)	3,064	2,312	(5,177)
Unallocated Balance	(8,100)	0	(500)	0	0	(8,600)
	<b>(82,407)</b>	<b>(2,174)</b>	<b>(12,869)</b>	<b>13,393</b>	<b>(2,313)</b>	<b>(86,370)</b>
COVID resources carried forward						
COVID Funding – Education Recovery	(2,219)	0	0	1,414	805	0
COVID Funding – Specific Initiative Support	(1,225)	106	0	391	728	0
COVID Funding – Agreed Allocations	(2,152)	68	0	1,304	780	0
COVID Funding – General Funding Support	(2,000)	2,000	0	0	0	0
Total COVID Resources	<b>(7,596)</b>	<b>2,174</b>	<b>0</b>	<b>3,109</b>	<b>2,313</b>	<b>0</b>
Total Allocated / Committed Funds	<b>(90,003)</b>	<b>0</b>	<b>(12,869)</b>	<b>16,502</b>	<b>0</b>	<b>(86,370)</b>

**31. Unusable Reserves**

The following table lists the Unusable Reserves held by the Council. This table summarises the movements which are included in the Movement in Reserves Statement and Note 14 Adjustments Between Accounting Basis and Funding Basis Under Regulations. Further information on the purpose of and movements on each reserve is detailed after the following table.

	Balance as at 31/3/22 £000	Balance as at 31/3/23 £000
Capital Adjustment Account	(176,567)	(183,091)
Revaluation Reserve	(326,047)	(317,710)
Financial Instruments Adjustment Account	294	215
Pensions Reserve	370,051	23,334
Employee Statutory Adjustment Account – Employee Benefits	5,308	4,379
<b>Total Unusable Reserves</b>	<b>(126,961)</b>	<b>472,873</b>

**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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value 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 enhancement.

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

	2021/22 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>(172,902)</b>	<b>(176,567)</b>
Depreciation & impairment of non-current assets	34,263	27,311
Amortisation of intangible assets	8	8
Value of assets sold, disposed or decommissioned	474	1,275
Capital receipts applied to finance new capital expenditure	(621)	(1,068)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	(21,293)	(21,365)
Capital grants applied to support principal repayment	0	3,456
Loans Fund principal repayments	(13,543)	(13,653)
Statutory repayment of debt (PFI/PPP)	(3,316)	(3,343)
Capital expenditure financed from current revenue	(246)	(130)
Capital receipts received during the year	609	985
Other adjustments	0	0
<b>Balance at 31 March</b>	<b>(176,567)</b>	<b>(183,091)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant & 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,
- 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.



	2021/22	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>(328,536)</b>	<b>(326,047)</b>
Upward revaluations of assets	(15,562)	(9,343)
Downward revaluation of assets & impairments not charged to the (Surplus)/		
Deficit on the Provision of Services	1,615	2,050
Difference between fair value depreciation and historical cost depreciation	16,037	14,988
Accumulated gains on assets disposed of	399	642
<b>Balance at 31 March</b>	<b>(326,047)</b>	<b>(317,710)</b>

### 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.

	2021/22	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>370</b>	<b>294</b>
Amounts by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(76)	(79)
<b>Balance at 31 March</b>	<b>294</b>	<b>215</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for the cost of retirement benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees. However statutory arrangements require the benefits earned to be financed as the Council makes employers' contributions to the Dumfries & Galloway Council Pension Fund.

	2021/22	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>494,334</b>	<b>370,051</b>
Remeasurement of net defined liability/ (asset)	(162,756)	(374,550)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	66,047	57,571
Employer's pension contributions payable in year	(27,574)	(29,738)
<b>Balance at 31 March</b>	<b>370,051</b>	<b>23,334</b>

### Employee Statutory Adjustment Account - Employee Benefits

The Employee Statutory Adjustment Account (Employee Benefits) absorbs the differences that would otherwise have arisen on the General Fund Balances from accruing for compensated absences earned but not taken at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to and from the Account.

	2021/22	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>2,466</b>	<b>5,308</b>
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,842	(929)
<b>Balance at 31 March</b>	<b>5,308</b>	<b>4,379</b>

**32. Leases**Council as Lessee

No assets were leased under finance leases in 2022/23.

The Council has entered into operating leases for vehicles, photocopiers, buildings and equipment.

The minimum lease payments due under non-cancellable leases in future years are shown in the following table.

	<b>At 31 March 2022 £000</b>	<b>At 31 March 2023 £000</b>
Not later than one year	1,165	1,603
Later than one year and not later than five years	2,583	2,484
Later than five years	1,901	1,861
	<b>5,649</b>	<b>5,948</b>

The expenditure charged to the Comprehensive Income & Expenditure Statement during the year in relation to leases was:

	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Minimum lease payments	3,102	3,615
	<b>3,102</b>	<b>3,615</b>

Council as Lessor

No assets are currently held by the Council for the purposes of letting under finance leases.

The Council leases out property under operating leases for economic development purposes to provide suitable, affordable accommodation for local businesses. The Council received income of £0.818 Million (£0.842 Million 2021/22) from operating leases related to land and buildings.

The future minimum lease payments receivable under non-cancellable leases in future years are shown in the table below.

	<b>At 31 March 2022 £000</b>	<b>At 31 March 2023 £000</b>
Not later than one year	(383)	(579)
Later than one year and not later than five years	(262)	(179)
Later than five years	(291)	(266)
	<b>(936)</b>	<b>(1,024)</b>

### 33. Financial Instruments

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes the most straightforward financial assets and liabilities, such as trade receivables (debtors) and trade payables (creditors), and the most complex ones such as derivatives and embedded derivatives.

