Dumfries and Galloway Council

# Annual Accounts

## 2025/26

Unaudited

Dumfries and Galloway

## Contents

# Management Commentary 2025-2026

## Introduction

The Annual Accounts presents detailed information on the financial management and performance of Dumfries and Galloway Council, and how this has supported the delivery of the 2023-2028 Council Plan. The management commentary will outline some of the key highlights of the 2025-2026 financial year as well as the approach we are taking to some of the challenges and risks which may impact upon the Council in the future.

### Councillors*

**43 Elected Members**
11 Scottish National Party
10 Conservative and Unionist Party
8 Scottish Labour Party
4 Novantae
3 Dumfries and Galloway Independent Group
3 Independent
2 Democratic Alliance
1 Scottish Liberal Democrat
1 Non-Specified

*As at 2025/26

### Budget

Revenue Budget: £482.039 Million*

Capital Budget: £81.289 Million*

*Figures are those agreed by Full Council in February 2025 as part of setting the 2025/26 Agreed Budget.

### Council workforce

**6,652 (5,192 FTE)**

Female: 4,988 (75%)

Male: 1,664 (25%)

### Land area

**Total: 6,426 km²**

### Largest Towns

Dumfries: 39,650
Stranraer: 10,110
Annan: 8,760

### Infrastructure

Road Network: 4,202km

Leisure Facilities: 12

Cultural Facilities: 17

### Schools

Secondary: 17
Primary: 90
Nurseries: 108

### Entering Positive Destinations

95.9% of school leavers entering positive destinations

87.4% of People (16-64) have a Regulated Qualifications Framework (RQF)1 and above.

### Population

**Total: 145,860**

Male: 70,571 (48%)

Female: 75,289 (52%)

40,840 (28%) of the population are 65+

83,403 (57%) of the population are 16 to 64

21,617 (15%) of the population are under 16

### Life expectancy

Female: 80.9

Male: 76.9

### Economy

Economically Active: 80.3%

Businesses: 7,565

Unemployment: 2.9%

### Poverty and Deprivation

**Child Poverty (after housing costs): 17.4%**

10% of datazones are in national quintile 1, the 20% most deprived category.

# Strategic Direction

Elected Members are responsible for making strategic decisions and through the Council's Committee Structure monitor the service delivery and performance.

Dumfries and Galloway Council has been led by a Scottish National Party Administration since 16 June 2025. Prior to this, the Council was led by a Scottish Conservatives Administration.

The Leader of the Council is Councillor Stephen Thompson.

The Chief Executive of Dumfries and Galloway Council is Dawn Roberts.

The Council is structured into four Directorates: Enabling and Customer Services; Economy and Infrastructure; Education, Skills and Community Wellbeing; and Social Work Services.

## Council Plan

The **Dumfries and Galloway Council Plan 2023-28** is our key strategic document which sets out the outcomes the Council wants to achieve for the region over the lifetime of the Plan. It guides our activity across the Council and gives focus to how we will deliver better outcomes for the citizens and communities in Dumfries and Galloway and achieve our vision.

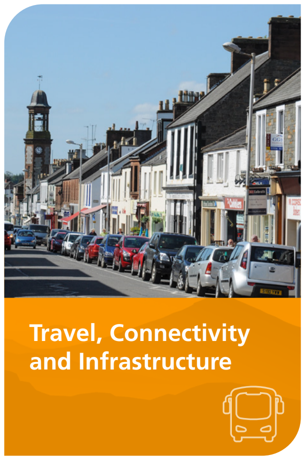
*"Our ambition is to be a successful region, with a growing economy, based on fairness, opportunity and quality public services, where all citizens prosper. Working in partnership, with connected, healthy and sustainable communities.*

*The region will be the natural place to live, work, visit and invest."*

The Council Plan centres on a core set of principles: to safeguard our future; support our citizens; support our communities; and be a responsive Council. These principles influence all our activity and shape how we will deliver our four themes and 23 strategic outcomes.

The themes are Economy; Travel, Connectivity and Infrastructure; Education and Learning; and Health and Wellbeing. Each of the four themes have strategic outcomes which we aim to achieve during the life of the Plan.

Our simplified 'Plan on Page' is shown overleaf. This gives an overview of our vision, themes and strategic outcomes.



# Council Plan on a Page

**VISION:** Our ambition is to be a **successful region**, with a **growing economy**, based on **fairness**, **opportunity** and **quality public services**, where all citizens prosper. Working in partnership, with **connected**, **healthy** and **sustainable communities**.

The region will be **the natural place to live, work, visit and invest**.

## Principles

### Safeguard our future

- Address the climate emergency
- Protect our natural capital

### Support our citizens

- Put customers at the heart of services
- Support the most vulnerable and in need
- Address inequalities
- Offer digital services

### Support our communities

- Empowering communities and individuals
- Work in partnership
- Focus on local and place
- Invest to enable change

### Be a responsive Council

- Communicate openly
- Maintain high standards
- Maintain sustainable finances
- Make best use of resources
- Be organised to deliver

## Themes and Strategic Outcomes

### Economy

- There is a diversified and growing local economy that benefits all
- Our workforce and their skills base are growing
- Rural communities and places are vibrant and thriving
- Enhancing the region's natural capital benefits local communities and businesses
- Businesses are supported to start and grow
- Investment in the region benefits communities and the local economy

### Travel, Connectivity and Infrastructure

- Roads, paths, cycling and walking networks in the region are improved
- Communities are protected from the impact of floods
- Sustainable travel in the region contributes to net zero
- The Council is a low carbon organisation
- People have access to services that are modern, efficient and responsive
- Digital connectivity supports thriving rural communities

### Education and learning

- Places of learning are inclusive, sustainable and meet the needs of local communities
- We get it right for every child
- Children, young people and adults transition successfully through all life stages
- Young people and adults succeed in what they want to achieve
- Participation in creativity and play is part of early and lifelong learning experiences
- Local people can build their skills and confidence

### Health and Wellbeing

- Prevention and early intervention assist people to have independent lives
- Access to personal support and care helps keep people safe
- People are active, resilient and improving their health and wellbeing
- Help is provided to tackle the causes and effects of poverty, inequality and increased cost of living
- People have access to high quality, affordable housing that supports their independence, prosperity and wellbeing

## Council Delivery Plan

The Council Plan provides a basis on which our annual deliverables will be defined, our performance will be managed, and importantly, how we spend our resources.

The **Annual Delivery Plan** outlines the activities, outputs and projects which will help achieve or contribute to the agreed outcomes in the Council Plan 2023-2028. It sets out what we intend to do to achieve our strategic outcomes that year and allows us to review our performance over the last 12 months. The annual deliverables for 2025-26 were agreed on 27 March 2025, and our performance against these is set out in the Performance and Achievements section of this commentary.

## Council Plan Measurement Framework

The **Council Plan Measurement Framework** sets out how we will measure the impact that our Council Plan delivery is having on our communities and residents of Dumfries and Galloway. It was developed with support from the Improvement Service and was agreed in March 2025.

The Framework includes a focused suite of measures, both quantitative and qualitative, based on published evidence and aligned to the Council Plan outcomes. Partner performance frameworks are mapped with the Council strategic measures to ensure that the measurement of impact is aligned and consistent.

The **mid-term review of our Council Plan** was considered on 2 October 2025 and is structured around our Measurement Framework. The review brings together validated data from a variety of sources, in the form of metrics and graphs as well as progress on the delivery of a range of projects, lived experience and case studies which all demonstrate the impact on communities and individuals.

## Financial Strategy

The Council's Financial Strategy provides high level financial projections to inform the development of medium term financial and service plans. While in recent years it has reflected an approach that utilises non-recurring resources to delay/spread the need for the identification of significant savings to balance the budget, the 3 year budget agreed in February 2026 reflected a significantly reduced reliance on non-recurring resources with only £0.702 Million planned to be applied over the three year period 2026/27 – 2028/29.

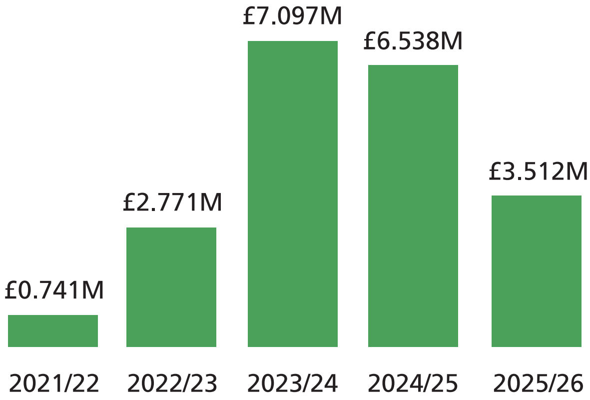
The financial strategy also recognises the significant financial challenges being experienced across Council Services, and those services delegated by the Council to the Integration Joint Board for Health & Social Care, with additional resources set aside to support general inflationary and budget pressures, as well as specific additional funding to support a change and savings plan within the Integration Joint Board. This approach places the Council in a reasonably strong position from which to address the significant financial challenges that are anticipated over the upcoming three year period 2026/27 – 2028/29.

In addition to these recurring measures, the Council's financial strategy has also sought to ensure that there are sufficient non-recurring resources held within the Council's reserves to maintain the Council's overall financial resilience.

The 3 year budget agreed in February 2026 reflects a Change & Savings Programme with a requirement for savings totalling £15.5 Million by financial year 2028/29 and arrangements are being progressed to ensure the identification and delivery of these savings.

Over the period 2010/11 to 2025/26 the Council has delivered total annual savings of £133.2 Million and, as reflected above, will require to delivery further savings of £15.5 Million by the end of 2028/29. While it is recognised that this will be extremely difficult, and require ongoing monitoring and review, the successful delivery of prior year savings highlights the Council's ability to meet this challenge. In addition, the Council's agreed approach to utilise the Change Fund for investment in delivering change and savings supports the Council's overall financial resilience. The delivery of all agreed savings measures is reported to the Enabling & Customer Services Committee on a regular basis as part of the regular quarterly monitoring reports.

The chart below highlights the level of savings that have been agreed by the Council over the last 5 years, demonstrating the scale of change undertaken within the Council in recent years.




Note - The savings target for 2025/26 of £3.970 Million included savings carried forward from prior years of £458k.

## Service Plans and delivery

Each of our services produce a service plan which details specific actions from the Council Delivery Plan, key service activities, change and improvement activities and success measures that they will deliver. Service Plans are reviewed annually following approval of the Council's Annual Delivery Plan aligned to the Council Plan 2023-2028.

These plans directly link back to the annual delivery of the Council Plan and individual Heads of Service report their performance to Service and Area Committees on a six-monthly basis. Further information on our performance for 2025-26 is set out in the Performance and Achievements section of this commentary.

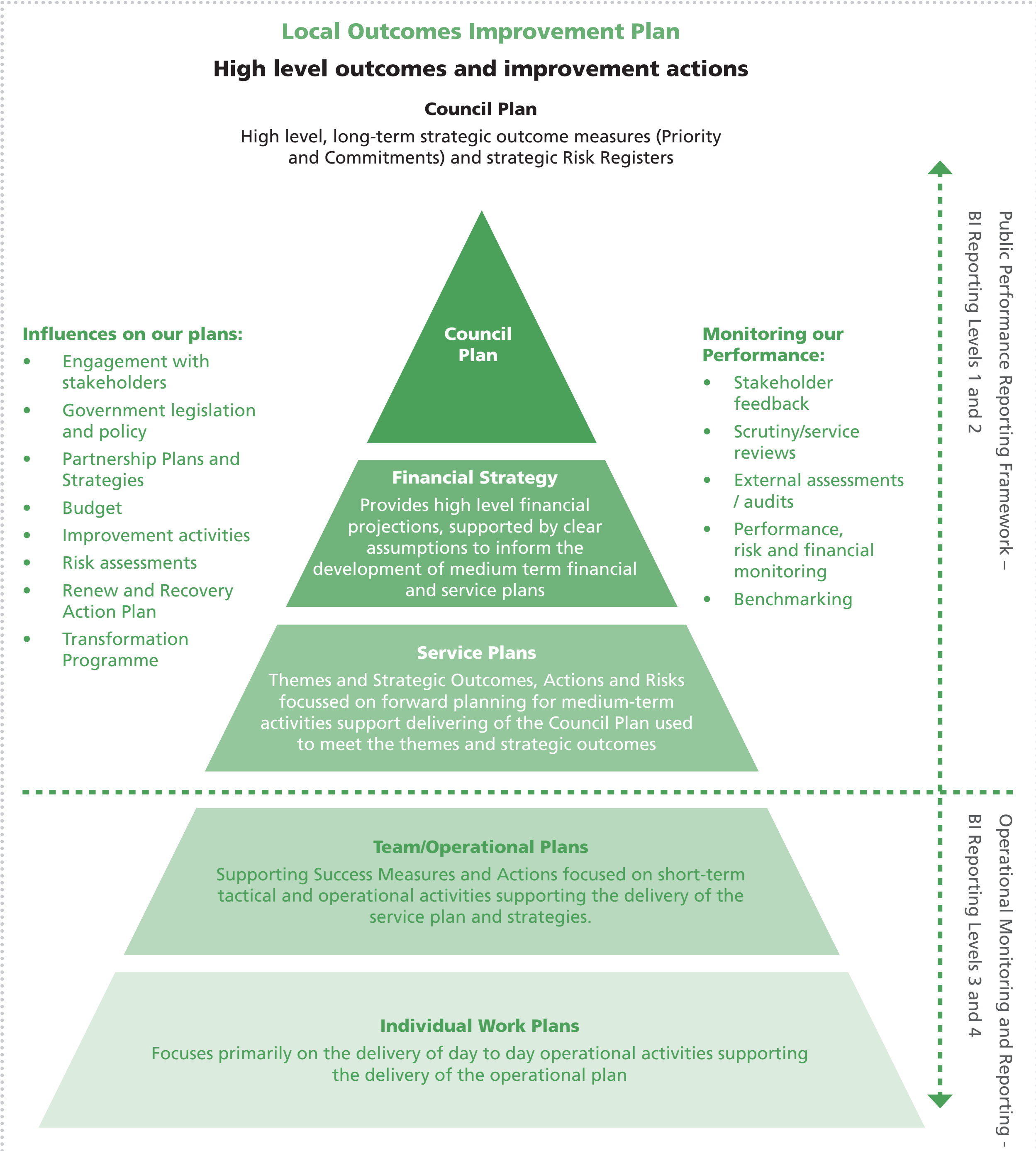
## Community Planning

The Council Plan aligns with the **Local Outcomes Improvement Plan 2023-2033** (LOIP), which was approved by the Community Planning Partnership Board. The LOIP outlines how the partnership will tackle inequality and socio-economic disadvantage and the associated improvement actions to achieve this. The LOIP sets out three themes: Health and Wellbeing; Work; and Where We Live. There are 12 Outcomes that sit under these themes which will be the focus for the Community Planning Partnership until 2033.

The Performance Framework to monitor achievement of these Outcomes is drawn from the wide range of strategies and plans currently in place, and the LOIP Action Plan prioritises key issues to be progressed.

**Figure 1** shows the relationship between the key strategic documents.

Figure 1



# Our Performance and Achievements

## Our Performance

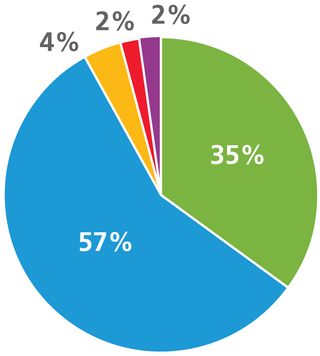
Our End of Year position report on the Council Plan Delivery for 2025-2026 was agreed on 26 March 2026. The report consolidated and summarised our Council Plan performance over the year (as at end of February 2026) to demonstrate how we have delivered on our themes and strategic outcomes and to support our public performance reporting arrangements.

The Council Management Team oversee a quarterly review of progress across activity within the annual delivery statement and ensure any actions or follow up required is undertaken throughout the year. This reflects the shared responsibility for achieving the Council Plan outcomes and the joint efforts to deliver the actions within the annual delivery statement. All senior officers contribute and support the progress of the Plan working as one Council.

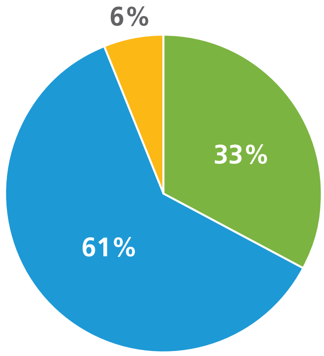
The Council Plan 2023-2028 consists of 4 Themes and 23 Strategic Outcomes. The End of Year position report set out the actions that would be completed and a summary of the progress made is shown in the charts below.

### Council Plan Delivery by Theme as at February 2026

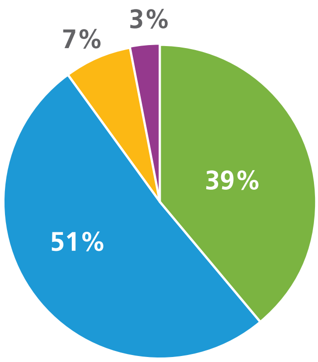
**Economy (46 actions)**



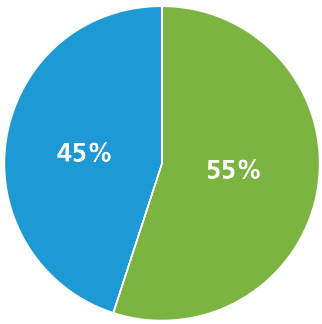

**Travel, Connectivity and Infrastructure (33 actions)**




**Education and Learning (41 actions)**




**Health and Wellbeing (22 actions)**




| | |
|---|---|
| **Complete** | Delivery has been completed. |
| **On track and in progress** | Delivery is on track. The project or programme is multi-year and key milestones met. |
| **In progress** | Actions have progressed with further work required to complete. |
| **Not started** | The planned action or activity has not yet started. |
| **Cancelled** | Action has been cancelled |

From the graphs above, we can clearly demonstrate that we have made progress across all the themes and strategic outcomes with 132 (93%) of the total 142 actions being completed or delivery is on track as shown in green and blue respectively.

## Key considerations:

- 7 (5%) out of the 142 actions are in progress with further work required to complete (as shown in amber). These projects have been agreed as part of the 2025/26 Council Plan Delivery Plan with the remaining milestones and next phase of the action being completed in 2025/26.
- 1 (0.7%) out of the 142 actions has not yet been started (as shown in red). This is due to additional resources being explored to enable delivery of the strategy and this action forms part of the 2026/27 Council Plan Delivery plan.
- 2 (1.4%) out of the 142 have been cancelled (shown in purple). This is due to the external funding from the UK Shared Prosperity Programme to support the e-commerce support programme having ended in March 2025. The additional capital funding received from the Scottish Government for play park projects, with the agreement of the Scottish Government was already received and fully committed to projects prior to the agreement of 2025/26 budget.