#### Categorisation

The following categories of financial instruments are carried on the Balance Sheet:

	<b>Long Term</b>		<b>Current</b>		<b>Total</b>	
	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
<b>Financial assets at Amortised Cost</b>						
Investments	894	855	0	0	894	855
Debtors	9,506	9,021	10,835	13,083	20,341	22,104
Cash & cash equivalents	0	0	53,594	36,494	53,594	36,494
<b>Total Financial Assets</b>	<b>10,400</b>	<b>9,876</b>	<b>64,429</b>	<b>49,577</b>	<b>74,829</b>	<b>59,453</b>
<b>Financial Liabilities at Amortised Cost</b>						
Borrowing	(175,442)	(167,850)	(14,848)	(11,763)	(190,290)	(179,613)
PFI/PPP liabilities	(101,096)	(97,707)	(3,343)	(3,389)	(104,439)	(101,096)
Creditors	0	0	(44,378)	(40,437)	(44,378)	(40,437)
<b>Total Financial Liabilities</b>	<b>(276,538)</b>	<b>(265,557)</b>	<b>(62,569)</b>	<b>(55,589)</b>	<b>(339,107)</b>	<b>(321,146)</b>

#### Reclassifications Between Categories

The Council did not reclassify any financial assets or liabilities between categories during the year, or during 2022/23.

#### Income, Expense, Gains and Losses

The income, expense, gains and losses for financial instruments recognised in the Comprehensive Income & Expenditure Statement are as follows:

	<b>Financial Assets</b>		<b>Financial Liabilities</b>		<b>Total</b>	
	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>Liabilities measured at amortised cost 2021/22 £000</b>	<b>2022/23 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Interest expense	0	0	16,545	16,805	16,545	16,805
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>16,545</b>	<b>16,805</b>	<b>16,545</b>	<b>16,805</b>
Interest income	(110)	(2,128)	0	0	(110)	(2,128)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>(110)</b>	<b>(2,128)</b>	<b>0</b>	<b>0</b>	<b>(110)</b>	<b>(2,128)</b>
<b>Net (gain)/ loss for year</b>	<b>(110)</b>	<b>(2,128)</b>	<b>16,545</b>	<b>16,805</b>	<b>16,435</b>	<b>14,677</b>

#### Fair Value of Assets & Liabilities

Financial assets (represented by lending and debtors) and financial liabilities (represented by borrowing and creditors) are carried on the Balance Sheet at amortised cost. Financial assets and liabilities are required to be calculated at fair value based on the fair value hierarchy. The hierarchy has 3 levels:

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

All assets and liabilities are measured at level 2 (other than those at amortised cost). Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- Loan rates for each loan,
- 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 value is based on the comparable new borrowing/ deposit rate for the same financial instruments from a comparable lender. The rates quoted in this valuation were obtained by the Council's Treasury Management consultants from the market on 31 March 2023 using the following assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing.
- For PPP/PFI, other market debt the discount rate used is the rate available for an instrument with the same terms from a comparable lender

The fair values calculated are as follows:

	31 March 2022		31 March 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value at Level 2
	£000	£000	£000	£000
<b>Financial assets</b>				
Investments	894	894	855	855
Debtors	20,341	20,341	22,104	22,104
Cash & cash equivalents	53,594	53,594	36,494	36,494
<b>Total Financial Assets</b>	<b>74,829</b>	<b>74,829</b>	<b>59,453</b>	<b>59,453</b>

	31 March 2022		31 March 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value at Level 2
	£000	£000	£000	£000
<b>Financial liabilities</b>				
Borrowing	(190,290)	(263,073)	(179,613)	(178,537)
PFI/PPP liabilities	(104,439)	(148,807)	(101,096)	(131,171)
Creditors	(44,378)	(44,378)	(40,437)	(40,437)
<b>Total Financial Liabilities</b>	<b>(339,107)</b>	<b>(456,258)</b>	<b>(321,146)</b>	<b>(350,145)</b>

The fair value of the financial liabilities is more than the carrying amount because the Council's loan portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the debt. The figures above are based on market rates, however, PWLB loans have special characteristics in that the interest rates are based on the government's cost of borrowing, rather than market rates, and a penalty charge is payable on early repayment, over and above the economic cost to the lender. In this instance the fair value of borrowing above would change to £205,745k.

#### 34. Nature & Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council,
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments,
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are on the Council's approved lending list. This list is under constant review. The list is based on a credit rating matrix produced by the Treasury Management Consultants and reflects ratings supplied from independent credit

rating agencies. The approved lending list defines maximum periods and amounts that can be deposited with specific counterparties. The Council has a policy of not lending more than £25 Million of its surplus balances to any one institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2023</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2023</b>	<b>Estimated maximum exposure to default &amp; uncollectability at 31 March 2023</b>	<b>Estimated maximum exposure to default &amp; uncollectability at 31 March 2022</b>
	<b>£000</b>	<b>%</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
Deposits with banks & financial institutions	36,444	0	0	0	0
Customers	4,418	10	10	442	297

No credit limits were exceeded during the reporting year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, however there is a total sundry debtors debt of £4.418 Million of which £2.625 Million is past its date for payment. The past due date amount can be analysed by age as follows:

<b>Age</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Less than 3 months	1,129	2,209
3 – 6 months	203	242
6 months – 1 year	516	616
More than 1 year	1,121	1,351
<b>Total</b>	<b>2,969</b>	<b>4,418</b>

### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 15% of long term loans are due to mature in any one year through a combination of careful 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:

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Less than one year	14,848	11,763
Between one and two years	7,558	10,004
Between two and five years	10,716	6,717
More than five years	157,168	151,129
	<b>190,290</b>	<b>179,613</b>

All trade and other payables are due to be paid in less than one year.

### Market risk

#### a) Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Comprehensive Income & Expenditure Statement will rise,
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall,



- investments at variable rates - the interest income credited to the Comprehensive Income & Expenditure Statement will rise,
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income & Expenditure Statement and therefore impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Other Comprehensive Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update monitoring reports during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2021/22 £000	2022/23 £000
Increase in interest payable on variable rate borrowings	17	14
Increase in interest receivable on variable rate investments	(267)	(288)
<b>Impact on (Surplus) or Deficit on Provision of Services</b>	<b>(250)</b>	<b>(274)</b>
Decrease in fair value of fixed rate borrowings - Market Risk (no impact on the (Surplus) or Deficit on Provision of Services or Other Comprehensive Income & Expenditure)	40,813	(22,492)
Decrease in fair value of fixed rate borrowings - Redemption Rate (PWLB) (no impact on the (Surplus) or Deficit on Provision of Services or Other Comprehensive Income & Expenditure)	53,684	(28,935)

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

#### b) Price risk

The Council does not hold equity shares for investment purposes and therefore has no exposure to losses arising from movements in the prices of the shares.

#### c) Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

### 35. Cash Flow Operating Activities

The cash flows from operating activities include the following items:

	2021/22 £000	2022/23 £000
Interest received	(110)	(2,128)
Interest paid	8,589	8,956
Interest element of PFI/ PPP payments	7,956	7,849
<b>Net cash flow from interest</b>	<b>16,435</b>	<b>14,677</b>

### 36. Related Parties

The Council is required to disclose material transactions with related bodies – i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled and influenced by the Council.

#### Central Government

Central Government is responsible for providing the statutory framework within which the Council operates, providing the majority of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of Central Government Grants received are contained in Note 13 (Grant Income).

#### Councillors & Officers

Elected Members and senior officers are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this arise, the relevant Member or officer does not take part in any discussion or decision related to that interest. The Register of Members Interests is available on the Council's website at [Your Councillors - Dumfries and Galloway Council](#).

During 2022/23, two senior officers of the Council declared close family members with significant influence over companies out with those controlled or significantly influenced by the Council but with whom the Council had transacted with. Care Solutions provided care services procured by Social Work Services to the value of £1,389k (£1,410k in 2021/22). People Smart Solutions provided training courses to the value of £8k (£39K in 2021/22).

#### Other Public Bodies

The Council along with NHS Dumfries & Galloway established a Health and Social Care Integrated Joint Board (IJB). Integrated Services began operation on 1 April 2016 with the IJB being responsible for the strategic planning and delivery of a defined range of Health and Adult Social Care services for residents of Dumfries and Galloway. In 2022/23 the Council contributed £90,415K to the IJB (£77,023K in 2021/22), received £94,333K (£74,901K in 2021/22) from the IJB to support the provision of services and had a creditor of £9,606K (£5,688K in 2021/22) relating to income due to the IJB. The Health and Social Care Integrated Joint Board is also included in the Group Accounts.

Dumfries & Galloway Council is responsible for providing the funding for the day-to-day operation of the Transport Partnership under the Transport (Scotland) Act 2005. In 2022/23, the Council provided £100k (£100k in 2021/22) as match funding to a Scottish Government grant for core running costs, a capital grant of £506K (£0k 2021/22) and a further £3.811 Million (£3.591 Million in 2021/22) was requisitioned by the Transport Partnership to cover the operating costs for 2022/23. SWestrans does not employ its own staff and during 2022/23 Dumfries & Galloway Council charged SWestrans £183k (£131k in 2021/22) in respect of staff support, supplies and other support services. At the year-end £10k (£46k in 2021/22) was outstanding for payments to Dumfries and Galloway Council and £137k (£80k in 2021/22) in relation to sums held in the Dumfries and Galloway Council Loans Fund.

#### Pension Fund

The Council charged the Pension Fund a total of £371k (£362k in 2021/22) for expenses incurred in administering the Fund.

### 37. Contingent Liabilities

#### Equal Pay

The Council has a contingent liability relating to the further risk that groups of workers may come forward to claim compensation under the terms of the legislation.

#### Historical Childhood Abuse

The Council also has a contingent liability relating to the risk of potential compensation payments due for childhood abuse. At this stage, we have not been able to quantify the potential impact this will have in Dumfries and Galloway; however this will continue to be monitored.

#### Ash Tree Die Back

In addition, the Council also has a potential liability in relation to Ash tree die back, which is impacting Local Authorities and other organisations across Scotland. While the Council has established a project team to review the potential financial impact associated with addressing any health & safety risks that may be experienced as a result of Ash Tree die back, this has not yet been quantified.

### **38. Contingent Asset**

#### **HMRC- VAT on Leisure Services**

The Council has a contingent asset in relation to the change in VAT treatment on income received from the provision of Leisure Services. HMRC released a policy paper on 3 March 2023 which confirmed that the ongoing litigation from Local Authorities associated with this change has now been concluded and that local authorities are now permitted to treat the provision of these services as non-VAT.

The Council have been submitting claims to HMRC in relation to this issue every 4 years, with the possibility that overpaid VAT back to 2007 may be reimbursed to the Council by HMRC. At this stage, the Council have not received confirmation from HMRC of the extent to which the Claims made will be reimbursed, however this could result in a substantial windfall if confirmed.

**Council Tax Income Account**

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income & Expenditure Statement.