The End of Year position report provides further information on our performance against each of the actions will be available to view on the **Council website**

## Comparing our Performance

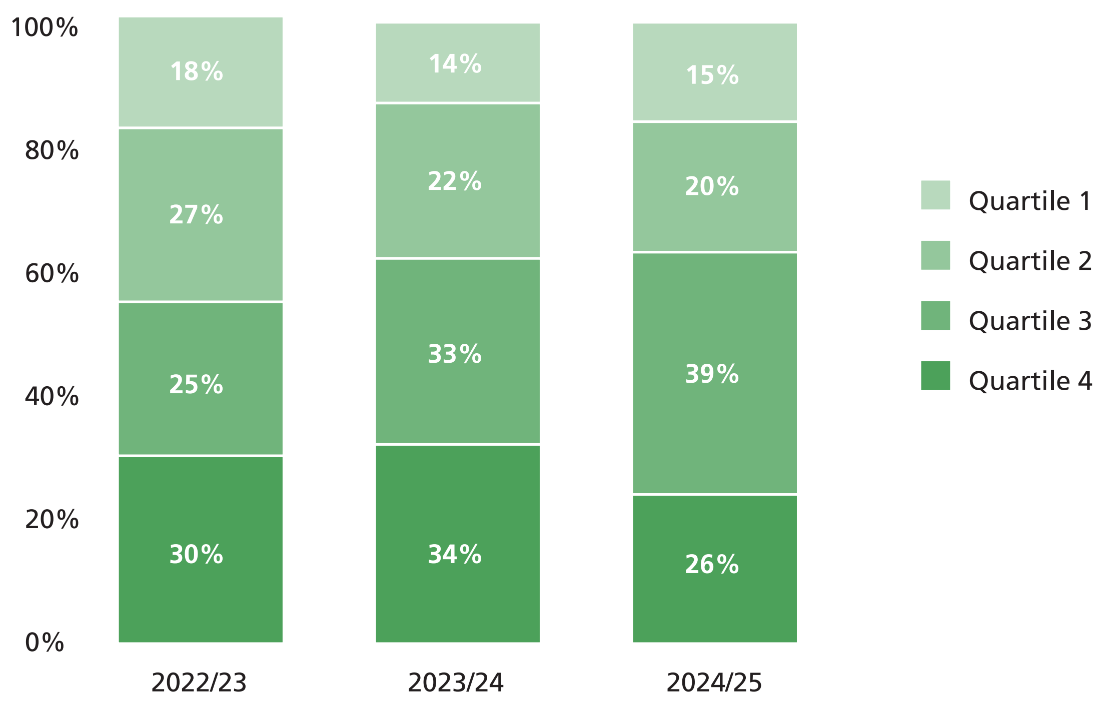
We compare our performance through a range of national benchmarking forums, including the Local Government Benchmarking Framework (LGBF), as a means of identifying good practice and supporting continuous improvement. We use benchmarking to support our work to ensure that local communities receive the best possible services and outcomes.

The latest LGBF data available is 2024/25 which was published in March 2026 and helps councils to compare their performance against a suite of efficiency, output and outcome indicators that cover all areas of local government activity.

The graph below shows the percentage of LGBF indicators in each quartile over a 3-year period (2022/23 to 2024/25) using the data available. Please note that due to the frequency and the data available not all indicators are included. This allows relative performance to be assessed by dividing it into four quartiles, with quartile one representing top performance and quartile four representing poorest performance.

In 2024/25, 35% of our indicators were in the top two quartiles compared to 36% in 2023/24.

### Percentage of LGBF Indicators in each quartiles 2022/23 – 2024/25



**In 2024/25, some areas where our performance was among the top performing councils in Scotland include:**

Cost per **Pre-School Education Registration.**

**Literacy Attainment Gap** (P1,4,7 Combined).

**Numeracy Attainment Gap** (P1,4,7 Combined)

Percentage of **invoices** sampled that were paid within 30 days.

Proportion of **Scottish Welfare Fund** (SWF) Budget Spent.

**Home care costs** per hour for people aged 65 or over.

Net cost of **street cleaning** per 1,000 population.

Proportion of **Discretionary Housing Payments** (DHP) Funding Spent.

The **net cost of residential care services** per adult (+65) per week

Percentage of **income due from council tax** received by the end of the year.

**We continue to take a targeted approach to improving our performance and recognise that there are a few areas for improvement including:**

**Average total tariff** SIMD **Quintile 5**

Percentage of **children living in poverty** (after housing costs).

Number of days people spend in hospital when they are ready to be **discharged**, per 1,000 population (75+)

Percentage of **A Class roads** that should be considered for maintenance treatment

Percentage of **B Class roads** that should be considered for maintenance treatment

Percentage of **C Class roads** that should be considered for maintenance treatment

Number of days people spend in hospital when they are ready to be **discharged**, per 1,000 population (75+)

Net cost of **waste disposal** per premise

Town **Vacancy Rates.**

Performance is made available to Elected Members, following analysis of the national Local Government Benchmarking Framework data.

Further information on how we compare with other Scottish councils is available on the Local Government Benchmarking Framework online dashboard: **https://www.improvementservice.org.uk/benchmarking/explore-the-data**

# Key highlights and challenges

## Dumfries High School

The Council Plan 2023-2028 includes a theme on Education and Learning and a strategic outcome that places of learning are inclusive, sustainable and meet the needs of local communities. Dumfries Learning Town, phase 2 (DLT2) is a strategic project in the Council's Capital Investment Strategy. It represents a significant investment in the future of education in the region, with the potential to bring about substantial benefits to the learning and development of young people in Dumfries and Galloway.

The new build of Dumfries High School, part of DLT2, has seen significant investment from Dumfries and Galloway Council in recent years. Delivered by hub South West Scotland in partnership with Dumfries and Galloway Council, with funding supported by the Learning Estate Investment Programme, the construction of the £53 million project provides state-of-the-art educational facilities for over 930 pupils and 100 staff.

The building works started on site in April 2024, with the project being delivered in three phases. In January 2025, a significant milestone was reached with the completion of Phase 1, the opening of the new 3G sports pitch. Phase 2 was the main school build which has been completed just over two years later with the school welcoming pupils for the first time on Friday 5 June.

This is the first school in the UK to provide fibre directly to the classroom. The technology allows the benefits of fibre speed right to the classroom, which will be of huge benefit to learners and staff alike. The new school will also feature social and dining areas as well as an amphitheatre and science garden, with pupils and staff able to take advantage of numerous break-out areas for science, languages, and a library.

An official opening of the new Dumfries High School is programmed in for late August, when the new academic year is underway. Phase 3 will shortly begin with the demolition of the original school and landscaping of the school open and green spaces, which is set to be completed by spring 2027.

This project represents a significant investment in the future of education in the region, demonstrating the Council's commitment to enhancing educational infrastructure and creating a modern, integrated learning environment.

## Residential Placements

The number of children in external residential placements and the costs of placements have increased significantly over the past few years. The 2024/25 budget recognised rising costs of children's residential placements with the agreement of additional recurring funding of £1.49 Million, as well as non-recurring resources of £3.276 Million, to support the increasing demand and to invest in mitigation measures aimed at reducing both the number and cost of placements. Implementation delays and more children entering placements meant this funding was insufficient.

The 2025/26 budget process again acknowledged the ongoing financial pressures in this area, that predicting the number and cost of placements was challenging, but that a move towards decreasing placements was both appropriate and necessary. The 2025/26 budget therefore included an additional £3 Million in recurring annual funding for Children's Residential Placements to support this pressure.

In 2025/26, there was good progress in reducing the overall number of Children's Residential Placements (from 32 at the beginning of the year to 28 at the end of the year). However, due to the cost of individual placements the overall expenditure incurred supporting Children's Residential Placements was still £1.1 Million over the budgeted level.

Following work last year to introduce a dedicated kinship care team and establish an Intensive Support Team to prevent family breakdowns, further mitigating actions were progressed in 2025/26. Actions included working with registered social landlords to assist young people in care to access accommodation and steps to introduce a refreshed approach to our Continuing Care guidance. Increased scrutiny measures have been put in place on all residential placement contracts, individual placements and planned pathways. The recruitment of foster carers continues to be challenging and work is currently progressing to strengthen support and retention and modernise our recruitment campaign.

Development work on two children's houses has commenced, with suitable sites located in the west of the region and one in the east. These developments form a key element of the region's commitment to Keeping the Promise by increasing high-quality, local, homely accommodation for children and young people and reducing reliance on out-of-area placements. Costings for the build, alongside financial and staffing models, covering both capital and recurring revenue costs, are currently being developed to support the next stage of approval and assurance.

The average number of children in residential placements during the year was 32.6 (with the budget based on supporting 28 children in residential placements for 2025/26). The number of children in external residential placements, and the length of stay, started to decrease towards the end of the year thanks to the actions put in place.

The current trajectory indicates a positive shift in the residential placements position with continued action, monitoring and oversight remaining essential to ensure sustaining change in direction.

## Regional Indoor Tennis Centre

A new indoor tennis centre at the King George V sports complex in Dumfries opened to the public in 2025/26. Practical completion of the facility was achieved in December 2025 with handover and demonstrations taking place before opening to the public in March 2026.

The new three-court facility provides a year-round home for tennis for schools, clubs and players for many of our communities. It is an inclusive, accessible and affordable facility providing more opportunities for people of all ages and abilities to play tennis.

The King George V sports complex site is a Council asset but is operated through a Community Sports Hub management model, with our community partner, Queen of the South Community Trust managing and operating the facility on behalf of our Council.

A challenging financial climate and increased costs in the construction industry caused a rise in the total cost of the facility from original projections. However, the organisations involved put in a concerted effort to secure additional funding to ensure the project was delivered.

The project was supported through the Transforming Scottish Indoor Tennis (TSIT) fund (£1.69 Million), which is operated by the LTA, LTA Tennis Foundation, sportscotland and Tennis Scotland. This amount included a £211k loan to Dumfries and Galloway Council. The Council provided a further £471k alongside the loan, and the Holywood Trust, a local charity which helps young people in the area, made a contribution of £200k.

The new centre creates an excellent opportunity to grow participation, giving clubs and players the chance to play year-round and removing the weather as a barrier to playing time. Plans are also in place to use the centre to introduce more young people to the sport by working with Dumfries and Galloway Active Schools.

## Additional Support Needs Transport

As is the case throughout Scotland, Dumfries and Galloway Council faces ongoing challenges in the delivery of Additional Support Needs (ASN) school transport. The challenges relate to the increase in the number of pupils requiring transport and the complexity of needs involved, alongside the costs of delivery in a rural area with a scarcity of providers.

These challenges are reflected in Council budgets and accounts, with the total cost of ASN school transport provision increasing by 88% over the period 2021/22 to 2025/26. In recognition of these pressures, additional budget pressure funding of £750k was reflected within the 2024/25 agreed budget.

A cross-service review was progressed to improve ASN transport planning and to drive operational efficiencies. These included supplier review meetings, which were updated to incorporate new digital returns from providers in relation to costs and their fleet, a comprehensive 360-degree appraisal of service delivery to identify opportunities for reducing expenditure and developing the customer journey. In June 2025, we introduced a digital application form and a revised administration system to streamline the process and enhance the efficiency of service delivery.

However, as highlighted as part of the routine budget monitoring reports to the Economy and Infrastructure Committee in 2025/26, these measures were not sufficient to mitigate the extent of increased expenditure being incurred. A further £500k contribution from budget pressures funding was therefore agreed in 2025/26, bringing the overall additional funding provided to support the provision of this service up to £1.25 Million.

At the end of the year, the overall costs incurred in supporting the provision of transport to school for children with ASN exceeded the enhanced budget provision by £320k. Further opportunities are being actively explored, including collaborative contract management, developing a new procurement framework, route planning and optimisation and parental mileage reform to seek to bring expenditure back within the agreed resources available.

## Dumfries Ice Bowl

The Dumfries Ice Bowl is a key leisure facility for the region. Over the last two financial years (2024/25 and 2025/26) we have delivered a project to improve the building's energy efficiency and reduce its carbon footprint.

The Council secured £2.5M investment from the Scottish Government's Scotland Public Sector Heat Decarbonisation Fund towards the overall project costs of £4.48M.

The existing facility was identified as a key area of investment due to the significant energy consumption levels incurred by the Council, associated with a lack of airtightness of the building. Surveys also determined that the dehumidification and cooling plant were reaching end of life and the electrical switchgear was beyond its life expectancy and would not accommodate the capacity of new equipment.

Following design approval, external works started in March 2025 with the internal works taking place from May 2025. Work has included making the building airtight with external fabric upgrade and repair works as well as an insulated render around both the curling and ice rinks. Mechanical and Engineering service upgrades were also required, including a zero direct emissions heating system and a dehumidification unit. As part of the project, general improvements were also made with new suspended ceilings, LED lighting, and the café and kitchen areas were upgraded, with all Gas equipment replaced by electrical energy efficient models.

While carrying out the decarbonisation works at the facility, further critical works were identified by the contractor, requiring additional funding of £0.7M to be identified. The capital programme was re-prioritised to accommodate these additional costs.

Both the ice rink and curling rink are now back in use by the public and key partners, with the project ensuring that the facility is both sustainable and energy efficient going forward.

## Health and Social Care

Dumfries and Galloway Council and NHS Dumfries and Galloway delegate some health and adult social care functions and make payments to the Dumfries and Galloway Integration Joint Board (IJB) in respect of those functions as set out in the Integration Scheme. The Integrated Joint Board is required to annually agree a balanced budget for the year ahead as established at s93(3) of the Local Government Finance Act 1992.

The financial pressure on IJB services, including social care provision, has been significant with an overspend of £12.5 Million estimated at the beginning of 2025/26. This estimate reflected an increase in assessed needs due to an ageing population, increased numbers of people with complex care requirements and the direct cost of care increasing significantly over the past three years. This is a national issue which has been highlighted by Audit Scotland and COSLA. Strong representations have been made to the Scottish Government over an extended period seeking the allocation of significant additional funding to address social care pressures across Scotland.

Significant progress and associated cost reductions were achieved in 2025/26, reducing the overspend to £9.497 Million. This was primarily within the support provided to Older People. The provision of care and support to individuals under 65 years of age with complex care needs remained a significant area of pressure and will be a key area of review in 2026/27.

In line with the agreed Integration Scheme, the Council has provided additional resources to the IJB, in the form of a one-off contribution, to fully address the increased expenditure incurred during the year. This additional payment was funded through a combination of in-year corporate surpluses of £6.5 Million, and the release of council reserves of £3 Million.

It is imperative that the IJB sets a balanced budget and intensive work has taken place over 2025/26 to take forward initial cost-management initiatives and develop and implement a Savings Plan for 2026/27 as part of an overall balanced budget which has now been agreed by the IJB.

The Savings Plan has involved substantial consideration to address pressures, identify efficiencies and minimise and mitigate the impact of reductions. The Plan includes a range of measures including the recycling of care models, adjustments to non-residential charging structures and service redesign and reablement approaches. The measures will inevitably impact on the levels of service that can be delivered and will impact on citizens and frontline staff. We are likely to see longer waiting times, reduced access to non-critical support and increased pressure on unpaid carers. Robust governance arrangements are in place to ensure that social work and social care services are delivered in compliance with legal standards, policies and procedures.

The Council has set aside an allowance of £2.8 Million within its agreed budget for 2026/27 to support the delivery of the IJB's Savings Plan. The delivery of this Savings Plan is critical to restoring financial balance while maintaining statutory duties and supporting safe service delivery. Progression will be closely monitored and reported to the IJB, the IJB Finance, Audit and Risk Committee and the Council's Social Work Services Committee on a quarterly basis alongside the Council's overall quarterly budget monitoring reports to the Enabling and Customer Services Committee.

A review of the Integration Scheme took place over the course of the year, with Full Council considering the revised Scheme in October 2025 and January 2026 prior to submission to Scottish Ministers for approval (approved in April 2026). The review included a number of amendments relating to the responsibilities delegated to the IJB for the planning and delivery of health services, and a change to the voting membership.

## LED Lighting Energy Efficiency

The Council has seen energy prices rise significantly over several years and work has been ongoing to deliver opportunities to reduce energy usage. Energy Audits across the Council's estate identified the potential to reduce our energy usage, promote improved sustainability through reduction of maintenance requirements, and support the Council's Change and Savings programme.

In February 2024, we committed to a programme of works to replace all fluorescent light fitting to LED (Light Emitting Diode) lighting to the Council's portfolio of buildings. This was a Spend to Save project, with a main aim to reduce maintenance costs as LED lights have longer lifespan meaning the maintenance and labour costs to the Council associated with replacing bulbs are reduced.

The total investment required to support the programme of works was £4.592 Million. The funding agreed to support this investment reflected a combination of resources, including £637k of Salix funding, £600k of Drax funding (both UK Government and subsidised schemes) and Council investment of £3.355 Million (£1.8 Million in 2024/25 and £1.555 Million in 2025/26) funded from the Corporate Change Fund.

To date, the project has resulted in retrofit LED lighting and associated controls fitted within 53 schools and 60 non-school buildings, with work to complete a further 9 properties ongoing. The number of properties retrofitted has reflected changes to the Council's estate over the course of the two-year project.

The properties that have been completed are benefiting from both energy saving and improved lighting. Given the impact of global events on energy prices, the reductions in consumption that this investment will deliver will restrict the potential pressure on the Council's overall energy bill.

Further work is being undertaken to reduce energy consumption across the Council's estate.

# Climate

In June 2019, Dumfries and Galloway Council declared a Climate Change Emergency. Addressing the climate emergency is part of Dumfries and Galloway Council's Principle to Safeguard our Future.

The Council has a target to be a Carbon Neutral Organisation by 2033, with interim targets of a 75% reduction on carbon emissions by 2027 and a 90% reduction by 2031. By 2040, the aim is for the region as a whole to be carbon neutral, with a transition to a carbon negative region by 2045 to align with the wider regional aspiration outlined by South of Scotland Enterprise.

The Council has made reductions in its carbon emissions, with an overall percentage reduction in tCO2e of 53% between the years 2018/19 and 2024/25. In line with the Public Bodies Climate Change Duties Report, our emissions using the latest data available are highlighted below:

The Local Government Benchmarking Framework includes indicators on tackling climate change and carbon reduction. At the time of writing, for the year 2023/24, the Council area wide per capita emissions decreased to 4.14 (t C02e), which is below the Scotland and Family Group average and is aligned with the largely rural nature of our region. As a Council, whilst we have made progress in reducing our emissions in buildings and waste, we have had an increase in our transport related emissions. Dumfries and Galloway Council emissions within scope of local authority per capita also decreased to 5.43 (t C02e), although this remains above both the Scotland (4.04) and Family Group (4.89) average.

In 2025/26, the Council continued to work on the identification of suitable heat network sites across the region aligned with the Local Heating Energy Effieciency Strategy (LHEES) and facilitated work with partners through the Heat Network Investment Prospectus, which has resulted in initial discussions from a range of private sector companies.

Climate change and energy efficiencies work continues to be taken forward on suitable Capital projects. This has included projects such as the Ice Bowl renovation work, LED Lighting Programme and the Lochar Moss Solar Array, along with wider works across the Council's corporate estate following recent energy audits.

2025/26 was the first year of the new Climate, Environment and Biodiversity Sub Committee which provides further scrutiny, engagement and discussion on key work areas and projects of the council. We have continued to engage with and support the establishment of the Climate Intelligence Service, to assist in the creation of enhanced and improved data sets to support carbon reduction areas.

Biodiversity and natural capital activity that links to addressing the impact of the climate crisis has also been a key focus. Due to

| Year | Total (tCO2e) | tCO2e Reduction | % year on year reduction | % reduction total |
|---|---|---|---|---|
| 2018/19 | 45,864 | | | |
| 2019/20 | 30,021 | 15,843 | 34.5% | 35% |
| 2020/21 | 25,260 | 4,761 | 15.8% | 45% |
| 2021/22 | 24,859 | 401 | 1.6% | 46% |
| 2022/23 | 22,445 | 2,414 | 9.7% | 51% |
| 2023/24 | 21,384 | 1,061 | 4.7% | 53% |
| 2024/25 | 21,015 | 369 | 1.7% | 54% |

available resources this is being progressed through externally funded programmes such as SCAMP, Wanlockhead catchment realignment and the Nature Restoration fund which seeks to deliver actions to resolve or address key local issues.

We are developing a Regional Adaptation Plan in partnership with the Dumfries and Galloway Climate Action Hub, working alongside the Galloway & Southern Ayrshire Biosphere and supported by the Scottish Government. The Plan will be a practical, long-term framework to help our communities, businesses and public services prepare for the changes we know are coming and ensure that region remains a safe, resilient and thriving place for generations to come.

# Council Workforce

The Council recognises its workforce as central to delivering services for our communities. Our strategic approach is underpinned by the Council Workforce Plan 2023-2028, Service People Plans, and the People Strategy. These plans and strategies ensure that workforce planning is closely aligned with the Council Plan 2023-2028 and collectively aim to enable a positive employee experience, support and develop staff, strengthen engagement, recognise performance, and foster a strong "one team" culture.

Workforce planning and resourcing is a recognised area of challenge for the organisation and is included in the Council-wide risk register. This risk may affect the delivery of Council services (including business continuity), potentially impact on compliance with statutory duties and result in significant reputational damage.

To mitigate this, a range of actions are being progressed, including ensuring workforce considerations are aligned with financial planning and external funding opportunities; developing internal mobility programs and encouraging a "grow your own" approach; collaborative working with partners to develop regional recruitment initiatives; improved marketing to attract talent; and a review of procedures in directorates to consider what can be automated or stopped to free up staff for more essential services.

The Council Plan 2023-28 reinforces the need for a skilled, resilient and adaptable workforce. To support this, Members agreed a new People Strategy in March 2026, which is a strategic enabler across all services that creates a more connected, skilled and empowered workforce.

The People Strategy, and our employee engagement and experience are supported and measured through our People Experience Framework – Measuring Success. The Framework allows us to track our progress towards outcomes and measure the success of our actions through qualitative and quantitative information.

Our Council's continued partnership working with the National Trauma Transformation Programme and commitment to embedding a trauma-informed and responsive approach across our services, systems and workforces is embedded within the People Experience Framework.

Detailed Service People (workforce) plans are being progressed by services to highlight areas of most need and actions to address any future gaps to ensure services have the right number of people with the appropriate skills, knowledge, and behaviours.

The Council's redeployment policy was revised in June 2025. This policy provides a framework for moving employees from one role to another, often because of organisational change, health or performance capability.
The policy introduced significant support arrangements, including career coaching, retraining, CV workshops and interview preparation.

# Financial Performance

## 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 which 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 which 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.

## 2025/26 Outturn

The initial 2025/26 revenue budget was approved by Council on 27 February 2025, with the updated final operational budget detailed within the "Revenue Budget – Final Outturn 2025/26" report approved by the Enabling and Customer Services Committee on 16 June 2026. This updated position reflects the inclusion of additional Scottish Government funding received during the year and a number of budget movements, including the utilisation of non-recurring funding held within service reserves.

During 2025/26, the Council has faced a range of pressures and challenges within an increasingly difficult financial environment. The key areas of increased demand and expenditure during the year were associated with Transport for Children with Additional Support Needs, Social Work Children & Families Residential Placements, and repairs and maintenance on the Council's fleet vehicles.

In addition, and as anticipated during the year, expenditure on services delegated to the Integrated Joint Board (IJB) for Health & Social Care significantly exceeded their budgeted resources, returning an overspend of £9.5 Million. In line with the agreed integration scheme, the IJB have requested additional funding from the Council to address the overspend at the end of the year. This additional payment was funded through a combination of in-year corporate variances achieved by the Council on other areas of the budget of £6.5 Million, and the release of service reserves of £3 Million.

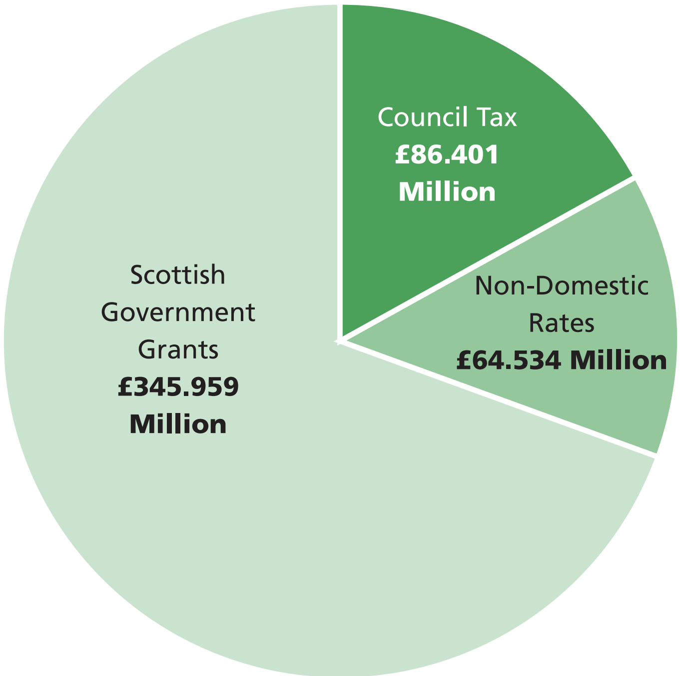
A summary of the 2025/26 outturn position for each of the Council Services, and those services delegated to the Integrated Joint Board is provided within the table below.

| Service | Outturn Budget £000 | Net Expenditure £000 | Variance £000 |
|---|---|---|---|
| Education Skills & Wellbeing | 209,258 | 207,868 | (1,390) |
| Social Work | 47,337 | 47,336 | (1) |
| Economy & Infrastructure | 69,385 | 69,399 | 14 |
| Enabling & Customer Services | 37,167 | 36,895 | (272) |
| **Sub-Total (exc. IJB)** | **363,147** | **361,498** | **(1,649)** |
| | | | |
| Integrated Joint Board | 107,020 | 116,517 | 9,497 |
| **TOTAL** | **470,167** | **478,015** | **7,848** |

Note 6 to these accounts reflects the expenditure and funding analysis (EFA) for each of the above Council-services, with the inclusion of those specific grants that are attributed to each Council Service, as well as providing a reconciliation to the details provided in the Comprehensive Income and Expenditure Statement (CIES) on page 65, which can be summarised as follows:

| Service | Net Expenditure (as above) £000 | Specific Grants £000 | Net Expenditure (as per EFA) £000 | Accounting Adjustments £000 | Net Expenditure (as per CIES) £000 |
|---|---|---|---|---|---|
| Education Skills and Wellbeing | 207,868 | (3,165) | 204,703 | 10,541 | 215,244 |
| Social Work | 47,336 | (4,542) | 42,794 | (442) | 42,352 |
| Integrated Joint Board | 116,517 | | 116,517 | (393) | 116,124 |
| Economy & Infrastructure | 69,399 | | 69,399 | 21,188 | 90,587 |
| Enabling & Customer Services | 36,895 | | 36,895 | 1,912 | 38,807 |
| **TOTAL** | **478,015** | **(7,707)** | **470,308** | **32,806** | **503,114** |
| Non-Distributable Costs | | | 2,567 | (54) | 2,513 |
| **Net Cost of Services** | | | **472,875** | **32,752** | **505,627** |

**The following chart summarises the main sources of funding for the Council in 2025/26.**




During the year, savings of £3.308 Million, equivalent to 83% of the agreed target, were delivered. In line with the Council's agreed approach, the in-year shortfall of £0.662 Million was addressed through the application of the change fund. As part of the 2026/27 budget considerations it was recognised that £50k of this shortfall would not be delivered on an ongoing basis, reducing the in-year shortfall carried forward for delivery in 2026/27 to £0.612 Million. The 2026/27 Agreed Budget included a savings target of £4.180 Million, which when combined with the in-year shortfall referenced above of £0.612 Million will require total savings of £4.792 Million to be delivered in the new financial year.

Overall, this position provides a reasonably strong basis for the Council to address what is expected to be an exceptionally challenging period for Local Government, associated with increasing demands on Council services and continued pressures from pay and non-pay inflationary increases.

Whilst the Comprehensive Income and Expenditure Statement on page 65 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 66.

## Capital Programme

Note 17 to these accounts provide summary information on capital expenditure and funding for 2025/26.

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.

This year saw an ambitious capital programme, with the net Capital spending (ie. gross capital spend less direct funding for specific projects) being £78.3 Million compared to an average spend of £41Million per annum over the past 10 years. The main contributor to this increased spend was the ongoing construction of Dumfries High School and Dumfries Zero Waste Park which incurred £22.2 Million and £7.4 Million of spend respectively this year.

Good progress was made in the progression of capital plans this year. Key milestones were reached for the Whitesands Flood Protection Scheme and Stranraer Marina, with both projects receiving approval to progress at Full Council in December 2025 with construction due to begin during 2026/27.

The main areas of investment this year included:

- £22.2 Million in relation to the construction of the new Dumfries High School
- £18.5 Million invested in our key infrastructure including roads and bridges
- £7.5 Million in relation to the construction of Dumfries Zero Waste Park
- £7.5 Million invested in our school property estate
- £6.4 Million invested in our fleet and other transport initiatives (inc spend to save)
- £6.1 Million invested in our non-school property estate
- £3.5 Million invested in Economic Development Projects including Borderlands

In addition to Council funded projects, £19 Million of UK Levelling Up Funded Projects were also supported and progressed, including; the 3 Reactivating Galloway Projects, 3 Active Tourism Projects and 3 Transport Projects.

Capital investment levels will stay elevated over the upcoming period, primarily due to the progression of the Whitesands Flood Protection Scheme and Stranraer Marina, alongside the significant investment in roads improvement works, the development work in relation to Dumfries Academy/Loreburn Primary refurbishment and other projects in the Borderlands Inclusive Growth Programme.

## Treasury Management

The 2025/26 Treasury Management Strategy was agreed by Full Council on 27 March 2025. That strategy indicated that there would be a borrowing requirement of £16.8 Million to support the 2025/26 capital investment strategy. Due to additional capital funding received in year, and reprofiled capital spending, only £5.2 Million of borrowing was required for this purpose.

As reflected above, the 10- year Capital Investment Strategy includes significant capital investment over the upcoming financial years, and it is currently anticipated that £169 Million of borrowing will be required to support the capital programme over the next three years (2026/27 to 2028/29).

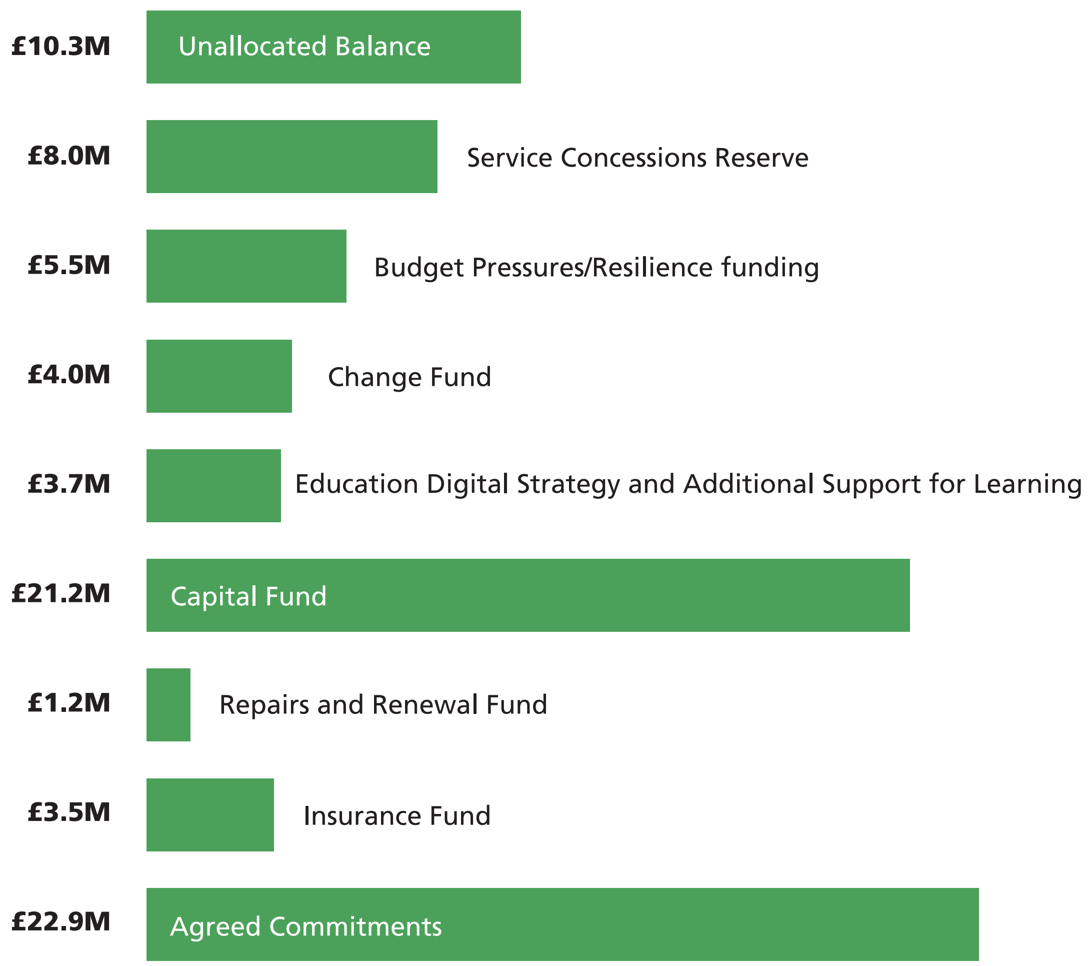
The management and timing of borrowing is a key consideration for the treasury management function. Due to the ongoing volatility in interest rates and forward forecasts, the timing of this borrowing will need to be carefully considered alongside advice from the Council's Treasury Advisors. It is still anticipated that interest rates will reduce gradually over the upcoming period, but this is still very uncertain and depends very much on the duration of the on-going tensions in the Middle East.

During 2025/26 interest income of £1.1 Million was generated on cash balances, whilst ensuring the security and liquidity of funds was prioritised. This investment income contributed to the overall loan charges/ interest on revenue balances underspend, which was transferred to the Capital Fund at the end of the financial year.

## Amounts Held at the Year-End

The overall resources at the end of the financial year have been supplemented through the transfer of the in-year service underspends and loan charges underspending with Note 29 to the Financial Statements (page 102), highlighting that the Council holds usable reserves totalling £80.3 Million as at 31 March 2026.

### Usable Reserves totalling £80.3 Million



As detailed at Note 29 to the Financial Statements, the significant majority of these resources are committed for specific purposes and can be summarised as follows:-

- £8.0 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.
- Agreed Commitments include £3.5 Million to support Affordable Housing, £1.7 Million to support Young Persons Employability measures plus amounts to support investment in Anti-Poverty/Cost of Living Initiatives and Economic Recovery.
- £4 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 £5.5 Million is held in a Budget Pressures/Resilience Fund to support potential budgetary pressures being experienced across the Council and the potential impact of inflationary cost increases associated with the ongoing conflict within Iran.
- Unallocated General Fund Balances have been maintained at the agreed minimum level of 2% of annual planned expenditure which equates to £10.3 Million.
- The Capital Fund includes commitments of £10.3 Million for Roads Investment, £5.5 Million support for the Capital Investment Strategy and £4.7 Million to support future loan charges.
- £1.2 Million is held within the Repairs & Renewals Fund to support planned preventative maintenance and the maintenance of our corporate systems.

## 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 | 2025-26 | 2024-25 |
|---|---|---|---|
| **Reserves** | | | |
| 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 2025/26. | No Change | No Change |
| **Council Tax** | | | |
| 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. | 96.6% | 96.6% |
| **Financial Management** | | | |
| Actual Outturn compared with Budgeted Expenditure | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. | 101.7% | 100.3% |
| 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. | 97.9% | 98% |
| **Debt/Long Term Borrowing** | | | |
| Loans Fund Interest Rate | Indicated the effectiveness of treasury management activities through showing the average cost of servicing the councils net debt | 3.8% | 3.7% |
| 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. | 5.0% | 5.2% |

## Balance Sheet Assets and Liabilities

The Balance Sheet represents a snapshot of Dumfries & Galloway Council's overall financial position as at 31 March 2026. 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

| | 2024/25 | 2025/26 |
|---|---|---|
| Total | £1,012.5M | £1,068.6M |
| Current | £44.9M | £60M |
| Long Term | £967.2M | £1,008.6M |

### Total Liabilities

| | 2024/25 | 2025/26 |
|---|---|---|
| Total | £466.8M | £485.2M |
| Current | £91.5M | £98.5M |
| Long Term | £375.3M | £386.7M |

### Total Reserves

| | 2024/25 | 2025/26 |
|---|---|---|
| Total | £545.3M | £583.4M |
| Usable | £93M | £80.3M |
| Unusable | £452.3M | £503.1M |

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 | Vehicles, Plant and Equipment | Infrastructure Assets | Other Land and Buildings |
|---|---|---|---|
| £20.5M | £32.5M | £173.9M | £687.6M |

**Other Assets £154.1M**

# Liabilities

| Borrowing | Finance Leases | Short Term Creditors |
|---|---|---|
| £236.7M | £107.6M | £73.4M |

**Pension Liability**

**£67.5M**

The Council has a net Pension Liability of £67.5 Million at the end of the financial year. The pension liability relates to the cost of enhancements to individuals pensions that are met by the Council, rather than the Pension Fund.

## Risk and Outlook

The 2025/26 corporate outturn position represents a reasonably strong basis for the Council to address the exceptional challenges facing the Council, including potential 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, as well as the potential impact of the ongoing conflict in Iran.

The ongoing development of the Council's Medium Term Financial Strategy will continue to review the Council's approach to addressing these challenges, restricting the utilisation of non-recurring resources required to support the budget over the upcoming financial planning period and returning to a balanced budget approach.

## 2026/27 Revenue Budget Plan

Full Council, at its meeting of 26 February 2026, agreed the Council's Revenue Budget 2026/27 (and the indicative revenue budget for the subsequent 2 financial years 2027/28 & 2028/29) alongside an updated the 10 Year Capital Investment Strategy. The key elements of the agreed budget include:-

- An allowance of £2.8 Million set aside to support the consideration of a change and savings plan for adult social care services delegated to the IJB, with the aim of seeking to support change and the containment of expenditure within the agreed resources available.
- Increased investment in a range of priority areas including Cost of Living Support, Community Assets, Devolved School Management funding and Play Parks.
- Savings of £4.2 Million for 2026/27 as part of a £15.5 Million 3-year savings plan.
- A 8.5% increase to council tax levels in 2026/27 and indicative increases of 7.5% per annum for both 2026/27 & 2027/28.
- The restricted utilisation of non-recurring resources of £0.3 Million to support the 2026/27 budget, with a further £0.4 Million over the following 2 financial years, recognising the need to move back towards achieving a balanced budget position.

## 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 2026 and reflects total planned Council investment of £487.4 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, the Whitesands and Newton Stewart Flood Protection Scheme as well as the Roads Improvement Programme.

## Financial Risks

The key areas of financial risk across the Council are primarily associated with the extent of inflationary increases on pay and non-pay expenditure and increasing demand for services, particularly in relation to Adult Social Care, Children and Families Social Work and Transport for Children with Additional Support Needs, as well as the associated impact of the ageing profile of the Council's Property and Fleet on the Council's repairs and maintenance budgets.

While the 2026/27 Agreed Budget includes provision to address the estimated impact of these demands and inflationary pressures over the upcoming period, the volatility of increasing demand and associated requirements, and the ongoing conflict in Iran, continues to present a significant financial risk to the Council.