2021/22 £000		2022/23 £000
91,666	Gross Council Tax Charge	95,000
	<b>Less Deductions</b>	
(2,052)	Exemptions	(2,148)
(140)	Disabled relief	(149)
(8,083)	Discounts	(8,411)
0	Council Tax Benefits (net of government grant)	0
(1,522)	Provision for doubtful debts	(978)
(379)	Previous year adjustments	(110)
<b>79,490</b>		<b>83,204</b>
(9,254)	Council Tax Reduction Scheme	(9,742)
<b>70,236</b>	<b>Net Council Tax Income per the Comprehensive Income &amp; Expenditure Statement</b>	<b>73,462</b>

**Notes****1. Nature of the Council Tax Charge**

The Council Tax charge is based upon the property market value of a domestic property together with a personal element which takes into account the number and circumstances of the occupants of the property. Each household or occupied dwelling is allocated to a council tax band (A - H) by the Assessor. The Council declares an annual tax level for Band D properties and all other properties are charged a proportion of this - lower valued properties pay less, higher valued properties pay more.

A discount of 25% on the Council Tax is made where there are fewer than two residents in the property. Discounts of 50% are available for some unoccupied properties (job-related homes & purpose-built holiday homes). There is also a discount of 10% available for second homes. In addition, certain long-term empty properties may be subject to a 100% tariff. Reductions in Council Tax are also available for people with disabilities where the property has been adapted to meet their needs. Total exemptions are available for some categories of occupants.

The Net Council Tax Income reflects the income raised through direct receipts from property occupiers after the application of the Council Tax Reduction Scheme for those individuals that are eligible recipients.

Charges for water and sewerage are the responsibility of Scottish Water. The Council collects monies on behalf of Scottish Water and makes payments to Scottish Water.

**2. Calculation of the Council Tax base**

The number of dwellings in each valuation band and the corresponding number of Band D dwellings in 2022/23 were as follows:

2021/22		2022/23 Bands									
Total		A*	A	B	C	D	E	F	G	H	Total
75,521	Properties	0	11,200	22,674	12,438	10,413	10,887	5,530	2,626	154	75,922
(2,284)	Exemptions	0	(700)	(764)	(348)	(219)	(191)	(97)	(35)	(4)	(2,358)
(593)	Disabled Reliefs (to lower band)	0	(44)	(144)	(91)	(79)	(136)	(66)	(36)	(0)	(596)
593	Disabled Reliefs (from higher band)	44	144	91	79	136	66	36	0	0	596
(6,950)	Discounts (25%) (equivalent properties)	(7)	(1,725)	(2,384)	(1,131)	(770)	(696)	(274)	(117)	(4)	(7,108)
(1,561)	Discounts (50%) (equivalent properties)	0	(283)	(333)	(286)	(217)	(158)	(78)	(49)	(8)	(1,412)
64,726	Total Equivalent Ratio	37	8,592	19,140	10,661	9,264	9,772	5,051	2,389	138	65,044
65,039	Band D Equivalents	21	5,728	14,888	9,476	9,264	12,839	8,208	4,678	338	65,440
(1,519)	Bad Debt Provision										(1,770)
63,520											63,670

Band A\* refers to band A properties subject to disabled relief. Disabled relief takes the form of a drop-in valuation band and is applied where a property has been adapted to meet the needs of a disabled person who lives there.

**3. Council Tax Levels**

In 2022/23 the terms of the Local Government Finance Settlement announced by the Scottish Government provided Councils with the flexibility to increase Council Tax levels based on local considerations for 2022/23. As such Dumfries and Galloway Council agreed to increase 2021/22 levels by 3%. In accordance with this change, the charge per Band D household for 2022/23 was increased by 3%, from 2021/22 levels, to £1,259.30. Applying this to the Band D equivalent tax base of 63,670 the total sum to be raised through the Council Tax in 2021/22 was £80.180 Million. Charges for the other bands within the range A to H vary according to the variable formula, which makes the band A charge equivalent to 240/360 of the Band D charge (£839.53) and the Band H charge equivalent to 882/360 of the Band D charge (£3,085.29).

Valuation Band	Charge per	Dwelling
	2021/22 £	2022/23 £
A up to £27,000	815.09	839.53
B £27,000 to £35,000	950.93	979.46
C £35,000 to £45,000	1,086.78	1,119.38
D £45,000 to £58,000	1,222.63	1,259.30
E £58,000 to £80,000	1,606.40	1,654.58
F £80,000 to £106,000	1,986.77	2,046.36
G £106,000 to £212,000	2,394.32	2,466.13
H over £212,000	2,995.44	3,085.29



**Non-Domestic Rates Account**

The Non-Domestic Rates Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rates Account. The statement shows the gross income from the rates and the deductions made under statute. The Contribution to the National Non-Domestic Rate Pool represents the value of the amounts collected by the Council and contributed through pooling arrangements for Government Grant purposes. The Contribution from the National Non-Domestic Rates Pool represents the value of non-domestic rates income distributed to the Council through the Aggregate External Finance mechanism.

2021/22 £000		2022/23 £000
69,095	Gross Rates Charged	73,718
	<b>Less Deductions</b>	
(1,541)	Vacant properties	(1,589)
(23,411)	Mandatory relief	(15,799)
(742)	Discretionary relief	(822)
(1,298)	Disabled relief	(1,453)
(257)	Provision for bad debts	(359)
<b>41,846</b>	<b>TOTAL Non-Domestic Rates Income (before Authority retentions)</b>	<b>53,696</b>
3,074	Non-Domestic Rates income retained by the Authority (BRIS)	0
(3,016)	Contribution from/ (to) National Non-Domestic Rate Pool	(2,308)
<b>41,904</b>	<b>Net Non-Domestic Rates Income to Comprehensive Income &amp; Expenditure Statement</b>	<b>51,388</b>

**Notes****1. Analysis of Rateable Subjects and Values as at 1 April 2022**

As at 1 April 2021			As at 1 April 2022		
Subjects	Values £000		Subjects	Values £000	
7,141	65,886	Commercial	7,078	65,714	
179	20,752	Industrial	180	20,935	
50	17,931	Public Utilities	57	22,291	
3,094	37,933	Miscellaneous	3,112	37,896	
10,464	142,502		10,427	146,836	

**2. Rate Poundage**

The Non-Domestic Rates system is used to bill and collect local tax income on non-domestic properties. The tax is based on applying the non-domestic rate poundage to the rateable value of each property and in 2022/23 the Scottish Government set the rate poundage at 49.8 pence in the pound for properties with a rateable value below £51,000. Businesses with a Rateable Value between £51,001 and £95,000 pay an additional supplement of 1.3 pence in the pound and businesses with a Rateable Value over £95,000 pay an additional supplement of 2.6 pence in the pound.