In addition, there is also an ongoing financial risk associated with the exceptional pressures on those budgets which the Council has delegated to the Integrated Joint Board (IJB) and the extent to which savings plans may not be fully delivered by the end of the financial year. However, both the Council and the IJB are much better placed to address this challenge in the upcoming financial year, with a fully developed Change and Savings plan, supported by additional investment from the Council to enable these to be progressed.
In line with the agreed integration scheme, should expenditure on Council delegated services exceed the budgeted resources, the IJB can seek a further contribution from the Council. Colleagues across the Council and the IJB continue to work collectively to ensure that the identified change and savings measures that will reduce this financial risk to the Council are progressed, with regular updates on progress scheduled to be considered by both the Social Work and the Enabling & Customer Services committees.

It is also anticipated that local government funding will continue to reduce in real terms – requiring councils to fund service pressures, annual pay increases, increases in fuel, food, and other spending impacted by inflation from within existing resources. The development of the Council's Medium Term Financial Strategy and Council Plan sets out the Council's approach to addressing these challenges, including the progression of significant change and savings measures over the upcoming period.

## Plans to Address Principal Financial 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).

In relation to the significant pressures within the IJB, the Board have a agreed a Change and Savings Plan which sets out a number of specific measures that will be progressed, with support from the Council's additional allowance reflected within the agreed budget of £2.8 Million, to seek to contain expenditure within the agreed resources by the end of 2026/27. In addition, the joint working groups established to support the identification of change and savings measures will continue to review and monitor progress of these measures, to reduce the financial risk to the Council.

In addition, the 2027/28 to 2029/30 Budget process is currently being progressed and includes a clear timetable for savings measures to be identified and agreed over the upcoming year.

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.

## Principal Non-Financial Risks

The Council has a Corporate Risk Register which contains details of the 10 Council wide risks monitored, assessed and reported through Service Committees and the Audit, Risk and Scrutiny Committee. The principal non-financial risks contained within the risk register include Cyber Security, Climate Change and Workforce Capacity.

There are a number of key controls in place to mitigate each of the risks that have been identified, with additional planned actions currently being progressed to further mitigate areas of significant and future risk. This includes additional investment in the Council's technology infrastructure and perimeter controls to block unauthorised access to corporate resources in response to recent cyber security breaches in other public bodies. Measures in relation to Climate Change and Workforce capacity are highlighted on pages 20 and 22 of this document.

## 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.

## More Information

Our website holds more information on our strategies, plans, policies and our performance and spending which can be found by accessing the link below.

**www.dumfriesandgalloway.gov.uk**

**Stephen Thompson**, Leader

**Dawn Roberts,** Chief Executive

**Paul Garrett,** Chief Financial Officer

June 2026

## 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 Chief Financial Officer.
- 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 25 June 2026.

**Signed on behalf of Dumfries and Galloway Council**

**Stephen Thompson, Leader**

### The Chief Financial Officer Responsibilities

The Chief Financial Officer 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 Accounting Code).

In preparing this statement of accounts, the Chief Financial Officer 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 Chief Financial Officer has also:

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

I certify that the 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 2026.

**Paul Garrett**
**Chief Financial Officer**
**25 June 2026**

**Annual Governance Statement 2025/26**

## 1. Scope of Responsibility

1.1 Dumfries and Galloway Council's Annual Governance Statement (AGS) seeks to demonstrate the mechanisms, policies and tools that are in place to support effective governance in line with the seven principles of good governance detailed in the Local Code of Corporate Governance. Further to this, the Statement provides an overview of significant governance changes over the course of 2025-26 and identifies improvement actions to better support good governance.

1.2 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 the organisation has continued to develop its monitoring and reporting of performance indicators and improved good governance practices. Dumfries and Galloway Council fully accept the responsibility for ensuring that there is a sound system of good governance, supported through its Governance Framework to ensure the principles of good governance, responsibility, accountability, awareness, impartiality and transparency are embedded.

1.3 Dumfries and Galloway Council'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) 2016 Statement, and the Local Authority Accounts (Scotland) Regulations, the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives (SOLACE) model framework Delivering Good Governance in Local Government.

1.4 Over the period of 2025-26 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 Council 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. Functions of the Audit, Risk and Scrutiny Committee are undertaken as identified in Audit Committees: Practical Guidance for Local Authorities.

1.5 The arrangements for the development of the Annual Governance Statement 2025-26 were agreed at Audit, Risk and Scrutiny Committee in September 2025. These arrangements reflect learning from previous years and sought to ensure appropriate timelines to enable Members and officers input.

1.6 Dumfries and Galloway Council'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
- Maintaining and continually updating the Council's Financial Regulations and supporting Financial Codes to support the effective management of the Council's financial activities and to ensure that public money is being administered properly
- Ensuring that services are delivered cost-effectively by reviewing, and ensuring compliance with, our procurement strategy and standing orders
- Maintaining and continually reviewing appropriate arrangements for the management of risk
- Ongoing strategic review of anti-fraud and anti-corruption policy and strategy

1.7 Dumfries and Galloway Council assures its operational activities conform to the Governance Principles by implementing clear strategies and policies, the adherence to which is captured through performance monitoring tools to ensure each service is demonstrably striving to meet the service commitments set out in Service Plans and the Council Plan. The 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 Plan performance twice yearly to the relevant Service Committee for scrutiny and to Area Committees. Any recommended actions following such scrutiny are captured through the Action Tracker which requires regular input and update.

## 2. The Governance Framework 2025-26

2.1 The Governance Framework comprises the systems, processes, culture and values which direct and control Dumfries and Galloway Council's activities and through which the Council accounts to, engages with, and leads the community. This section of the Annual Governance Statement seeks to provide an overview of changes to the governance framework over the course of the year.

2.2 Dumfries and Galloway Council's governance arrangements are reviewed and reported in accordance with statutory requirements and under a framework and guidance called "Delivering Good Governance in Local Government" (CIPFA, 2016). The Council's Local Code of Corporate Governance was agreed in 2025 and provides details of our key documents, policies and evidence which support our Governance Framework.

2.3 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

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

2.5 The Council has an agreed Council Plan for 2023-28 setting out principles, themes, strategic outcomes and core behaviours. Additionally, the Council agrees an annual Delivery Plan detailing the key deliverables from the Council Plan – activities, outputs and projects – for the year ahead. Elected Members also receive an end of year report for the Delivery Plan detailing the progress made.

2.6 In October 2023 the Council agreed a number of proposals to reshape and realign the Council's Chief Officer structure based on a one-Council approach to ensure the organisation is best placed to achieve the ambitions of the Council. An evaluation of the revised organisational structure was carried out 18 months after the launch of the restructure. This evidence led review utilised an evaluation framework developed with input from the council's senior leadership team and the Improvement Service and included self-assessment through the Public Sector Improvement Framework which was facilitated and validated by the Improvement Service. The review presented evidence of progress made towards each of the nine intended outcomes the new structure was intended to achieve, alongside areas which will be given council-wide attention in order to build on progress made in the first 18 months of the new structure. The reshaping review was considered by Full Council at the 11 December 2025 meeting and Members agreed that the Chief Officer Restructure had not achieved the intended outcomes and further agreed that a meeting of Full Council be convened to determine a way forward to ensure this Council is fit for purpose and delivers effectively for the residents of Dumfries and Galloway.

2.7 Elected Members considered an update on the Council's Inclusive Leadership Arrangements (consisting of the Leaders Panel, the Budget Panel and Business Bureau) at the meeting of Full Council in December 2025. Members highlighted the value of the Leaders Panel and Budget Panel and were supportive of these continuing to meet, with Leaders Panel suggesting that greater prominence is given to Political Group Finance Leads within the arrangements for the Budget Panel. Members agreed to stand down the Business Bureau as it was adding limited value in its current form, with substantive business items to be brought to Leaders Panel if required.

2.8 The Council has increased its capacity for scrutiny through the establishment of a Climate, Environment and Biodiversity Sub Committee and a Crichton Trust Sub Committee. The Climate, Environment and Biodiversity Sub Committee scrutinises a range of topics relating to Climate and Environment, makes recommendations to relevant committees relating to climate change, biodiversity loss and the wider natural environment. The full delegations are detailed in our Scheme of Administration and Delegation to Committees. The Crichton Trust Sub Committee was established to consider the governance and financial arrangements for and development of the Crichton Estate in the context of the Crichton 2020+ Business Plan and to monitor the Trust's progress on achievement of its financial recovery plan and meeting the conditions of the loan/debt repayment holiday agreed by the Council.

2.9 In 2024-25 a review of Area Committees was carried out. This review sought to increase engagement with key community stakeholders, to have effective and efficient performance management arrangements in place (both for Dumfries and Galloway Council performance and key partners) and to ensure there is an appropriate balance of strategic consideration and local knowledge in our decision making arrangements. Some of the changes have been implemented over the course of 2025-26: registration of Local Place Plans is now determined by Area Committees; 17 community engagement sessions are being carried out; and each of the four Area Committees was invited to select a number of success measures and projects for detailed scrutiny which were to be reported on a six monthly basis. Members agreed to scrutinise 72 success measures and projects. There will be an evaluation of the new 'deep dive' approach in 2026-27.

2.10 To ensure compliance with the Licensing (Scotland) Act 2005, the Council set up a Local Licensing Forum during the course of the year. The general functions of the Forum are:

- to keep under review the operation of the Act in their area, and, in particular the Licensing Board's exercise of their functions
- to give the Licensing Board advice and make recommendations to it in relation to those matters as the Forum considers appropriate
- however, the role of the Forum does not include reviewing or offering advice or recommendations in relation to any particular application or case before the Licensing Board

2.11 A review of the Pension Fund Governance Policy Statement took place over 2025-26. A number of updates were made as part of this review to ensure the Policy Statement complied with the requirements of the Pension Regulator Code of Practice. The Pension Sub Committee agreed the updated Policy Statement alongside an updated Pension Board Constitution in December 2025.

2.12 Over the course of 2025-26, the annual review of Standing Orders, Scheme of Administration and Delegation to Committees and Scheme of Delegation and Responsibilities to Officers was carried out and reported to Full Council. This review proposed a small number of amendments to aforementioned Schemes of Delegation to both Committees and Officers which were agreed by Members.

2.13 Dumfries and Galloway 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.

2.14 The IJB is made up of voting Members from the Council and NHS Dumfries and Galloway. Representation is also present from local medical services, Dumfries and Galloway Council Social Work, staff representation from Dumfries and 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 and Galloway IJB strives by working in the spirit of partnership to achieve this whilst adhering to clear governance remits set out in the Scheme.

2.15 A review of the Integration Scheme took place over the course of the year, with Full Council considering the revised Scheme in October 2025 and January 2026 prior to submission to Scottish Ministers for approval. The review included a number of amendments relating to the responsibilities delegated to the IJB for the planning and delivery of health services, and a change to the voting membership from five to four voting members from each party to the Scheme. The updated Integration Scheme was subsequently approved by Scottish Ministers.

2.16 Dumfries and Galloway Council strives to develop and improve its Governance Framework as an ongoing activity across and within directorates and seeks to develop new policies, plans, and strategies to ensure that the Governance Framework is robust and aligned with the Council Plan and Principles.

2.17 The Governance Framework also enables the Council to monitor achievement of the Dumfries and Galloway Community Planning Partnership, the outcomes of which are set out in the region's Local Outcomes Improvement Plan 2023-33. The Community Planning Governance and Operating Protocol sets out how the

Council contributes to the Community Planning Partnership Board, Community Planning Senior Leadership Team and other forums.

2.18 Dumfries and Galloway Council endeavours to ensure full and regular engagement, in the spirit of collaboration, and effective working with all of its statutory, business and third-sector partners, using established governance structures, protocols and proper protective measure controls. A list of our statutory and local partners, in addition to other organisations we engage with, can be found in **Appendix 1**.

## 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 Council 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 Dumfries and Galloway Council to ensure it acts not just within the public interest, but also to demonstrate accountability and integrity. Council Services actively seek advice from and instruct Legal Services where appropriate to ensure that they operate and deliver for the public in a manner consistent with the rule of law. Further, Council Services seek out requisite professional training, adhere to government guidance and professional body advice and recruit suitably qualified and experienced staff.

3.1.3 Council Services have structured processes in place to comply with this principle, and all Council Services frequently review processes to ensure they remain fit for purpose. The organisation utilises specialist software to capture, maintain and monitor the consistent and frequent review of corporate governance compliance.

3.1.4 The 9 principles of public life are demonstrated and embedded in Service Plans.

3.1.5 Directorates continually monitor and review Council Policies and Strategies to provide evidence that staff are aware of their relevant duties, powers and obligations.

3.1.6 Examples of the measures undertaken by Dumfries and Galloway 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 **Appendix 2**.

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

3.2.1 All meetings of the Council and its Committees are open to the public unless there are legitimate reasons for proceedings to exclude the public in line with the Local Government (Scotland) Act 1973. Council meetings are livestreamed on the worldwide web, recorded and available to the public, enhancing the openness of the Council. All decisions made by the Council and its Committees are available to the public, with reports and minutes published detailing the grounds on which decisions are made.

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. Our Community Participation and Engagement Framework provides for a range of approaches to meet the needs of our stakeholders including:

- Community Conversations – in person and/or online
- Ward Events – in person and/or online
- Surveys
- Stakeholder Impact Assessments
- Participatory Budgeting
- Participation Requests
- Participation and Engagement Network

3.2.3 Our website details current and recent consultations, feedback from community engagement activity, and each engagement programme is required to complete an Evaluation Report at its conclusion to enable the Council to learn lessons for continuous improvement.

3.2.4 Our website adheres to Web Content Accessibility Guidelines, and we aim to provide frequent updates to the information available on the website. By creating and maintaining clear and concise information, we enable our customers to easily access relevant material, while also delivering choices for them to decide on how they wish to transact or interact with us.

3.2.5 Officers from across all Services undertake training to ensure there is consistency and a high standard of competence in our community engagement activity. During 2025-26 all trained officers refreshed their original training and an additional 20 officers participated in the new three-day programme.

3.2.6 We also have specific Strategies and Frameworks for targeted groups and subjects including the Youth Participation and Engagement Strategy and the Parental Involvement Strategy.

3.2.7 Robust processes and procedures are in place to capture and respond to feedback (both positive and negative) timeously and in accordance with our feedback and complaints handling procedures. Specialist software, structured processes and regular service specific reviews allow Council Services to identify and implement improvements, and all Services continually monitor how they capture and respond to feedback in the aim of remaining effective, appropriate, relevant and up to date in order to serve current needs.

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

- Identifying improvement actions in service plans
- Interactive options on the Council's website, including the ability to report pothole/streetlighting/flooding/waste collection issues
- 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, Check-ins, and other Human Resources (HR) and Organisational Development (OD) processes
- Internal and external customer satisfaction and staff surveys
- Internal communications
- Attendance at wider/national public sector forums such as Scottish Community Planning Network, Health and Wellbeing Collaborative, SOLACE, Society of Local Authority Lawyers and Administrators (SOLAR)
- Direct engagement with Scottish and UK Governments on specific matters
- Direct engagement with Members of the Scottish and UK Parliaments, including through the MP/MSP Enquiry Service
- Direct engagement with Elected Members through the Council's Elected Member's Enquiry Service (EMES)
- Direct engagement with Members of the Youth Council including through the Council's Youth Council Enquiry Service and joint meetings
- Direct engagement with Community Councillors including through the Council's Community Council Enquiry Service
- Engagement with Trade Unions
- Identifying complaints and feedback through partnering networking with the IJB, NHS, Scottish Police Authority etc
- Ongoing professional development and engagement with governing professional bodies
- Maintenance of a comprehensive Contracts Register
- Catch up sessions with key clients to ensure good horizon scanning and early intervention and prevention

3.2.9 Various engagement tools and measures are utilised to ensure openness and comprehensive stakeholder engagement and examples can be found in **Appendix 2**.

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

3.3.1 The Council has an agreed Council Plan for 2023-28, which defines the Council's strategic outcomes, themes, vision and principles. In addition, the Council agreed the Council Plan Annual Delivery for 2025-26, detailing actions relating to each Strategic Outcome, the relevant Lead Committee and Lead Chief Officer. This approach will support the Council to demonstrate transparency in the delivery of the Council Plan. Refreshed Service Plans were developed and agreed by Elected Members over the course of 2025-26, detailing the specific actions from the Council Plan Annual Delivery report that each service has responsibility for. All of these plans are available to the public, Elected Members and other stakeholders through the Council's website and are reviewed annually. These outcomes demonstrate clear vision and remit, management and monitoring of Success Measures and Projects, key project monitoring tools and forward planning to ensure alignment with the Council'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 its decisions and ensures that it takes care to define and achieve outcomes aimed at providing 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 are comprehensive and multifaceted and stakeholder engagement is undertaken.

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

- The principles of SUPPORT (Strengthen, Understand, Protect, Promote, Open, Respect, Treat)
- Clear vision and remit
- Defined outcomes
- Business continuity planning
- Resilience and succession planning
- Alignment with the Council'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 success measures and project progress
- Identification and management of risk
- 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

3.3.4 A Committee Action Tracker has been developed to follow up on decisions made by Elected Members, and actions can be allocated to identifiable officers for progression. The Committee Action Tracker is available to all Elected Members.

3.3.5 Dumfries and Galloway Council seeks to maximise its own budgets alongside capital investment in economic and place-based programmes from external sources. It is a partner in the Borderlands Inclusive Growth Deal and is working towards the confirmation of significant capital investments through the Deal across multiple projects up to 2031.

3.3.6 Examples of how Dumfries and Galloway Council defines outcomes in terms of sustainable economic, social and environmental benefits can be found in **Appendix 2**.

**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 Council Plan 2023-28. The 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 to allow full consideration and the making of informed decisions. The Council continuously monitors and reports on performance and makes its reports available to the public. Risk management techniques, project management tools and lessons learnt exercises, together with appropriate impact assessments and budget monitoring, enable the Council to amend its procedures and approaches to ensure intended outcomes are achieved.

3.4.2 All committees and sub-committees are supported by Governance officers, Legal Services officers and other specialist officers such as those in Finance and Procurement, Human Resources, Licensing 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 services to deliver best value for the people of the region, and to achieve intended outcomes.

3.4.4 Examples of how Dumfries and Galloway Council determines interventions to optimise the achievement of intended outcomes are more specifically listed in **Appendix 2**.

**3.5 Principle E – Developing 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 Executive Directors (of Enabling and Customer Services, Economy and Infrastructure and Education, Skills and Community Wellbeing), the Service Director Social Work Services, the Assistant Director Transport and Infrastructure, the Assistant Director Schools, along with the Chief Financial Officer (Section 95 Officer) and Assistant Director Governance and Human Resources (Monitoring Officer). This team meets on a fortnightly basis to provide strategic oversight of the Council. The Council Management Team, consisting of the Senior Leadership Team and Heads of Service meet regularly 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. The Council Management Team participates in an Organisational Development Programme for senior leaders based on the nine areas of strategic focus as set out by the Chief Executive. The Council Management Team completed a programme of Insights Discovery a leading psychometric assessment tool to build self-awareness, strengthen communication and drive team performance.

3.5.2 Dumfries and Galloway Council manage its workforce to support optimal service capacity through its Council Workforce Plan and Service People Plans, which, along with the Council's People Strategy (agreed by Members in March 2026), are designed to support the following objectives:

- Enabling a positive employee experience
- Developing our people
- Engaging our people
- Supporting our people
- Recognising good performance
- Creating a positive one team culture

3.5.3 Service People Plans provide a detailed template for services to have the right number of people with the right skills, knowledge, and behaviours to deliver on our Service Plans. The plan should also align with our People Strategy Outcomes, Council Plan Themes and Strategic Objectives and contain a detailed action plan on how our workforce will deliver on our Service Plans.