During 2022/23, the Scottish government confirmed that the relief which had been made available for Retail, Hospitality and Leisure (RHL) during 2020/21 and 2021/22 would continue up until 30 June 2022 with some amendments. This reflected that relief could be awarded up to 50% of the total gross bill for a property for that period, with a cap of £27,500 per ratepayer if the following conditions were satisfied:

- The ratepayer must be in rateable occupation
- The ratepayer's property must fall within one of the classes of Specified Purposes stated in schedule 1 of the 2022 regulations

The impact of this relief is reflected within the mandatory relief section of the Non-Domestic Rates account and is reduced from 2021/22 due to the change in the relief conditions.

**Note 38. Trust Funds**

In its capacity as trustee, the Council administers a number of Educational, Welfare and Charitable Trusts usually provided from legacies of former school pupils, donations to Social Work Services children's homes & other centres, and residents of particular areas. These Trusts are all registered Scottish charities. The statements below have been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006 (as amended) and the principles of Accounting and Reporting by Charities: A Statement of Recommended Practice FRS102 (revised January 2019).

**Statement of Financial Activities**

2021/22			2022/23		
Total		Educational	Charitable	Total	
£000		£000	£000	£000	
	<b>Incoming Resources</b>				
	Income from generated funds:				
0	- other income	0	0	0	
(152)	- investment income	(22)	(25)	(47)	
(152)	<b>Total incoming resources</b>				
	<b>Resources Expended</b>				
69	Charitable activities	48	21	69	
51	Other resources expended	1	43	44	
120	<b>Total resources expended</b>				
(32)	<b>Net (incoming)/ outgoing resources</b>	27	39	66	
	<b>Other Recognised Gains</b>				
0	Revaluation of fixed assets	0	0	0	
147	(Gains)/ losses on investment assets	19	71	90	
115	<b>Net movement in funds</b>	46	110	156	
	<b>Reconciliation of Funds</b>				
(2,046)	Total funds brought forward	(747)	(1,184)	(1,931)	
(1,931)	<b>Total funds carried forward</b>	(701)	(1,074)	(1,775)	

**Trust Funds Balance Sheet**

2021/22			2022/23		
Total		Educational	Charitable	Total	
£000		£000	£000	£000	
747	Non-current Assets	0	704	704	
876	Investments	378	408	786	
	<u>Current Assets</u>				
308	Temporary Deposits with Loans Fund	48	183	231	
0	Current Liabilities	0	0	0	
1,931	<b>Net Assets</b>	426	1,295	1,721	
	<b>Financed by:</b>				
234	Available for Sale Financial Instruments Reserve	13	131	144	
257	Revaluation Reserve	0	257	257	
1,408	Balance in Funds at 1 April	715	671	1,386	
0	Recalculation of investment values	0	0	0	
32	Surplus/ (Deficit) for year	(27)	(39)	(66)	
1,931	<b>Balance on Trust Funds at 31 March</b>	701	1,020	1,721	

**Notes for Educational, Welfare & Charitable Trusts:**

The income from the investments of the Educational Trusts is used to provide educational grants, school equipment and prizes. The income from Charitable Trusts is used for the benefit of local people according to the purposes specified by the trust deeds.

The Lockerbie and Syracuse University Scholarship Trust is included in the Educational Trusts in the statements above. Its purpose is to send two Lockerbie students to Syracuse University each year. The Trust meets the college fees and everyday expenses of the two students.

Trust Funds are mainly invested in high interest earning investments or placed with the Council's Loans Fund and earn interest accordingly. Investments are stated at market value at 31 March 2023.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £747k. The property is valued at depreciated replacement cost.

**Note 39. Common Good**

Common Good Funds are held for the benefit of residents of the former Burghs of Kirkcudbright, Castle Douglas, Gatehouse of Fleet, Annan, Lochmaben, Lockerbie, Stranraer, Whithorn, Wigtown, Sanquhar and Dumfries.

The assets of the Funds are the properties of these former Burghs and monies are mainly invested with the Council's Loans Fund. The Funds' expenditure is mainly on the maintenance of properties and on grants made to local organisations, while the Funds' income comes from property rentals and interest generated on investments. The Accounts of the Common Good Funds are prepared in accordance with the Code of Practice.

The following statements cover all Common Good Funds. Detailed information for 2022/23 for individual Funds is provided in Note 1.

**Common Good Comprehensive Income & Expenditure Statement**

2021/22 £000		2022/23 £000	£000
389	Gross expenditure	313	
(94)	Gross income	(171)	
<b>295</b>	<b>Net Cost of Services</b>		<b>142</b>
(67)	Financing & Investment Income and Expenditure - interest income		(74)
(13)	Taxation & Non Specific Grant Income - capital grants & contributions		(237)
<b>215</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>(169)</b>
(135)	(Surplus) or deficit on revaluation of non-current assets	63	
(50)	Other unrealised (gains)/ losses	129	
<b>(185)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>192</b>
<b>30</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>23</b>

## Movements in Reserves Statement

	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2021</b>	<b>362</b>	<b>(9,264)</b>	<b>(8,902)</b>
<b>Movements in Reserves during 2021/22</b>			
In Year Adjustment	(2,613)	2,613	0
(Surplus) or Deficit on provision of services	215	0	215
Other Comprehensive Income & Expenditure	0	(185)	(185)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(2,398)</b>	<b>2,428</b>	<b>30</b>
Adjustments between accounting basis & funding basis under regulations	(285)	285	0
<b>(Increase)/ decrease in year</b>	<b>(2,683)</b>	<b>2,713</b>	<b>30</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(2,321)</b>	<b>(6,551)</b>	<b>(8,872)</b>
<b>Movements in Reserves during 2022/23</b>			
In Year Adjustment			
(Surplus) or Deficit on provision of services	(169)	0	(169)
Other Comprehensive Income & Expenditure	0	192	192
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(169)</b>	<b>192</b>	<b>23</b>
Adjustments to usable reserves permitted by accounting standards	(124)	124	0
Adjustments between accounting basis & funding basis under regulations	114	(114)	0
<b>(Increase)/ decrease in year</b>	<b>(179)</b>	<b>202</b>	<b>23</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(2,500)</b>	<b>(6,349)</b>	<b>(8,849)</b>

During 2021/22 an adjustment in year of £2.613M was made to correct a historical error.

## Common Good Balance Sheet

31 March 2022 £000		31 March 2023 £000
6,156	Property, Plant & Equipment	6,084
1,690	Long term investments	1,557
<b>7,846</b>	<b>Long Term Assets</b>	<b>7,641</b>
0	Short Term Debtors	0
1,030	Cash & Cash Equivalents	1,212
<b>1,030</b>	<b>Current Assets</b>	<b>1,212</b>
(4)	Short Term Creditors	(4)
<b>(4)</b>	<b>Current Liabilities</b>	<b>(4)</b>
<b>8,872</b>	<b>Net Assets</b>	<b>8,849</b>
2,321	Usable Reserves	2,500
	Unusable Reserves	
2,115	- Revaluation Reserve	1,921
4,041	- Capital Adjustment Account	4,163
395	- Available for Sale Financial Instruments Account	265
<b>6,551</b>		<b>6,349</b>
<b>8,872</b>	<b>Total Reserves</b>	<b>8,849</b>



**Notes****1. Common Good Funds 2022/23****Comprehensive Income & Expenditure Account for year ended 31 March 2023**

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Wigtown	Whithorn	Dumfries	Sanquhar	Dalbeattie	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	52	19	17	27	0	1	102	8	(2)	76	13	0	313
Gross Income	(11)	(71)	(2)	(5)	0	(4)	(28)	(2)	0	(45)	(3)	0	(171)
<b>Net Cost of Services</b>	<b>41</b>	<b>(52)</b>	<b>15</b>	<b>22</b>	<b>0</b>	<b>(3)</b>	<b>74</b>	<b>6</b>	<b>(2)</b>	<b>31</b>	<b>10</b>	<b>0</b>	<b>142</b>
- interest income	(22)	(8)	(1)	(9)	(1)	(1)	(18)	(1)	(1)	(6)	(6)	0	(74)
- capital grants & contributions	0	0	0	(17)	0	0	(210)	0	0	(10)	0	0	(237)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>19</b>	<b>(60)</b>	<b>14</b>	<b>(4)</b>	<b>(1)</b>	<b>(4)</b>	<b>(154)</b>	<b>5</b>	<b>(3)</b>	<b>15</b>	<b>4</b>	<b>0</b>	<b>(169)</b>
(Surplus) or Deficit on revaluation of non-current assets	0	63	0	0	0	0	0	0	0	0	0	0	63
Other unrealised (gains)/losses	71	0	0	0	0	0	58	0	0	0	0	0	129
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>71</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>192</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>90</b>	<b>3</b>	<b>14</b>	<b>(4)</b>	<b>(1)</b>	<b>(4)</b>	<b>(96)</b>	<b>5</b>	<b>(3)</b>	<b>15</b>	<b>4</b>	<b>0</b>	<b>23</b>

**Balance Sheet as at 31 March 2023**

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Wigtown	Whithorn	Dumfries	Sanquhar	Dalbeattie	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Long Term Assets</b>													
Other Land & Buildings	583	176	303	460	0	150	1,843	98	232	2,050	189	0	6,084
Long term investments	849	0	0	1	1	0	697	0	0	0	9	0	1,557
	<b>1,432</b>	<b>176</b>	<b>303</b>	<b>461</b>	<b>1</b>	<b>150</b>	<b>2,540</b>	<b>98</b>	<b>232</b>	<b>2,050</b>	<b>198</b>	<b>0</b>	<b>7,641</b>
<b>Current Assets</b>													
Short term debtors	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash & cash equivalents	16	284	41	275	19	30	54	22	49	230	192	0	1,212
	<b>16</b>	<b>284</b>	<b>41</b>	<b>275</b>	<b>19</b>	<b>30</b>	<b>54</b>	<b>22</b>	<b>49</b>	<b>230</b>	<b>192</b>	<b>0</b>	<b>1,212</b>
<b>Current Liabilities</b>													
Short term creditors	0	0	0	0	0	0	0	0	0	(4)	0	0	(4)
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4)</b>	<b>0</b>	<b>0</b>	<b>(4)</b>
<b>Net Assets</b>	<b>1,448</b>	<b>460</b>	<b>344</b>	<b>736</b>	<b>20</b>	<b>180</b>	<b>2,594</b>	<b>120</b>	<b>281</b>	<b>2,276</b>	<b>390</b>	<b>0</b>	<b>8,849</b>
Usable Reserves	776	284	41	276	20	30	576	22	49	226	200	0	2,500
Unusable reserves	672	176	303	460	0	150	2,018	98	232	2,050	190	0	6,349
	<b>1,448</b>	<b>460</b>	<b>344</b>	<b>736</b>	<b>20</b>	<b>180</b>	<b>2,594</b>	<b>120</b>	<b>281</b>	<b>2,276</b>	<b>390</b>	<b>0</b>	<b>8,849</b>

**2. Accounting Issues**

Property, Plant & Equipment represents the Common Good Funds Heritable Property. These are revalued on a rolling basis every five years using the Code of Practice of the Royal Institute of Chartered Surveyors.