3.5.4 Dumfries and Galloway Council ensure 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 and person specifications detailing required relevant qualifications, the provision of mandatory training for all staff on key roles, and regular reviews to ensure staff maintain up to date knowledge and qualifications and continued performance development. As a result, Council Services have robust decision-making protocols, which are consistently applied, and embed resilience in their structure. The learning management platform 'My Learning' is available for staff to book, complete and monitor all their mandatory courses required to be completed every year or every two years. There is also team reporting available in My Learning for managers and a PowerBI report for monitoring and reviewing all compliance training at an organisational level, providing live/up to date data on staff training and development. Dumfries and Galloway Council provide a digital appraisal system called 'Check-ins', which allows employees to engage with their line manager on a regular basis to discuss their wellbeing, objectives, learning and achievements.

3.5.5 Workforce planning and resourcing is a recognised area of challenge for the organisation and is included in the Council-wide risk register. This risk may affect the delivery of Council services (including business continuity) and potentially impact on compliance with statutory duties. There could be significant reputational damage if Dumfries and Galloway Council is unable to deliver services. In addition to the recently refreshed People Strategy 2026-31, the organisation has the following internal controls in place to recruit staff:

- Accessible recruitment processes such as virtual interviewing and recruitment events
- Graduate and apprenticeship programmes
- Employment Fairs
- Relocation packages
- Incentivisation scheme
- Use of social media
- Raise awareness of wider benefits in terms and conditions including salary scheme, holiday allowances, Viv Up, Pension and flexible working

3.5.6 Planned actions to potentially mitigate the impact of this risk include (but are not limited to):

- An update on the Council's People Strategy was reported to Enabling and Customer Services Committee in November 2025. The new People Strategy 2026-31 aligning with colleagues developing an ICT & Digital Strategy and Customer Strategy has been developed and agreed at committee in March 2026. The associated implementation plan with actions will be reported back to Enabling and Customer Services committee every six months.
- Consider impacts of longer-term external funding available for fixed terms posts to ensure that opportunities and risks are scoped out and managed from the outset. Consider update to Financial Code
- A project to consider Career/Talent Development – "Freedom to Roam" and a Culture change – civil service like approach to improve career pathways. Greater emphasis on internal mobility programs as budgets decrease and business needs change.
- Improved use of local resources for qualifications – Dumfries is the "Learning Town", and Improved use of apprenticeships – to encourage a "grow your own" approach. Where possible identify external funding aligned to apprenticeships. Collaborative working with partners to develop regional recruitment initiatives.
- Detailed People (workforce) plans to be developed by services to highlight areas of most need and actions to address any future gaps. Review of procedures in departments to consider what can be automated (or even stopped) to free up staff for more essential services.
- Marketing the DGC Brand through our inclusive approach to retain and attract talent
- From our People Survey 2023 a People Experience Framework was developed and agreed at Enabling and Customer Services Committee March 2025. This framework measures the success of our actions through qualitative and quantitative information.
- Coaching approach to support staff development, as opposed to being limited to current post.
- Understand what the future jobs/posts will be and how will this influence the terms and conditions

3.5.7 A review of the chief officer recruitment process was reported to Council in June 2025, with Members agreeing nine actions to improve the chief officer recruitment process. Further to this, the Council agreed that an independent review of past processes of chief officer recruitment should be undertaken and the arrangements and scope for this were agreed in October 2025.

3.5.8 Employee Engagement – Dumfries and Galloway Council strives to ensure that employees are engaged. The Council's employees are both valued and treated as a fundamental resource to be valued. Dumfries and Galloway Council is committed to providing its employees with a voice through its annual supportive conversations programme, staff survey pulse checks, service development days and the recent Public Service Improvement Framework programme. Staff Networks have been created to provide a supportive community for employees, including Wellbeing Champions, the LGBTQ+ Network, Women's Network, Disability, Neurodivergence and Long-Term Health Conditions Network, and Carers Network. These networks are employee-led and supported by OD officers.

3.5.9 Leadership and Management Development - The organisation is committed to leadership and management development. Dumfries and Galloway Council holds two leadership events per year where approximately 100 leaders and managers come together to actively work and learn together to support the delivery of the Council Plan. The Council has also developed a Leadership Development Framework that incorporates leadership development accredited programmes in partnership with the Chartered Management Institute (CMI) and Insights Discovery. This framework also supports 'growing our own' leaders and managers through a leadership development hub to access learning on various sites including our My Learning platform.

This hub is open to all, supporting career progression through different levels of the organisation. Educational Leadership and Management is developed and supported through the annual Introducing School Leadership Programme, recruitment to the Into Headship programme, the ongoing induction programme for school leaders and the support and challenge for Headteachers in their role, all of which are underpinned by the General Teaching Council for Scotland Standards for Headship and Middle Leadership. We continue to have managers involved in the SOLACE Springboard programme each year and provide learning for future senior leaders through a SOLACE Masterclass in Aspiring Senior Leaders. For future young leaders we continue to be involved in the Young Scotland Programme to enhance communication skills, inspire confidence and broaden horizons.

3.5.10 Solicitors attend SOLAR to ensure the Council's legal approach is consistent with the approaches taken by other Local Authorities' in-house legal services and aligns with best practice. Further, they participate on national legal consultancy groups. All officers who are members of and/or regulated by professional bodies attend, engage with and participate in the appropriate similar forums.

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

3.5.12 Examples of how Dumfries and Galloway Council determine and seeks to improve the entity's capacity, including the capability of its leadership and the individuals within it can be found **Appendix 2**.

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

3.6.1 Dumfries and Galloway Council rigorously conforms to its Financial Regulations and Codes, the Capital Investment and Treasury Management Strategies, Capital Revenue Reporting, the Scottish Government Public Sector Finance Manual, Audit Scotland Guidance, CIPFA Guidance, Scottish Government Guidance, Dumfries and Galloway Council's Budget Development Process, 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 Dumfries and Council has implemented a robust risk management protocol which has continued to be further developed in 2025-26 through the Risk Management Group which captures high risk matters and enables thorough scrutiny, from both Elected Members and officers. A benchmarking exercise undertaken via the national Chief Audit Officers peer group has demonstrated that the risk themes identified by the Council are in line with those identified by other Local Authorities.

3.6.3 The Risk Management function within Dumfries and Galloway Council is responsible for maintaining the Council's Risk Management framework. The Risk Management Group scrutinises Council Wide Risks, the interdependencies between Service level Risks and Council Wide Risks, mitigations and risk management approaches such as Business Continuity as well as horizon scanning for emerging risks. The Risk Management Group reports to the Council Management Team and further provides Elected Members the opportunity to scrutinise Council Wide Risks through regular reporting to the Audit, Risk and Scrutiny Committee.

3.6.4 Council Services manage their own service risk registers, including through reporting to Committees as part of the Service Plan Performance Monitoring reports and key risks are escalated to the Council's Risk Management Group for consideration for capture on the Council-wide Risk Register.

3.6.5 2025-26 has also included an increased focus on business continuity, including tabletop exercises. On 5 September 2025, senior officers and managers from Enabling and Customer Services (and some from Education, Skills and Community Wellbeing) participated in a tabletop exercise/workshop focussed on considering the directorates and constituent services levels of resilience to a significant cyber-attack.

3.6.6 The event was very well received and saw significant levels of engagement from participants, who identified that whilst business continuity arrangements are in place and are effective, some additional focus on the specifics of cyber related disruption was merited and services should review and update their arrangements. This has been undertaken by participating services with outputs reported through the directorate management structure.

3.6.7 This event effectively acted as a 'pilot' session and similar sessions took place across all directorates, taking place for Economy and Infrastructure on 16 February 2026; Education, Skills and Community Wellbeing directorates on 11 February (Central Education) and 17 March (Headteachers/Schools); and Social Work Services on 24 April. This wider participation will also help inform future corporate management arrangements for such an incident to ensure there is unified strategic oversight and coordination of the Council's response and recovery.

3.6.8 Dumfries and Galloway Council has robust internal controls in place, ranging from Council wide controls such as the Scheme of Administration and Delegation to Committees, the Scheme of Administration and Responsibilities 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. For assurance of effectiveness, services regularly review arrangements to ensure robust internal controls and risk management.

3.6.9 In 2025-26, Dumfries and Galloway Council has continued to operate an Integrity Group to provide strategic oversight relating to anti-fraud and anti-corruption initiatives. The protocols and procedures for monitoring and managing the same are rigorously reviewed and updated. An Integrity Group Annual Report was introduced in 2025-26, providing the Audit, Risk and Scrutiny Committee with an overview of the Integrity Group and a summary of its activities over the year.

3.6.10 Dumfries and Galloway Council has clear whistleblowing policy for receiving and investigating complaints from staff, and such is accessible through the Council's EthicsPoint hotline. EthicsPoint enables staff to raise serious issues anonymously.

3.6.11 The Chief Financial Officer is the authorised Proper Officer (Section 95 of the Local Government (Scotland) Act 1973) for the administration of Dumfries and Galloway Council's financial affairs and their role is outlined in Dumfries and Galloway's Scheme of Delegation and Responsibilities to Officers. The Chief Financial Officer is a member of the Senior Leadership Team.

3.6.12 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 the Council and to any employee who can assist in the discharge of the Monitoring Officer's functions. The Monitoring Officer is a member of the Senior Leadership Team.

3.6.13 Dumfries and Galloway Council is subject to regular audit and inspection by a number of external scrutiny agencies acting on behalf of the Scottish Government. The Accounts Commission, whose role is to hold Local Authorities to account in Scotland, appoints external auditors to undertake a detailed annual review of the Council's annual financial statements and assesses the effectiveness of financial management, the use of resources to improve outcomes and leadership and governance arrangements. The findings of the most recent audit process were reported to the Audit, Risk and Scrutiny Committee at its meeting of 20 November 2025.

3.6.14 In addition, once every five years, the Accounts Commission arranges for the Council to be subject to a wider report focussing on Best Value considerations. The most recent Best Value Review was undertaken in 2023 with the findings and resultant Action Plan reported to Full Council at its meeting of 28 March 2024. A report from Audit Scotland on the theme of Transformation was presented to the Audit, Risk and Scrutiny Committee on 20 November 2025.

3.6.15 Audit and inspection of specific areas of Council activities are also subject to external regulation and review from bodies including the Care Inspectorate and Education Scotland.

3.6.16 Dumfries and Galloway Council has an Information Strategy which sets out the strategic objectives for managing the Council's information as a critical asset. Our overarching and long-term vision is to seamlessly integrate information and records management requirements into the digital environment for Council staff and those working with the organisation. This will play an important role in enabling the Council to deliver our priorities as well as maximising the potential of information to facilitate continuous improvement. As part of the Information Strategy Implementation Programme, the organisation has been continually improving the management of information, through making our data more accessible, manageable and secure. Part of this programme enables auto retention policies for documents, which means that outdated documents are deleted automatically, and Council records are automatically retained for the required length of time for legal or business requirements. It also improves governance and security by allowing us to monitor where files with sensitive information are being stored and that they are not held for longer than necessary.

3.6.17 Examples of Dumfries and Galloway Council measures to manage risks and performance can be found in **Appendix 2**.

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

3.7.1 Dumfries and Galloway Council publishes all committee reports and minutes both on its website and in paper copy (except in relation to those matters which are exempt in terms of the Local Government (Scotland) Act 1973), making them available to members of the public. Committee times and locations are published in advance and the meetings are livestreamed for openness and transparency. Recordings of meetings are made available for viewing.

3.7.2 Dumfries and Galloway Council has report-writing guidance, as well as additional guidance and protocols to enable effective internal and external communication. During 2025-26, a house style guide and guidance on branding, on accessibility and on social media were circulated to staff, among other communications initiatives. Dumfries and Galloway Council's communications, reports and other documentation are designed to be impartial and presented in a manner understandable to the intended audience. Services aim to use Plain English, limiting as much as possible the use of jargon, when dealing with members of the public. A new communications strategy was agreed by Members this year, which seeks to ensure our communications are clear, trusted and people focussed. Committee reports are presented in a standardised template, which was renewed in 2023, subsequently updated in 2024, with a further update relating to notices of motion in 2025. This template ensures a uniformity of presentation across all Committees, whilst allowing flexibility for officers in presenting information. Communication approaches and reporting styles are regularly reviewed and updated as required.

3.7.3 Dumfries and Galloway Council 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 Dumfries and Galloway Council 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
- Check-ins
- Success Measure and Project monitoring and management

3.7.5 Examples of how Dumfries and Galloway Council implements good practices in transparency, reporting and audit to delivery effective accountability can be found in **Appendix 2**.

**4. Update on Improvement Actions identified in the 2024-25 Annual Governance Statement**
**Throughout the development of the Annual Governance Statement 2024-25, Council Services were consulted with to assist in the identification of improvement actions and the updates on these actions are noted below:**

| **Improvement Actions – AGS 2024-25** | **Update** |
|---|---|
| Work is being undertaken to update and improve the Terms of Reference for the Residential Placement Group (RPG) and the respective Governance arrangements, that is reflective of both the legal framework Social Work operate within, the role of CSWO and Depute CSWO in approving a high cost care packages within a statutory and child needs time-frame, the role of Education services to ensure best outcomes for children in their learning needs, and the role of RPG to ensure Best Value for our children and the Council with the costs and investment | Work is progressing on the annual refresh of the Terms of Reference alongside quality improvement to keep abreast of continuous improvement.<br><br>An Oversight Group has been established which seeks to find better arrangements for children. A working group has also been established, which meets fortnightly, focusing on individual placements and planned pathways to further enhance scrutiny processes. |

| | |
|---|---|
| | Work is ongoing with Social Work, Procurement and Legal Services officers to ensure due diligence of contracts and the fulfilling of each requirement within a contract. |
| Following the introduction of new internal audit standards, the Council's internal audit strategy and charter require to be updated | Both the Internal Audit Strategy and Charter were updated and reported to the Audit, Risk and Scrutiny Committee on 12 June 2025 |

**5. Future Improvements**

| **Improvement Actions** |
|---|
| The mid-term review of the Council Plan 2023-28, considered by Full Council in October 2025, identified areas in each theme (Economy; Travel, Connectivity and Infrastructure; Education and Learning; and Health and Wellbeing) where there was less evidence in support of impact so far or where engagement with strategic community planning partners to strengthen delivery and improve outcomes may be beneficial. Actions to address these areas will be taken forward as appropriate through the Council Plan Delivery Plan 2026-27 or Service Plans. |
| The evaluation of the effectiveness of the revised chief officer structural arrangements identified areas which will be given council-wide attention to build on progress. These will feature in the Council Plan Delivery Plan 2026-27 and in the business of Service Committees and Full Council |
| The Annual Governance Statement template will be reviewed to ensure alignment with the CIPFA Delivering Good Governance in Local Government: Framework addendum. This will include a benchmarking exercise. |
| The review of the Internal Audit Service is ongoing and is expected to be completed in 2026-27. This review seeks to enhance capacity and succession planning within the Service. |
| Interdependent Customer, Digital and People Strategies have been developed and formally approved. A joint 18 month action plan has been agreed to manage the delivery of these interdependent strategies in a planned and coordinated way, with defined responsibilities, dependencies and controls in place to support effective implementation. Arrangements are in place for six monthly reporting to elected members, providing structured oversight of progress, risks and outcomes, and strengthening transparency, performance management and assurance. |
| A review of the Acquisitions and Disposals Policy is expected to be completed in 2026-27. |

**6. Review of Effectiveness**

6.1 The Council continually reviews the effectiveness of its governance arrangements. Senior Management arrangements have been strengthened with the strategic focus placed on the Senior Leadership Team which meets fortnightly. Further, the Council Management Team (consisting of the Senior Leadership Team and Heads of Service), with additional senior officers participating as and when required, meets on a fortnightly basis. Executive/Service Directors have a responsibility to ensure their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE framework, each Executive/Service Director, as well as each Assistant Director and Head of Service, is required to make an annual statement confirming the adequacy and effectiveness of their governance arrangements.

6.2 The agendas of these management groupings during 2025-26 covered all aspects of the Council's corporate arrangements.

6.3 The Internal Audit function within Dumfries and Galloway Council is responsible for independent appraisal of the Council's systems of internal control. The Internal Audit team works to obtain sufficient, relevant and reliable evidence to support a conclusion on the adequacy and effectiveness of the Council's internal control systems. Additionally, the Internal Audit team further meets its remit by assisting services to consider their control environments and by supporting the development of risk management in the Council. The Internal Audit team also provides assurance to the Council's Pension Fund and to SWestrans and provides support to the NHS Chief Internal Auditor with regard to the IJB.

6.4 The 2025-26 Internal Audit Strategy and Internal Audit Charter were both updated to be in accordance with the revised Global Internal Audit Standards. Both of these documents were presented to Members of the Audit, Risk and Scrutiny Committee in June 2025.

6.5 The Internal Audit Strategy refers to the three lines of defence model:

- 1st line - Management's responsibility is to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, and mitigation of risks, including the prevention, detection and resolution of fraud and irregularities.
- 2nd line - Management is also responsible for checking that the arrangements and controls are operating effectively and obtaining assurances from internal compliance, risk, inspection, quality, and control functions.
- 3rd line - Internal Audit, as a review function, provides independent assurance on the effectiveness of the first and second lines, challenges current practices, recommends best practice and improvements to lead to a strengthening of the control environment and management of risks.

6.6 Internal Audit works with senior management across the organisation to ensure the effectiveness of the 2nd line of defence.

6.7 In developing the 2025-26 Internal Audit Plan, aspects of governance, risk management, performance management and health and safety were included as critical to the Council. In order to ensure that Internal Audit resources were used effectively the following principles were adopted:

- Where assurance is available from another assurance provider this largely negates the need for an internal audit
- Internal audit is most effective as a 3rd line of defence. Several of the areas considered have a service responsible for ensuring that controls are in place and operating effectively. The purpose of an audit is not to replicate that work
- Where an area of concern is identified, and there is a plan to address it, an audit may be most effective once immediate concerns have been addressed
- Where the Internal Audit Manager is able to advise on the control environment within a service this may obviate the need for an audit

6.8 In identifying priorities for internal audit activity, the nature and value of financial transactions is a factor, but the maintenance of public confidence in the Council's financial arrangements is equally important.

6.9 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.

6.10 The Audit, Risk and Scrutiny Committee is delegated to "To scrutinise the performance of the Council in relation to its policy objectives, priorities and performance targets on individual service areas" and to "To make recommendations to the Council arising from the outcome of the Scrutiny process". These reviews are an effective way in which to offer a constructive 'critical friend' challenge and to drive improvements in public services. Scrutiny Reviews are Member-led and should be carried out in line with the agreed process. Over the course of 2025-26 the committee agreed two reviews to take place (Financial and Operational Viability of the Vehicle Repair Workshop and Service Level Agreement Processes). Work is ongoing to progress these reviews. Additionally, the Committee is delegated to 'ensure the effectiveness of local reporting and scrutiny arrangements on an annual basis'. The committee achieves this through a report which seeks to evidence that the required reports have been scrutinised by Members across the Council's committees. Further to this, the Audit, Risk and Scrutiny Committee assesses whether the delegations of the committee have been fulfilled over the year as well as a self-assessment of Members' performance.

**7. Conclusion**

7.1 For the period 2025-26, the Council confirms that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

7.2 Internal Audit issued their annual assurance report to the Audit, Risk and Scrutiny Committee in June 2026. The overall opinion was "Reasonable" which is defined in the Internal Audit Charter as "that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area(s) audited." These areas are detailed below.

<u>Governance arrangements</u>

The Council would benefit from a more structured approach to provide further clarity over where responsibility lies for ensuring that controls are in place and operating effectively. A proposed assurance mapping exercise will help address this.

Performance management

An internal audit of performance management identified some weaknesses within the Council Service Plans that were reviewed. Some performance indicators lack context and do not provide a clear indication of Council performance. In the plans reviewed there was a lack of synergy in performance information between Council Services to demonstrate that services are working effectively together. There is ongoing work to address this.

Risk management

An internal audit of Risk Management was reported in April 2025 which found areas of weakness particularly at Service level. Members were advised in February 2026 that the Council's Risk Group has increased its oversight of Service arrangements to address the concerns in the report. The Risk Group reviewed one Service in October 2025; further work is planned.

7.3 On the basis of the review of governance arrangements for 2025-26, it is confirmed that the Council:

- Is committed to and focussed on the Council Plan 2023-28;
- 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.

7.4 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 2026.

**Signed:**

**Stephen Thompson, Leader**
**Dumfries and Galloway Council**

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

**Appendix 1**

National, Statutory and Local Partners and Organisations

- Individual Services work with a wide range of organisations and partners such as:
- Alcohol and Drugs Partnership
- Association for Public Sector Excellence
- Audit Scotland
- Borderlands Partnership
- Children's Services Strategic and Planning Partnership Executive Group
- Community Councils
- Community Learning and Development Partnership
- Community Planning Partnership Board
- Community Planning Improvement Board
- Convention of Scottish Local Authorities (COSLA)
- Cultural Partnership
- Department of Transport
- Dumfries and Galloway College
- Dumfries and Galloway Virtual Operations Support Team (DGVOST)
- Education Scotland Inspectorate
- Employability and Skills Partnership
- Health and Social Care Partnership
- Historic Environment Scotland
- Improvement Service
- Integration Joint Board
- Local Community Groups/Organisations
- Local Resilience Partnerships
- National Health Service
- Nature Scot
- Place Planning Partnership
- Police Authority
- Police Scotland
- Poverty and Inequalities Partnership
- Public Health Scotland
- Public Protection Partnership
- Refugee Scotland
- Regional Economic Partnership
- Registered Social Landlords
- Regional Transport Partnership (SWestrans)
- Scottish Environment Protection Agency
- Scottish Fair Trade
- Scottish Fire and Rescue Service
- Scottish Government
- Scottish Natural Heritage
- Scottish Parliament
- Scottish Qualifications Authority
- Scottish Water
- Skills Development Scotland
- South of Scotland Enterprise
- SportScotland
- Third Sector Dumfries and Galloway
- Transport Scotland
- UK Government
- VisitScotland
- Youthlink

Officers contribute to a wide range of professional bodies including, but not limited to:

- Association of Local Authority Risk Managers (ALARM)
- Chartered Institute of Public Finance and Accountancy (CIPFA)

- Society of Local Authority Chief Executives (SOLACE)
- Society of Local Authority Lawyers and Administrators in Scotland (SOLAR)

Appointments to Outside Bodies – any Member appointment to an Outside Body requires a lead support officer to be identified; the constitution and basis of the appointment to be clear before any appointment is made; and an annual report to be submitted. These appointments were reviewed over the course of 2025-26.

We have a strong relationship with the Dumfries and Galloway Youth Council having an annual joint meeting between the Council and the Youth Council and Youth Councillors being non-voting members of Area Committees and some service Committees.

**Appendix 2**

**Examples of good governance practice**

| **Examples of Dumfries and Galloway Council's commitment to behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (Principle A):** |
|---|
| Economy and Infrastructure - All waste collection service drivers hold appropriate driving licenses and hold valid Driver Certificate of Professional Competence (CPC) and undertake period training to comply with law. Holding valid CPCs ensures that our drivers are well-trained in the latest road safety regulations and best practices, making them more competent on the road and ensures that council stay compliant. |
| Education, Skills and Community Wellbeing - Training on statutory duties:<br>Central education staff attend training on Getting it Right for Every Child (GIRFEC), safeguarding, data protection, Freedom of Information, and equalities legislation to ensure decisions align with statutory requirements. |
| Enabling and Customer Services – Police Scotland and the Standards Commission delivered a training session to Elected Members on the risks of serious organised crime and a refresher on the Code of Conduct |
| Social Work Services – Modelled behaviour aligned with professional codes (eg Scottish Social Services Council (SSSC)) ensuring decisions are lawful, ethical and person-centred. |

| **Examples of how Dumfries and Galloway Council ensures openness and comprehensive stakeholder engagement (Principle B)** |
|---|
| Economy and Infrastructure - Local Place Plans (LPPs). The Development Planning and Place teams, together with Ward Officers, have assisted local communities producing their own Local Place Plan. 28 LPPs are now registered (the most in Scotland) with the potential for another 15. |
| Education, Skills and Community Wellbeing - Transparent decision-making for statutory consultations: When proposing changes to school catchments or school closures (under the Schools (Consultation) (Scotland) Act 2010), all consultation documents, educational benefits statements, and final reports are publicly accessible.<br><br>Council Budget Consultation – included engagement with our four key stakeholders (Citizens, Employees, Customers and partners), which involved a targeted communications campaign. An interactive online Budget Challenge tool was included to support awareness raising and engagement. 6348 online responses were received (an increase over the 4564 responses received the previous year). Community Conversations, Youth Work events, Focus Groups and mailbox comments raised the total responses to 7331. |
| Enabling and Customer Services – the Procurement team undertook a number of 'Meet the Buyer' events to engage with current and prospective suppliers to discuss upcoming opportunities, explain how to do business with the Council, and highlight how procurement can support community wealth building and sustainable local economies |
| Social Work Services - Community Conversations led by chief officer; social media; involving stakeholders in co-production of strategy (for example, Bairns Hoose) |

| **Examples of how Dumfries and Galloway Council defines outcomes in terms of sustainable economic, social and environmental benefits (Principle C)** |
|---|
| Economy and Infrastructure - The Council works to deliver the agreed goals as outlined within the Scottish Biodiversity Framework through its local implementation through Local Biodiversity Action Plans, the Councils current plan is being refreshed to adopted new measures such as local connectivity and nature networks and will continue to identify priorities species and habitats for support throughout the region, these are currently being delivered through Landscape Scale projects such as the Solway Coast and Marine Project (SCAMP). The council also is working through Local Heat and Energy Efficiency Scheme to identify suitable locations for the development of Heat Networks that would look to address fuel poverty through the regions registered social landlords housing portfolio. |
| Education, Skills and Community Wellbeing - Consideration and demonstration of value for money and best value:<br>When distributing Pupil Equity Funding, Additional Support Needs (ASN) funding, or staffing allocations, the central team uses published criteria and provides schools with clear rationales to ensure decisions are ethical, consistent, and defensible. |

| |
|---|
| Enabling and Customer Services – In the preparation of the Council's 2026-27 Delivery Plan four steps were followed to ensure the focus is on action and delivery. The four steps were:<br>Step 1: Review of this years' delivery plan to identify:<br>• Actions that are complete<br>• Actions that span a number of years<br>• Actions that haven't been completed or achieved within the current plan<br>Step 2: Desktop review of 2025/26 Committee decisions to identify any actions that should now be included.<br>Step 3: Identification of any developments through, for example government requirements, that are planned for delivery during 2026/27<br>Step 4: Inclusion of any items agreed as part of the budget, reflecting investments, policy initiatives determined on the 26 February 2026. |
| Social Work Services - Consideration and demonstration on long-term wellbeing, resilient communities and the responsible use of our resources including reducing reliance on crisis services due to early intervention; helping families achieve financial stability; strengthening community capacity to provide low-cost / shared resources; investing in preventative work that reduces high-cost interventions later; stronger support networks around individuals and families |

| **Examples of how Dumfries and Galloway Council determines interventions to optimise the achievement of intended outcomes (Principle D)** |
|---|
| Economy and Infrastructure - The Council has adopted a 4-stage gateway approach to the inclusion of capital investment projects within the overall capital programme. The gateway process has largely been built around the UK Treasury Green Book 5-cases model in order to comply with public sector recognised processes. This approach ensures that investment made by the Council achieves a wide variety of outcomes focused on community, social, economic and environmental benefits and outcomes |
| Education, Skills and Community Wellbeing - Option appraisal for major education decisions:<br>When considering changes to school estate, early years expansion, or ASN provision, central officers prepare full option appraisals including educational benefits, financial implications, equality impacts, and risk assessments. These are presented to decision-makers to ensure informed choices. |
| Enabling and Customer Services - Interdependent Customer, Digital and People Strategies have been developed and formally approved, establishing a clear strategic framework that supports consistent decision making, prioritisation and accountability for service change and workforce capability. A joint 18 month action plan has been agreed to manage the delivery of these interdependent strategies in a planned and coordinated way, with defined responsibilities, dependencies and controls in place to support effective implementation. Arrangements are also in place to ensure six monthly reporting to committee to ensure effective oversight |
| Social Work Services - Coproduction with families, using strength-based and trauma informed practice approaches to work collaboratively with our families |

| **Examples of how Dumfries and Galloway Council develops the entity's capacity, including the capability of its leadership and the individuals within it (Principle E)** |
|---|
| Economy and Infrastructure - The Community Protection 2024-29 People Plan has demonstrated, at the mid term review, that capacity and capability can be improved by taking an innovative and focused approach to providing development opportunities within the team. This has been demonstrated across the whole team at every level. |
| Education, Skills and Community Wellbeing - Mandatory training for all Education staff:<br>Annual training includes Child Protection, GIRFEC, Data Protection, Equalities, and Health and Safety. Staff in specialist roles complete additional modules (e.g., restraint reduction, trauma-informed practice). |
| Enabling and Customer Services – The Council Plan 2023-28 reinforces the need for a skilled, resilient and adaptable workforce. To support this, Members agreed a new People Strategy, which is a strategic enabler across all services that creates a more connected, skilled and empowered workforce. Additionally, Members approved the Council's revised Redeployment policy. This policy provides a framework for moving employees from one role to another, often because of organisational change, health or performance capability. The policy introduced significant support arrangements, including career coaching, retraining, CV workshops and interview preparation. |
| Social Work Services - Delivery on our People Plan including skills, training, career pathways, supervision and professional support; workforce stability, practice quality and staff wellbeing and resilience. Together with strengthening governance and accountability through effective quality |

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|---|
| assurance and oversight (QA Framework); monitoring of information and data quality; commissioned services capacity |

| **Examples of Dumfries and Galloway Council measures to manage risks and performance through robust internal control and strong public financial management (Principle F)** |
|---|
| Economy and Infrastructure – The Property, Estates and Programmes Service recently transitioned all the asbestos management into a fully digital solution which easily accessible by all Council building users and contractors via QR code. |
| Education, Skills and Community Wellbeing – Elected Members agreed that the Incident Reporting Cascade Procedure should be aligned with the procedure used within the wider Council. This will help ensure an effective cascade procedure for communications for serious incidents in schools is in place |
| Enabling and Customer Services – The Improvement Service, supported by the Standards Commission, delivered a training session on scrutiny to Elected Members, to provide Members with a refresh on the foundations and principles of effective scrutiny |
| Social Work Services - this is within a combination of practice-focused and system-level measures to ensure staff and services are safe, effective, ethical and accountable and ensure we are fulfilling statutory duties examples include child protection risk assessments, adult support and protection frameworks, multi-agency public protection arrangements with key measures (KPIs) and quality assurance processes in place. This is strengthened by learning reviews, complaints analysis, learning from national guidance and inspection feedback. Oversight and governance structures are in place through Social Work Governance Group, external inspections and reporting to Social Work Services Committee. |

| **Examples of how Dumfries and Galloway Council implements good practices in transparency, reporting and audit to delivery effective accountability (Principle G)** |
|---|
| Economy and Infrastructure - Area Committee Service Plan performance reporting presents information on the Regionwide position and the specific locality to highlight variations in performance; and partner organisations are involved in sharing lived experience to evidence the impact of projects. |
| Education, Skills and Community Wellbeing - Advance publication of meeting dates:<br>Schools, Parent Councils and community groups can plan engagement because meeting schedules are published well in advance. |
| Enabling and Customer Services – Internal Audit reports are scrutinised by Members of the Audit, Risk and Scrutiny Committee. These reports make clear to readers the level of assurance identified by Internal Audit (Good, Satisfactory, Low) and Audit Action Points are provided, with a priority system in place (High, Medium, Low, Service Improvement). Internal Audit carry out a follow up after six months, with this being reported to the Audit, Risk and Scrutiny Committee. These follow ups are part of securing sustained improvement of internal control arrangements of the Council. |
| Social Work Services - Workers record their reasoning, evidence, assessment and analysis, together with the appropriate panels in place (eg child protection, permanence, adult protection) with open communication to children, families, adults and carers about decisions, complaints procedures and rights. Relevant reporting is in place including data, workforce data, incident, learning reviews and statutory returns. Case file audits and supervision audits are undertaken. To strengthen this independent scrutiny includes care inspectorate inspections, joint inspections, financial audit, regulatory audits (eg workforce registration via SSSC) |

**Remuneration Report**

**Introduction**

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. 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 2025/26 the salary for the Leader of Dumfries & Galloway Council was £50,063. 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 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 £445k. 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 2025/26 Dumfries & Galloway Council had 14 senior councillors, excluding the Leader and the Depute Leader, and the remuneration paid to these councillors totalled £442k. The total payments made to senior councillors in the year was within the total prescribed amount payable to senior councillors, with the accruals accounting approach resulting in a slight variation recorded within the accounts. The level of remuneration for a Senior Councillor was graded at £31,765 with the salaries noted within the statement below varying slightly due to the accruals accounting approach. 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 is available at www.dumfriesandgalloway.gov.uk.

**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 Industrial Relations Circular 10-24b.

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 2025/26 for the responsibilities they held.

| | | 2025/26 | | | | 2024/25 |
|---|---|---|---|---|---|---|
| **Senior Councillors** | **Role** | **Salary (including fees & allowances)** | **Taxable Expenses** | **Total Remuneration** | Notes | **Total Remuneration** |
| | | **£** | **£** | **£** | | **£** |
| Stephen Thompson | Leader / Depute Convener | 46,125 | 2,885 | **49,010** | | 29,135 |
| Katie Hagmann | Convenor and Civic Head | 29,646 | 2,434 | **32,080** | 2 | - |
| Richard Brodie | Senior Councillor | 31,679 | 639 | **32,318** | | 27,383 |
| Jim Dempster | Senior Councillor | 31,679 | 712 | **32,391** | | 27,174 |
| Tracey Little | Senior Councillor (Provost) | 25,082 | - | **25,082** | | - |
| Antony Berretti | Senior Councillor | 25,082 | 2,639 | **27,721** | | - |
| Douglas Campbell | Senior Councillor | 25,082 | 535 | **25,617** | | - |
| John Campbell | Senior Councillor | 25,082 | 184 | **25,266** | | - |
| Benjamin Dashper | Senior Councillor | 25,082 | 2,112 | **27,194** | | - |
| Andrew Ferguson | Senior Councillor | 25,082 | - | **25,082** | | - |
| George Jamieson | Senior Councillor | 25,082 | - | **25,082** | | - |
| Kimbra Lowe | Senior Councillor | 25,082 | 331 | **25,413** | | - |
| Gail MacGregor | Senior Councillor | 35,492 | 3,159 | **38,651** | 2 | 44,439 |
| Andrew McFarlane | Senior Councillor | 25,082 | - | **25,082** | | - |
| Carolyne Wilson | Senior Councillor | 25,082 | 583 | **25,665** | | - |
| John Young | Senior Councillor | 25,082 | - | **25,082** | | - |
| Ian Blake | Senior Councillor (up to June 25) | 6,597 | 175 | **6,772** | 1 | 27,741 |
| Ian Carruthers | Senior Councillor (up to June 25) | 6,597 | - | **6,597** | 1 | 26,785 |
| Lynne Davis | Senior Councillor (up to June 25) | 6,597 | 123 | **6,720** | 1 | 13,695 |
| Archie Dryburgh | Senior Councillor (up to June 25) | 6,597 | 25 | **6,622** | 1 | 28,913 |
| Jacqueline McCamon | Senior Councillor (up to June 25) | 6,597 | (364) | **6,233** | 1 | 27,649 |
| Pauline Drysdale | Senior Councillor (up to June 25) | 6,597 | 312 | **6,909** | 1 | 27,318 |
| Andrew Giusti | Senior Councillor (up to June 25) | 6,597 | 1,575 | **8,172** | 1 | 29,528 |
| Christine Hill | Senior Councillor (up to June 25) | 6,597 | 567 | **7,164** | 1 | 29,690 |
| Ivor Hyslop | Senior Councillor (up to June 25) | 6,597 | - | **6,597** | 1 | 26,785 |
| Malcolm Johnstone | Senior Councillor (up to June 25) | 7,808 | - | **7,808** | 1 | 32,465 |
| Maureen Johnstone | Senior Councillor (up to June 25) | 6,597 | - | **6,597** | 1 | 26,785 |
| Richard Marsh | Senior Councillor (up to June 25) | 6,597 | 373 | **6,970** | 1 | 26,891 |
| David Inglis | Senior Councillor (up to October 24) | - | - | **-** | | 13,836 |
| **Total** | | **530,898** | **18,999** | **549,897** | | 466,212 |

**Notes:**

1. The above table includes details of all Councillors who have undertaken a Senior Councillor role during 2025/26. As a result of a change in the Council's political leadership in June 2025, there were a number of Councillors that only held a Senior Councillor role over the period April 2025 to June 2025. The remuneration reflected above pertains to the role of Senior Councillor (i.e. the full remuneration received by these Councillors for 2025/26 is not disclosed). 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 Macgregor undertook 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 2025/26.
3. Total remuneration disclosed in the above table is presented on an accrual 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.

| | 2024/25 £000 | **2025/26 £000** |
|---|---|---|
| Salaries | 1,030 | 1,228 |
| Allowances | 0 | 0 |
| Expenses | 46 | 33 |
| **Totals** | 1,076 | **1,261** |

The annual return of Councillors' salaries and expenses for 2025/26 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at www.dumfriesandgalloway.gov.uk

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**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 £** | **Non-cash benefits in kind £** | **Total remuneration excluding pension contributions 2025/26 £** | **Note** | Total remuneration excluding pension contributions 2024/25 £ |
|---|---|---|---|---|---|---|---|
| Dawn Roberts | Chief Executive | 184,283 | - | - | 184,283 | 1 | 177,610 |
| Lorna Meahan | Executive Director Enabling and Customer Services | 133,030 | - | 1,508 | 134,538 | 2 | 130,602 |
| Gillian Brydson | Executive Director Education, Skills and Community Wellbeing | 133,938 | - | 600 | 134,538 | 2 | 129,279 |
| Lisa Hawkin | Executive Director Economy & Infrastructure | 130,608 | - | 1,624 | 132,232 | 2 | 81,761 |
| James Brown | Assistant Director Schools | 121,896 | 34 | 1,083 | 123,013 | 2 | 116,121 |
| Stephen Morgan | Service Director Social Work Services (CSWO) | 120,486 | - | 2,493 | 122,979 | 2 | 115,847 |
| Paul Garrett | Chief Financial Officer | 122,979 | - | - | 122,979 | 3 | 115,847 |
| Vladimir Valiente | Assistant Director Governance and Human Resources | 122,979 | - | - | 122,979 | | 117,311 |
| Derek Crichton | Director Communities | - | - | - | - | 4 | 36,978 |
| | | **1,070,199** | **34** | **7,308** | **1,077,541** | | **1,021,356** |

**Notes:**

1. The Chief Executive's Remuneration includes a payment in respect of Election Duties (£234).
2. The Non-cash benefits in kind relate to the utilisation of the Council's Annual Leave purchase and Cycle to Work schemes.