Investments are stated at their market value at 31 March 2023.

The accounting policies applied are those of Dumfries & Galloway Council.

## **Group Accounts**

### **Introduction to Group Accounts**

The code of practice on Local Authority Accounting in the United Kingdom 2021-22 (the code) and relevant accounting standards require local authorities to consider all of their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary, associated entities and joint arrangements. Prior to the implementation of the Dumfries and Galloway Integration Joint Board in 2016/17, the Council's interest in other organisations was deemed to be immaterial and therefore group accounts were not required.

The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

### **Subsidiaries**

Subsidiary entities are those over which the Council has been deemed to have control. The Council administers Common Good Fund and Charitable Trust Funds, whereby accounts are included on page 102 to 107 of these accounts. However, the impact of consolidating these is deemed to be immaterial and they have therefore been excluded from the Group Accounts.

The South West of Scotland Transport Partnership (SWestrans) has been recognised as a subsidiary. The Partnership was set up under the Transport (Scotland) Act 2005 and the Council's public transport functions were transferred to the SWestrans under a Transfer of Functions Order on 7 November 2006. The Council is able to exercise a significant influence over the SWestrans through five Council members being board members (out of a total board membership of seven). A copy of the annual accounts for SWestrans is available on the Council website.

### **Joint Arrangements**

Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Council along with NHS Dumfries & Galloway established a Health and Social Care Integrated Joint Board (IJB) on 3 October 2015. The Council has joint control of the IJB through the council having five voting members on the board (out of a total voting board membership of ten), and therefore has a group relationship with the IJB, which is considered to be a joint venture. Annual Accounts for the IJB can be found at <http://www.dg-change.org.uk/>.

**Group Comprehensive Income & Expenditure Statement**

Gross Expenditure £000	2021/22		Net Expenditure £000		Gross Expenditure £000	2022/23		Net Expenditure £000
	Income £000					Income £000		
181,615	(18,707)	162,908	Education & Learning		181,951	(25,254)	156,697	
33,709	(6,678)	27,031	Social Work Services		36,824	(7,064)	29,760	
188,378	(106,160)	82,218	Integrated Joint Board (IJB)		220,691	(125,708)	94,983	
149,233	(47,587)	101,646	Communities		153,295	(48,667)	104,628	
63,189	(14,657)	48,532	Economy & Resources		73,995	(21,173)	52,822	
4,161	(2,953)	1,208	Non-Distributed Costs		(1,898)	(1,887)	(3,785)	
4,491	(678)	3,813	SWestrans		4,781	(759)	4,022	
<b>624,776</b>	<b>(197,420)</b>	<b>427,356</b>	<b>Net Cost of Services</b>		<b>669,639</b>	<b>(230,512)</b>	<b>439,127</b>	
		259	Other Operating Expenditure				908	
		26,596	Financing and Investment Income & Expenditure				24,571	
		(423,767)	Taxation & Non-Specific Grant Income				(429,610)	
		<b>30,444</b>	<b>Deficit on the Provision of Services</b>				<b>34,996</b>	
		(7,180)	Share of Surplus on the Provision of Services by Joint Venture				7,629	
		<b>23,264</b>	<b>Group Deficit on the Provision of Services</b>				<b>42,625</b>	
		(13,387)	Surplus on revaluation of non-current assets				(6,373)	
		54	Impairment losses on non-current assets charged to Revaluation Reserve				0	
		(162,756)	Remeasurement of net defined liability				(374,550)	
		0	Other unrealised (gains)/ losses				0	
		<b>(176,089)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(380,923)</b>	
		<b>(152,825)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(338,298)</b>	

## Group Movement in Reserves Statement

	Usable Reserves						Total Unusable Reserves	Total Reserves	Authority Share of Subsid Reserves	Group Reserves	
	General Fund Balance	Capital Receipts Reserve	Capital Fund	Repairs & Renewal s Fund	Insura nce Fund	Capital Grants & Receipts Unapplied					
	£000	£000	£000	£000	£000	£000					
Balance at 31 March 2021	(70,180)	0	(1,626)	(3,480)	(2,968)	0	(78,254)	(4,268)	(82,522)	(9,422)	(91,944)
Movements in Reserves during 2021/22											
(Surplus) or Deficit on provision of services	26,631	0	0	0	0	0	26,631	0	26,631	(3,367)	23,264
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(176,089)	(176,089)	0	(176,089)
Total Comprehensive Income & Expenditure	26,631	0	0	0	0	0	26,631	(176,089)	(149,458)	(3,367)	(152,825)
Adjustments to usable reserves permitted by accounting standards	(16,037)	0	0	0	0	0	(16,037)	16,037	0	0	0
Adjustments between accounting basis & funding basis under regulations	(37,371)	0	26	0	0	(14)	(37,359)	37,359	0	0	0
Adjustments between group accounts and Council accounts	3,548	0	0	0	0		3,548	0	3,548	(3,548)	0
Net (increase)/ decrease before transfers to /(from) other statutory reserves	(23,229)	0	26	0	0	(14)	(23,217)	(122,693)	(145,910)	(6,915)	(152,825)
Transfers to/ (from) Other Statutory Reserves	3,406	0	(3,171)	355	(604)	14	0	0	0	0	0
(Increase)/ decrease in year	(19,823)	0	(3,145)	355	(604)	0	(23,217)	(122,693)	(145,910)	(6,915)	(152,825)
Balance at 31 March 2022 carried forward	(90,003)	0	(4,771)	(3,125)	(3,572)	0	(101,471)	(126,961)	(228,432)	(16,337)	(244,769)
Movements in Reserves during 2022/23											
(Surplus) or Deficit on provision of services	31,480	0	0	0	0	0	31,480	0	31,480	11,145	42,625
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(380,834)	(380,834)	(89)	(380,923)
Total Comprehensive Income & Expenditure	31,480	0	0	0	0	0	31,480	(380,834)	(349,354)	11,056	(338,298)
Adjustments to usable reserves permitted by accounting standards	(14,988)	0	0	0	0	0	(14,988)	14,988	0	0	0
Adjustments between accounting basis & funding basis under regulations	(20,017)	0	83	0	0	0	(19,934)	19,934	0	0	0
Adjustments between group accounts and Council accounts	3,756	0	0	0	0	0	3,756	0	3,756	(3,756)	0
Net (increase)/ decrease before transfers to /(from) other statutory reserves	231	0	83	0	0	0	314	(345,912)	(345,598)	7,300	(338,298)
Transfers to/ (from) Other Statutory Reserves	3,402	0	(3,495)	150	(57)	0	0	0	0	0	0
(Increase)/ decrease in year	3,633	0	(3,412)	150	(57)	0	314	(345,912)	(345,598)	7,300	(338,298)
Balance at 31 March 2023 carried forward	(86,370)	0	(8,183)	(2,975)	(3,629)	0	(101,157)	(472,873)	(574,030)	(9,037)	(583,067)