**3.** The Chief Financial Officer is the also the treasurer of SWestrans as part of his role as the Council's Section 95 Officer.
**4.** Derek Crichton retired as Director Communities on 12 July 2024.

**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 requirements 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. The analysis of employees receiving over £50k is on a cash basis, which differs from other disclosures in the remuneration report.

| Salary | Teachers | | Council | | Total | |
|---|---|---|---|---|---|---|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 |
| £180,000 to £184,999 | 0 | 0 | 0 | 1 | 0 | 1 |
| £175,000 to £179,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £170,000 to £174,999 | 0 | 0 | 1 | 0 | 1 | 0 |
| £160,000 to £164,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £130,000 to £134,999 | 0 | 0 | 0 | 3 | 0 | 3 |
| £125,000 to £129,999 | 0 | 0 | 1 | 0 | 1 | 0 |
| £120,000 to £124,999 | 0 | 0 | 1 | 6 | 1 | 6 |
| £115,000 to £119,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £110,000 to £114,999 | 0 | 0 | 5 | 7 | 5 | 7 |
| £105,000 to £109,999 | 0 | 1 | 4 | 0 | 4 | 1 |
| £100,000 to £104,999 | 3 | 3 | 0 | 0 | 3 | 3 |
| £95,000 to £99,999 | 2 | 2 | 1 | 1 | 3 | 3 |
| £90,000 to £94,999 | 3 | 6 | 1 | 2 | 4 | 8 |
| £85,000 to £89,999 | 4 | 7 | 3 | 2 | 7 | 9 |
| £80,000 to £84,999 | 14 | 20 | 7 | 10 | 21 | 30 |
| £75,000 to £79,999 | 14 | 34 | 6 | 21 | 20 | 55 |
| £70,000 to £74,999 | 68 | 67 | 23 | 14 | 91 | 81 |
| £65,000 to £69,999 | 62 | 73 | 30 | 22 | 92 | 95 |
| £60,000 to £64,999 | 105 | 85 | 15 | 32 | 120 | 117 |
| £55,000 to £59,999 | 59 | 112 | 41 | 75 | 100 | 187 |
| £50,000 to £54,999 | 187 | 456 | 122 | 138 | 309 | 594 |
| **Total Headcount** | 521 | **866** | 261 | **334** | 782 | **1,200** |

**Exit Packages**

The number of exit packages with total cost per band and total cost of the compulsory and other redundances are set out in the table below.

| Exit Packages cost band (including special payments) | Number of Compulsory Redundancies | | Number of other departures agreed | | Total Number of exit packages by cost band | | Total Cost of Exit Packages in each band (£000) | |
|---|---|---|---|---|---|---|---|---|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 |
| £0 - £20,000 | 0 | 0 | 1 | 1 | 1 | 1 | 5 | 13 |
| £20,001 - £40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 2 | 0 | 2 | 0 | 91 | 0 |
| £60,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 96 |
| £100,000 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **3** | **2** | **3** | **2** | **96** | **109** |

The total cost of £109k in the table above includes the impact of accrued pension cost of added years and compensation for the loss of office, that have been charged in full to the authority's Comprehensive Income and Expenditure Statement in the current year.

The table does not include details of individuals who were considered under the Council's flexible retirement policy.

## 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 2025/26 are as follows:

| Actual Pensionable Pay | Contribution Rate 2024/25 | Actual Pensionable Pay | Contribution Rate 2025/26 |
|---|---|---|---|
| On earnings up to and including £27,000 | 5.50% | On earnings up to and including £27,500 | 5.50% |
| On earnings above £27,001 and up to £33,000 | 7.25% | On earnings above £27,501 and up to £33,600 | 7.25% |
| On earnings above £33,001 and up to £45,300 | 8.50% | On earnings above £33,601 and up to £46,100 | 8.50% |
| On earnings above £45,301 and up to £60,400 | 9.50% | On earnings above £46,101 and up to £61,400 | 9.50% |
| On earnings above £60,401 | 12% | On earnings above £61,401 | 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 a portion 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 20% for 2025/26.

Members may opt to give up (commute) pension for a 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 aggregated all 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.

| | | **In Year Pension Contributions** | | | **Accrued Pension Benefits** | | |
|---|---|---|---|---|---|---|---|
| **Senior Councillors** | **Role** | **to 31 March 2026 £** | **to 31 March 2025 £** | | **31 March 2026 £000's** | **31 March 2025 £000's** | **Difference £000's** |
| Stephen Thompson | Leader | 9,204 | 5,613 | Pension | 8 | 7 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Katie Hagmann | Convenor and Civic Head | 5,622 | 0 | Pension | 5 | 0 | 5 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Richard Brodie | Senior Councillor | 6,067 | 5,613 | Pension | 14 | 11 | 3 |
| | | | | Lump Sum | 2 | 2 | 0 |
| Tracey Little | Senior Councillor (Provost) | 4,758 | 0 | Pension | 5 | 0 | 5 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Antony Berretti | Senior Councillor | 4,768 | 0 | Pension | 2 | 0 | 2 |
| | | | | Lump Sum | 0 | 0 | 0 |
| John Campbell | Senior Councillor | 4,758 | 0 | Pension | 5 | 0 | 5 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Benjamin Dashper | Senior Councillor | 4,758 | 0 | Pension | 2 | 0 | 2 |
| | | | | Lump Sum | 0 | 0 | 0 |
| George Jamieson | Senior Councillor | 4,758 | 0 | Pension | 3 | 0 | 3 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Kimbra Lowe | Senior Councillor | 4,758 | 0 | Pension | 2 | 0 | 2 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Gail Macgregor | Senior Councillor | 6,830 | 8,978 | Pension | 8 | 7 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Andrew McFarlane | Senior Councillor | 4,758 | 0 | Pension | 2 | 0 | 2 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Carolyne Wilson | Senior Councillor | 4,758 | 0 | Pension | 2 | 0 | 2 |
| | | | | Lump Sum | 0 | 0 | 0 |
| John Young | Senior Councillor | 4,758 | 0 | Pension | 7 | 0 | 7 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Ian Blake | Senior Councillor (up to June 2025) **– Note 2** | 82 | 5,452 | Pension | 0 | 12 | (12) |
| | | | | Lump Sum | 0 | 2 | (2) |
| Ian Carruthers | Senior Councillor (up to June 2025) | 1,307 | 5,532 | Pension | 8 | 7 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Lynne Davis | Senior Councillor (up to June 2025) | 1,307 | 2,763 | Pension | 2 | 1 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Archie Dryburgh | Senior Councillor (up to June 2025) | 1,307 | 5,613 | Pension | 10 | 9 | 1 |
| | | | | Lump Sum | 2 | 2 | 0 |
| Jacqueline McCamon | Senior Councillor (up to June 2025) | 1,307 | 5,613 | Pension | 3 | 3 | 0 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Pauline Drysdale | Senior Councillor (up to June 2025) | 1,307 | 5,613 | Pension | 4 | 3 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Andrew Giusti | Senior Councillor (up to June 2025) | 1,307 | 5,613 | Pension | 5 | 4 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Christine Hill | Senior Councillor (up to June 2025) | 1,307 | 5,613 | Pension | 2 | 2 | 0 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Ivor Hyslop | Senior Councillor (up to June 2025) | 1,307 | 5,613 | Pension | 7 | 6 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Maureen Johnstone | Senior Councillor (up to June 2025) – **Note 2** | 1,307 | 5,613 | Pension | 0 | 2 | (2) |
| | | | | Lump Sum | 0 | 0 | 0 |
| Malcolm Johnstone | Senior Councillor (up to June 2025) | 1,546 | 6,734 | Pension | 5 | 4 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| Richard Marsh | Senior Councillor (up to June 2025) | 1,307 | 5,567 | Pension | 2 | 1 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| David Inglis | Senior Councillor (up to June 2025) | 0 | 2,803 | Pension | 5 | 4 | 1 |
| | | | | Lump Sum | 0 | 0 | 0 |
| **Total** | | **85,245** | **88,346** | | **122** | **89** | |

**Notes:**

1. As a result of the change in the Council's political leadership in June 2025, the above table includes all Councillors who have undertaken a Senior Councillor role during 2025/26. The benefit contributions reflect those made for the full year inclusive of other posts/roles (i.e. non Senior Councillor posts).
2. No accrued pension benefits reported for Councillors Ian Blake, Maureen Johnstone, Jim Dempster and Andrew Ferguson as they have now been paid.
3. Councillor Douglas Campbell has opted out of the scheme.

**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.

| | | **In year pension contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|
| **Senior Employees** | **Post** | **For year to 31 March 2026 £** | **For year to 31 March 2025 £** | | **As at 31 March 2026 £000** | **As at 31 March 2025 £000** | **Difference from 31 March 2026 £000** |
| Dawn Roberts | Chief Executive | 36,730 | 36,544 | Pension | 14 | 10 | 4 |
| | | | | Lump sum | - | - | - |
| Lorna Meahan | Executive Director Enabling and Customer Services | 26,851 | 27,093 | Pension | 66 | 61 | 5 |
| | | | | Lump sum | 64 | 62 | 2 |
| Lisa Hawkin | Executive Director Economy and Infrastructure – **Note 1** | 26,390 | 17,117 | Pension | 4 | 2 | 2 |
| | | | | Lump sum | - | - | - |
| Gillian Brydson | Executive Director Education, Skills and Community Wellbeing | 26,851 | 27,093 | Pension | 76 | 70 | 6 |
| | | | | Lump Sum | 99 | 95 | 4 |
| Stephen Morgan | Service Director Social Work Services | 24,543 | 24,272 | Pension | 54 | 49 | 5 |
| | | | | Lump Sum | 63 | 59 | 4 |
| Vladimir Valiente | Assistant Director Governance and Human Resources | 24,543 | 24,249 | Pension | 35 | 31 | 4 |
| | | | | Lump Sum | 8 | 7 | 1 |
| Paul Garrett | Chief Financial Officer | 24,543 | 24,249 | Pension | 63 | 57 | 6 |
| | | | | Lump Sum | 77 | 72 | 5 |
| James Brown | Assistant Director Schools | 24,543 | 24,291 | Pension | 14 | 10 | 4 |
| | | | | Lump Sum | - | - | - |
| Derek Crichton | Director Communities – **Note 2** | - | 7,691 | Pension | - | - | - |
| | | | | Lump Sum | - | - | - |
| **Total** | | **214,994** | **212,599** | | **637** | **585** | |

**Notes:**

1. The Executive Director Economy and Infrastructure joined the council on 5 August 2024 with comparator figures reflective of this transition.
2. The Director Communities left the Council on 12 July 2024.

**Stephen Thompson**
**Leader**

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

**25 June 2026**

# 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.

| | **2024/25** | | | | **2025/26** | | |
|---|---|---|---|---|---|---|---|
| **Gross Expenditure £000** | **Income £000** | **Net Expenditure £000** | | **Gross Expenditure £000** | **Income £000** | **Net Expenditure £000** | **Note** |
| 223,816 | (20,153) | 203,663 | Education Skills & Community Wellbeing | 235,232 | (19,988) | 215,244 | |
| 52,669 | (16,056) | 36,613 | Social Work Services | 52,837 | (10,485) | 42,352 | |
| 244,625 | (139,561) | 105,064 | Integration Joint Board (IJB) | 271,095 | (154,971) | 116,124 | |
| 125,588 | (28,650) | 96,938 | Economy & Infrastructure | 128,912 | (38,325) | 90,587 | |
| 73,617 | (35,416) | 38,201 | Enabling & Customer Services | 67,233 | (28,426) | 38,807 | |
| 5,493 | (2,803) | 2,690 | Non-Distributable Costs | 6,070 | (3,557) | 2,513 | |
| **725,808** | **(242,639)** | **483,169** | **Net Cost of Services** | **761,379** | **(255,752)** | **505,627** | 6 |
| | | 568 | Other Operating Expenditure | | | 23 | |
| | | 14,810 | Financing and Investment Income & Expenditure | | | 20,049 | 8 |
| | | (483,372) | Taxation & Non-Specific Grant Income | | | (569,408) | 9 |
| | | **15,175** | **(Surplus) /Deficit on the Provision of Services** | | | **(43,709)** | |
| | | (58,669) | (Surplus)/deficit on revaluation of non-current assets | | | 508 | |
| | | 60,459 | Remeasurement of net defined liability/ (asset) | | | 5,035 | |
| | | 0 | Other unrealised (gains)/ losses | | | 0 | |
| | | 1,790 | **Other Comprehensive Income & Expenditure** | | | 5,543 | |
| | | **16,965** | **Total Comprehensive Income & Expenditure** | | | **(38,166)** | |

**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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **General Fund Balance £000** | **Capital Fund £000** | **Repairs & Renewals Fund £000** | **Insurance Fund £000** | **Capital Receipts / Capital Receipts Unapplied £000** | **Total Usable Reserves £000** | **Total Unusable Reserves £000** | **Total Reserves £000** | **Note** |
| **Balance at 31 March 2024** | **(73,620)** | **(38,853)** | **(1,677)** | **(3,249)** | **0** | **(117,399)** | **(444,850)** | **(562,249)** | |
| **Movements in Reserves during 2024/25** | | | | | | | | | |
| (Surplus) or Deficit on provision of services | 15,175 | 0 | 0 | 0 | 0 | 15,175 | 0 | 15,175 | |
| Other Comprehensive Income & Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 1,788 | 1,788 | |
| **Total Comprehensive Income & Expenditure** | **15,175** | **0** | **0** | **0** | **0** | **15,175** | **1,788** | **16,963** | |
| Adjustments to usable reserves permitted by accounting standards | (12,698) | 0 | 0 | 0 | 0 | (12,698) | 12,698 | 0 | |
| Adjustments between accounting basis & funding basis under regulations | 7,608 | 14,853 | 0 | 0 | (548) | 21,913 | (21,913) | 0 | 13 |
| **Net (increase)/ decrease before transfers to /(from) other statutory reserves** | **(10,085)** | **14,853** | **0** | **0** | **(548)** | **24,390** | **(7,427)** | **16,963** | |
| Transfers to/ (from) Other Statutory Reserves | 2,879 | (3,932) | 1,197 | (144) | 0 | 0 | 0 | 0 | 14 |
| **(Increase)/ decrease in year** | **12,964** | **10,921** | **1,197** | **(144)** | **(548)** | **24,390** | **(7,427)** | **16,963** | |
| **Balance at 31 March 2025 carried forward** | **(60,656)** | **(27,932)** | **(480)** | **(3,393)** | **(548)** | **(93,009)** | **(452,277)** | **(545,286)** | |
| **Movements in Reserves during 2025/26** | | | | | | | | | |
| (Surplus) or Deficit on provision of services | (43,709) | 0 | 0 | 0 | **0** | (43,709) | 0 | (43,709) | |
| Other Comprehensive Income & Expenditure | 0 | 0 | 0 | 0 | **0** | 0 | 5,543 | 5,543 | |
| **Total Comprehensive Income & Expenditure** | **(43,709)** | **0** | **0** | **0** | **0** | **(43,709)** | **5,543** | **(38,166)** | |
| Adjustments to usable reserves permitted by accounting standards | (10,735) | 0 | 0 | 0 | 0 | (10,735) | 10,735 | 0 | |
| Adjustments between accounting basis & funding basis under regulations | 55,746 | 11,095 | 0 | 0 | 288 | 67,129 | (67,128) | 1* | 13 |
| **Net (increase)/ decrease before transfers to /(from) other statutory reserves** | **1,302** | **11,095** | **0** | **0** | **288** | **12,685** | **(50,850)** | **(38,165)** | |
| Transfers to/ (from) Other Statutory Reserves | 5,288 | (4,391) | (760) | (137) | 0 | 0 | 0 | 0 | 14 |
| **(Increase)/ decrease in year** | **6,590** | **6,704** | **(760)** | **(137)** | **288** | **12,685** | **(50,850)** | **(38,165)** | |
| **Balance at 31 March 2026 carried forward** | **(54,066)** | **(21,228)** | **(1,240)** | **(3,530)** | **(260)** | **(80,324)** | **(503,127)** | **(583,451)** | |

*This is due to rounding across the financial statements.

## 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".

| 31 March 2025 £000 | | 31 March 2026 £000 | Note |
|---:|---|---:|---:|
| 954,832 | Property, Plant & Equipment | 996,635 | 15 |
| 2,364 | Heritage Assets | 2,410 | 16 |
| 1,198 | Intangible Assets | 1,230 | 16 |
| 844 | Long Term Investments | 870 | |
| 0 | Pensions Asset | 0 | 26 |
| 7,979 | Long Term Debtors | 7,432 | 18 |
| **967,217** | **Long Term Assets** | **1,008,577** | |
| 721 | Assets Held For Sale | 734 | 16 |
| 928 | Inventories | 1,058 | |
| 37,497 | Short Term Debtors | 37,791 | 19 |
| 5,733 | Cash & Cash Equivalents | 20,464 | 20 |
| **44,879** | **Current Assets** | **60,047** | |
| (19,206) | Short Term Borrowing | (18,433) | 32 |
| (65,450) | Short Term Creditors | (73,407) | 21 |
| (6,837) | Short Term Liabilities | (6,616) | 22 |
| 0 | Short Term Provisions | 0 | 23 |
| **(91,493)** | **Current Liabilities** | **(98,456)** | |
| (203,071) | Long Term Borrowing | (218,243) | 32 |
| (103,589) | Other Long Term Liabilities | (100,972) | 32 |
| (68,657) | Other Long Term Liabilities (Pensions) | (67,502) | 26 |
| **(375,317)** | **Long Term Liabilities** | **(386,717)** | |
| **545,286** | **Net Assets/ (Liabilities)** | **583,451** | |
| 93,009 | Usable Reserves | 80,324 | 29 |
| 452,277 | Unusable Reserves | 503,127 | 30 |
| **545,286** | **Total Reserves** | **583,451** | |

The unaudited annual accounts were issued on 25 June 2026.

**Paul Garrett**
**Chief Financial Officer**

**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.

| 2024/25 £000 | | 2025/26 £000 | £000 | Note |
|---|---|---|---|---|
| 15,176 | Net (surplus) or deficit on the provision of services | (43,709) | | |
| (35,644) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | (54,022) | | |
| 15,273 | Adjustments to net (surplus) or deficit on the provision of services that are investing or financing activities | 71,800 | | |
| (5,195) | **Net cash flow from operating activities** | | (25,931) | |
| | Investing activities | | | |
| 83,834 | - purchase of property, plant & equipment, heritage assets & intangible assets | 93,452 | | |
| 0 | - other payments for investing activities | 319 | | |
| (218) | - proceeds from the sale of property, plant, equipment | (368) | | |
| (15,585) | - Other receipts from investing activity | (71,977) | | |
| 68,031 | | | 21,426 | |
| | Financing activities | | | |
| (76,514) | - cash receipts from short & long term borrowing | (30,212) | | |
| 0 | - other receipts from financing activities | 0 | | |
| 3,729 | - cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts | 4,091 | | |
| 25,896 | - repayments of short & long term borrowing | 15,895 | | |
| | - other payments for financing activities | | | |
| (46,889) | | | (10,226) | |
| **15,947** | **Net (increase) or decrease in cash and cash equivalents** | | **14,731** | |
| 21,680 | Cash and cash equivalents at the beginning of the year | | 5,733 | |
| **5,733** | **Cash and cash equivalents at the end of the reporting year** | | **20,464** | 20 |

**Notes to Financial Statements**

**1. Summary of Material Accounting Policies**

**a) General Principles**

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

<u>Benefits Payable During Employment</u>

All employment costs relating to the year to 31 March 2026 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, Learning and Community Wellbeing 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 net asset/liability of the Dumfries & Galloway Council Pension Fund attributable to the Council is 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 6.2%, 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 employer's 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 / Unfunded 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. As at 31 March 2026, the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. The Council has applied an "asset ceiling" accounting treatment, which caps the assets at the value of the funded liabilities and therefore only the unfunded pension liability is recognised.