**Group Balance Sheet**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
877,045	Property, Plant & Equipment	870,879
2,350	Heritage Assets	2,356
22	Intangible Assets	15
894	Long Term Investments	855
9,506	Long Term Debtors	9,021
15,386	Investment in Joint Ventures and Associates	7,757
<b>905,203</b>	<b>Long Term Assets</b>	<b>890,883</b>
957	Assets Held For Sale	1,070
1,081	Inventories	899
22,640	Short Term Debtors	27,114
53,594	Cash & Cash Equivalents	36,494
<b>78,272</b>	<b>Current Assets</b>	<b>65,577</b>
(14,848)	Short Term Borrowing	(11,763)
(72,921)	Short Term Creditors	(68,888)
(3,343)	Short Term Liabilities	(3,389)
(1,005)	Short Term Provisions	(462)
<b>(92,117)</b>	<b>Current Liabilities</b>	<b>(84,502)</b>
(175,442)	Long Term Borrowing	(167,850)
(101,096)	Other Long Term Liabilities	(97,707)
(370,051)	Other Long Term Liabilities (Pensions)	(23,334)
<b>(646,589)</b>	<b>Long Term Liabilities</b>	<b>(288,891)</b>
<b>244,769</b>	<b>Net Assets</b>	<b>583,067</b>
101,471	Usable Reserves	101,157
126,961	Unusable Reserves	472,873
15,386	Group Usable Reserves	7,757
951	Group Unusable Reserves	1,280
<b>244,769</b>	<b>Total Reserves</b>	<b>583,067</b>

The unaudited accounts were issued on 27 June 2023.

**Paul Garrett**  
**Head of Finance and Procurement**

**Group Cash Flow Statement**

2021/22 £000		2022/23 £000      £000	
23,264	Net deficit on the provision of services	42,625	
(79,967)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(69,563)	
21,294	Adjustments to net (surplus) or deficit on the provision of services that are investing or financing activities	17,871	
<b>(35,409)</b>	<b>Net cash flow from operating activities</b>		<b>(9,067)</b>
	Investing activities		
31,003	- purchase of property, plant & equipment, heritage assets & intangible assets	30,548	
0	- other payments for investing activities	49	
(609)	- proceeds from the sale of property, plant, equipment	(985)	
(21,294)	- Other receipts from investing activity	(17,463)	
<b>9,100</b>			<b>12,149</b>
	Financing activities		
3,380	- cash receipts from short & long term borrowing	(3,481)	
3,316	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	3,343	
10,041	- repayments of short & long term borrowing	14,156	
64	- other payments for financing activities	0	
16,801			<b>14,018</b>
<b>(9,508)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>17,100</b>
44,086	Cash and cash equivalents at the beginning of the year		<b>53,594</b>
<b>53,594</b>	<b>Cash and cash equivalents at the end of the reporting year</b>		<b>36,494</b>

**Notes to the Group Accounts****Group Accounting Policies**

The financial statements in the group accounts have been prepared in accordance with the Councils Accounting Policies. Where applicable consolidation adjustments have been made to eliminate inter group transactions. All entities have the same reporting date as the Council.

The Council has accounted for its interest in subsidiaries (Swestrans) on a line by line basis. The Joint Venture has been accounted for using the equity method of accounting.

Details of the Council's share of each entity are shown in the table below:

		2022/23			2021/22		
	% Share	Share of assets	Share of Liabilities	Share of (Profit)/ Loss	Share of assets	Share of Liabilities	Share of (Profit)/ Loss
		£000	£000	£000	£000	£000	£000
<b><u>Subsidiaries</u></b>							
Swestrans	100%	1,427	(147)	(240)	1,077	(126)	265
<b><u>Joint Ventures</u></b>							
Integration Joint Board	50%	0	0	7,629	0	0	(7,180)

**Financial Impact of Consolidation**

The inclusion of the group entities results in an increase of £9 Million in the net assets and reserves from that shown on the Council's single entity Balance Sheet. This represents the inclusion of SWestrans assets and our investment in the IJB. The inclusion of group entities has also increased the deficit on the provision of service from £35.2 Million to £42.6 Million.