**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 2025/26.

*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 of 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.

**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**
International Financial Reporting Standard 16 (IFRS 16)

The Council has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. All material operating leases are recognised as a right-of-use asset with a corresponding lease liability on the balance sheet. Leases for items of low value (under £10K) and leases that are less than 12 months in duration are exempt.

In 2024/25 IFRS 16 had been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/2025 and not by adjusting prior year figures.

Definition of a lease
Under IFRS 16, the Council assess whether a contract is or contains a lease based on the definition of a lease as explained below:
A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:
- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distant or represent substantially all of the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not identified;
- The Council has the right to obtain substantially all of the economic benefits and service potential from use of the asset throughout the period of use; and
- The Council has the right to direct the use of the asset throughout the period of use. The Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

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
*Finance leases*
The Council currently has one lease of this nature in relation to the Crichton Estate which has been leased to the Crichton Trust until 2170 at a cost of £10 per annum. Whilst the assets do not transfer to the trust at the end of the lease term as under a typical finance lease, given that the lease is deemed to be for the entire useful economic life of the asset, it is treated as such. Where the Council grants a finance lease over a property the asset is removed from the balance sheet. A debtor is recognised for the lease income due on the lease.

*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 Governance & Human Resources are reported under Enabling & Customer Services 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 2025/26 (SeRCoP). This is in line with the practice outlined in the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

**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,
- the repayment of the liability, applied to reduce the Balance Sheet liability owed to the operator over the remaining term of the contract.

From 1 April 2025 IFRS 16 treatment is applied: where indexation or changes in a rate affect future payments, the lease liability is remeasured. The net present value of future payments that comprise the liability is recalculated based on the revised level of payments. Increases (or reductions) in expenditure are realised as increases (or reductions) in the amortisation charge taken against the remeasured liability.

The PPP/DBFM liability on the balance sheet reflects the remeasured liability in accordance with IFRS 16 and will be reassessed in each year of the contract to allow for the updated indexation rate.

From 1 April 2023 the liability repayment charged to the Comprehensive Income and Expenditure is calculated using the annuity method (using the interest rate implicit in the PPP/DBFM contracts over a 50 years period) which aligns with a prudent assessment of the useful life of the assets, rather than the contract term, as permitted by Local Government Finance Circular 10/2022 – Finance Leases and Service Concession Arrangements.

**r) Property, Plant & Equipment**

Assets which have a physical substance and are held for use in the provision of services 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, which have been extended to 31 March 2027.

These constitute: -

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

Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2027 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 and Indexation
All assets are formally revalued at least once every five years with indexation applied annually in between valuations where relevant. 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.

In accordance with the code of practice, from 2025/26 annual indexation is applied to Other Land and Buildings and Surplus Assets in the period between formal valuations to ensure that the overall value of Property, Plant and Equipment is accurately reflected on the balance sheet. The indexes applied are as follows:

Depreciated Replacement Cost Buildings –BCIS Regional TPI Scotland Index (with location factor for D&G)
Land – no suitable index so are subject to a desktop valuation every 3 years
Existing Use Value - Offices, Retail, industrial - CoStar Submarket index for each category

No indexation is applied to vehicles, plant and equipment due to their low value and short-term lifespan. Indexation for Infrastructure and Community Assets is exempt under the code of practice.

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 General Fund.

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. These receipts will be used 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, and
- 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 Revenue & Customs (HMRC) and all VAT paid is recoverable from it.

**v) New accounting standards**
The code of Practice on Local Authority accounting for 2025/26 was revised, with the main changes and their impact highlighted below:-
- A revaluation expedient for property, plant and equipment, requiring valuations once every five years or on a five-year rolling basis and supported by indexation in intervening years. Alternatively, a desktop valuation in year three in rare cases where no index is available.
- Intangible assets to be held at historical cost only.
- Transitional arrangements when applying these changes so they will be applied prospectively, with no restatement of prior year figures.
- To assist authorities, an existing adaptation has been removed to allow both options permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued. This aligns with existing arrangements on the FreM.
- A clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

These changes have been considered as part of the preparation of the Council’s accounts for 2025/26.

**2. 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. This applies to the adoption of the following new or amended standards within the 2026/27 Code by the Council on 1 April 2026:

a) Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
b) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
c) Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024
d) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

It is currently not anticipated that the changes set out in a) to d) will impact the preparation or presentation of Dumfries and Galloway Council's accounts in 2026/27.

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**3. Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- **Public Sector Funding –** There continues to be a high degree of uncertainty about future levels of funding for local government. Our medium term financial strategy reflects an assumption that the level of resources due to be received from the Scottish Government over the upcoming period will be maintained at current levels going forward (i.e. cash flat) and that significant savings will therefore be required to address increased demand and further inflationary increases. The 2026/27 agreed budget reflects a number of planned measures to identify and progress significant change and savings over the upcoming period to enable the Council to deliver a balanced budget beyond the short term. 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 has considered the tests under IFRIC12 and concluded these are service concession arrangements. 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. The liability for these arrangements is revalued annually in accordance with IFRS 16 to account for the variable inflation linked element of these contracts. Note 24 "Private Finance Initiatives and Similar Contracts" provides further details on the value of assets included on the Council's balance sheet, as well as outstanding liabilities and payments due to be paid over the lifetime of the remaining contract.

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**4. 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 as at 31 March 2026 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. Valuation – assets are valued over a five-year rolling programme, with valuation assumptions ascertained by professional valuers who have considered the potential uncertainty regarding asset valuations arising from the current economic climate. Indexation, where an appropriate index is available, is also applied between formal valuations to reflect up to date market conditions. | If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. The estimated impact of a year's decrease in asset life, across all assets being depreciated, is an increase in the depreciation charge of approximately £2.9 Million. |
| LGPS Pensions Asset/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 Pensions Reserve balance at 31 March 2026 is £67.502 Million (£68.657 Million in 2024/25) as a result of attributable assets at 31 March 2026 exceeding the estimated funded liabilities at that date, with a pensions asset ceiling being applied. | If actual results are different from assumptions, there is the potential for a significant change – either increasing or decreasing the potential liability or asset. The actuary has estimated that a 0.1% decrease in the discount rate would result in an increase to the pension liability of £14.206 Million. Similarly, a 0.1% increase in the rate of salary increase and pension increase rates would increase the pension liability by £0.867 Million and £13.322 Million respectively. In terms of life expectancy, an increase of 1 year is estimated to equate to an increased liability of £37.184 Million. |

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

The Unaudited Annual Accounts were issued by the Chief Financial Officer on 25 June 2026.

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

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6**. Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers 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.

| 2024/25 | | | | 2025/26 | | |
|---|---|---|---|---|---|---|
| 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 |
| 199,440 | 4,223 | 203,663 | Education, Skills & Community Wellbeing | 204,703 | 10,541 | 215,244 |
| 36,340 | 273 | 36,613 | Social Work Services | 42,794 | (442) | 42,352 |
| 104,640 | 424 | 105,064 | Integration Joint Board (IJB) | 116,517 | (393) | 116,124 |
| 72,340 | 24,598 | 96,938 | Economy & Infrastructure | 69,399 | 21,188 | 90,587 |
| 35,918 | 2,283 | 38,201 | Enabling & Customer Services | 36,895 | 1,912 | 38,807 |
| 2,744 | (54) | 2,690 | Non-Distributable Costs | 2,567 | (54) | 2,513 |
| | | | **Net Cost Of Services** | **472,875** | **32,752** | **505,627** |
| 28,396 | (13,018) | 15,378 | Other Operating Income & Expenditure | 30,609 | (10,537) | 20,072 |
| (466,854) | (16,518) | (483,372) | Taxation & Non-Specific Grant Income | (496,894) | (72,514) | (569,408) |
| **12,964** | **2,211** | **15,175** | **(Surplus)/Deficit on the Provision of Services** | **6,590** | **(50,299)** | **(43,709)** |
| | | | | | | |
| (73,620) | | | Opening General Fund Balance at 1 April | (60,656) | | |
| 12,964 | | | Add/Less (Surplus) or Deficit for the Year | 6,590 | | |
| **(60,656)** | | | **Closing General Fund Balance at 31 March** | **(54,066)** | | |

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

| 2024/25 | | | | | | | 2025/26 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Capital Purposes** | **Pensions** | **PPP /PFI** | **Leases** | **Other Differences** | **Total** | | **Capital Purposes** | **Pensions** | **PPP /PFI** | **Leases** | **Other Differences** | **Total** |
| **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| 12,860 | 360 | (11,475) | 0 | 2,478 | **4,223** | Education Skills & Community Wellbeing | 24,223 | (1,327) | (11,697) | 0 | (658) | **10,541** |
| 103 | 97 | 0 | 0 | 73 | **273** | Social Work Services | 131 | (573) | 0 | 0 | 0 | **(442)** |
| 199 | 182 | 0 | 0 | 43 | **424** | Integration Joint Board (IJB) | 240 | (659) | 0 | 0 | 26 | **(393)** |
| 24,260 | 172 | 0 | 0 | 166 | **24,598** | Economy & Infrastructure | 22,582 | (1,310) | 0 | 0 | (84) | **21,188** |
| 1,813 | 489 | 0 | 0 | (19) | **2,283** | Enabling & Customer Services | 2,358 | (495) | 0 | 0 | 49 | **1,912** |
| 2,287 | 0 | 0 | (2,341) | 0 | **(54)** | Non-Distributable Costs | 2,722 | 0 | 0 | (2,776) | 0 | **(54)** |
| **41,522** | **1,300** | **(11,475)** | **(2,341)** | **2,741** | **31,747** | **Net Cost of Services** | **52,256** | **(4,364)** | **(11,697)** | **(2,776)** | **(667)** | **32,752** |
| (19,904) | (4,142) | 10,179 | 324 | 525 | **(13,018)** | Other Operating Income and Expenditure | (19,410) | (1,826) | 10,361 | 319 | 19 | **(10,537)** |
| (15,821) | 0 | 0 | (697) | 0 | **(16,518)** | Taxation & Non-Specific Grant Income | (72,199) | 0 | | (315) | 0 | **(72,514)** |
| **5,797** | **(2,842)** | **(1,296)** | **(2,714)** | **3,266** | **2,211** | **Difference between General Fund (surplus)/deficit and the Comprehensive Income and Expenditure (Surplus)/Deficit** | **(39,353)** | **(6,190)** | **(1,336)** | **(2,772)** | **(648)** | **(50,299)** |

**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.

| **Service Income & Expenditure 2024/25** | **Education Skills & Wellbeing** | **Social Work Services** | ***Integration Joint Board** | **Economy & Infrastructure** | **Enabling & Customer Services** | **Non-Distributable Costs** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fees, charges & other service income | (6,260) | (4,642) | (139,560) | (23,046) | (4,716) | (444) | **(178,668)** |
| Grants | (14,132) | (11,531) | | (16,950) | (31,258) | (2,539) | **(76,410)** |
| **Total Income** | **(20,392)** | **(16,173)** | **(139,560)** | **(39,996)** | **(35,974)** | **(2,983)** | **(255,078)** |
| Employee expenses | 158,110 | 22,162 | 25,751 | 47,237 | 29,127 | 2,507 | **284,894** |
| Other service expenses | 61,722 | 30,351 | 218,449 | 65,099 | 42,765 | 3,220 | **421,606** |
| **Total Expenditure** | **219,832** | **52,513** | **244,200** | **112,336** | **71,892** | **5,727** | **706,500** |
| **Net Expenditure** | **199,440** | **36,340** | **104,640** | **72,340** | **35,918** | **2,744** | **451,422** |

| **Service Income & Expenditure 2025/26** | **Education Skills & Wellbeing** | **Social Work Services** | ***Integration Joint Board** | **Economy & Infrastructure** | **Enabling & Customer Services** | **Non-Distributable Costs** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Fees, charges & other service income | (6,641) | (3,457) | (154,971) | (23,651) | (4,770) | (505) | **(193,995)** |
| Grants | (13,385) | (7,104) | 0 | (25,048) | (23,990) | (3,233) | **(72,760)** |
| **Total Income** | **(20,026)** | **(10,561)** | **(154,971)** | **(48,699)** | **(28,760)** | **(3,738)** | **(266,755)** |
| Employee expenses | 166,220 | 22,824 | 27,101 | 50,140 | 30,761 | 1,675 | **298,721** |
| Other service expenses | 58,509 | 30,531 | 244,387 | 67,958 | 34,894 | 4,630 | **440,909** |
| **Total Expenditure** | **224,729** | **53,355** | **271,488** | **118,098** | **65,655** | **6,305** | **739,630** |
| **Net Expenditure** | **204,703** | **42,794** | **116,517** | **69,399** | **36,895** | **2,567** | **472,875** |

## 7. 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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Fee, charges & other service income | (178,668) | (193,995) |
| Interest & investment income | (3,914) | (2,637) |
| Movement on Donated Assets | (697) | 0 |
| Gain on lease recognition | 0 | (315) |
| Income from Council Tax | (79,364) | (86,401) |
| Income from NDR | (63,716) | (64,534) |
| Grants & Contributions | (416,005) | (490,917) |
| **Total Income** | **(742,364)** | **(838,799)** |
| Employee expenses | 288,935 | 293,690 |
| Other service expenses | 407,790 | 426,435 |
| Depreciation, amortisation & impairment | 41,522 | 52,256 |
| Interest payments | 18,724 | 22,686 |
| Other (gains)/losses | 568 | 23 |
| **Total Expenditure** | **757,539** | **795,090** |
| **(Surplus) or deficit on the Provision of Services** | **15,175** | **(43,709)** |

**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. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract, in line with IFRS 15 Revenues from Contracts with Customers.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Education Skills & Community Wellbeing | (4,637) | (4,996) |
| Social Work Services | (475) | (331) |
| Integration Joint Board | (13,159) | (14,061) |
| Economy & Infrastructure | (6,084) | (6,904) |
| Enabling & Customer Services | (2,194) | (2,176) |
| | **(26,549)** | **(28,468)** |

## 8. Financing and Investment Income & Expenditure

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Interest payable & similar charges | 18,277 | 19,002 |
| Net interest on the net defined benefit liability/ (asset) | 447 | 3,684 |
| Interest receivable & similar income | (3,914) | (2,637) |
| | 14,810 | **20,049** |

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

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Council Tax income | (79,364) | (86,401) |
| Non-domestic rates redistribution | (63,716) | (64,534) |
| Non ring-fenced government grants | (323,774) | (345,959) |
| Movement on Donated Assets | (697) | 0 |
| Gain on lease recognition | 0 | (315) |
| Capital grants & contributions | (15,821) | (72,199) |
| | **(483,372)** | **(569,408)** |

**10. Agency Services**

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2025/26 the Council collected £61,081 Million (£65.308 Million in 2024/25) and received £3.453 Million to the NDR pool (£1.592 Million was contributed to the NDR pool in 2024/25).

The funding approach in relation to Non-Domestic Rates Property Relief was changed in 2023/24, with Local Authorities now receiving resources to support the application of this relief as part of the General Revenue Grant of the Local Government Finance Settlement. The total relief applied in the year was £0.169 Million (£0.339 Million in 2024/25) and has resulted in a Net Non-Domestic Rates income to the Council totalling £64.365 Million in 2025/26 (£63.377 Million in 2024/25) as reflected in the Non-Domestic Rates Account on page 115.

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 2025/26 the Council transferred £30.1 Million (£27.2 Million in 2024/25) to Scottish Water. The Council has received £610K in relation to 2025/26 (£602K in 2024/25) for providing this service.

**11. External Audit Fees**

The external audit fee payable for 2025/26 was £439k (£421k in 2024/25). There were no non-audit fees payable in the year.

**12. Grant Income**

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Credited to Taxation and Non-Specific Grant Income** | | |
| Council Tax income | (79,364) | (86,401) |
| Non-domestic rates redistribution | (63,716) | (64,534) |
| Capital grants & contributions | (15,821) | (72,199) |
| Movement on Donated Assets | (697) | 0 |
| Gain on lease recognition | 0 | (315) |
| Non ring-fenced Government grants | (323,774) | (345,959) |
| **Total** | **(483,372)** | **(569,408)** |
| **Credited to Services** | | |
| DWP Housing Benefits | (30,502) | (23,929) |
| Criminal Justice Service | (4,180) | (4,541) |
| Home Efficiency Programmes for Scotland | (1,730) | (2,234) |
| Attainment Fund | (3,373) | (3,165) |
| Early Learning and Childcare | (2,540) | 0 |
| Economic Development Grants | (14,172) | (21,055) |
| Other Government Grants | (2,320) | (2,091) |
| Employability Grants | (3,306) | (3,240) |
| Dalbeattie DBFM | (1,975) | (1,976) |
| Resettlement Grants | (6,002) | (1,393) |
| Extended Producer Responsibility Funding | 0 | (3,878) |
| All Other Grants | (6,310) | (5,258) |
| **Total** | **(76,410)** | **(72,760)** |

**13. 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 the Comprehensive Income & Expenditure Statement | | | Unusable Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund balance | Capital Receipts / Capital Receipts 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 2024/25** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| • Charges for depreciation and impairment of non-current assets | (28,728) | | | 28,728 | | | | 28,728 |
| • Amortisation of intangible assets | (96) | | | 96 | | | | 96 |
| • Capital grants and contributions applied | 15,821 | (548) | | (15,273) | | | | (15,273) |
| • Use of Capital Grant to Fund Loans Repayment | | | | | | | | |
| • Net gain/(loss) on disposal of non-current assets | (568) | | | 568 | | | | 568 |
| • Net gain/(loss) on the lease recognition | 697 | | | (697) | | | | (697) |
| • Statutory repayment of debt (Loans Fund advances) | 13,670 | | | (13,670) | | | | (13,670) |
| • Statutory repayment of debt (Finance Lease Liabilities) | 2,017 | | | (2,017) | | | | (2,017) |
| • Statutory repayment of debt (PFI) | 1,296 | | | (1,296) | | | | (1,296) |
| • Capital expenditure charged in year to General Fund balance | 3,354 | | | (3,354) | | | | (3,354) |
| • Capital receipts received during the year | | (218) | | 218 | | | | 218 |
| • Use of the Capital Reserves to finance new capital expenditure | | 218 | 14,853 | (15,071) | | | | (15,071) |
| • 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 requirements | 43 | | | | (43) | | | (43) |
| • Reversal of items relating to retirement benefits debited or credited to the CIES | (29,987) | | | | | 29,987 | | 29,987 |
| • Employers' pension contributions and direct payments to pensioners payable in the year | 32,829 | | | | | (32,829) | | (32,829) |
| • Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration charged in year in accordance with statutory requirements | (2,740) | | | | | | 2,740 | 2,740 |
| **Total Statutory Adjustments** | **7,608** | **(548)** | **14,853** | **(21,768)** | **(43)** | **(2,842)** | **2,740** | **(21,913)** |

| | **Adjustments to the Comprehensive Income & Expenditure Statement** | | | **Unusable Reserves** | | | | |
|---|---|---|---|---|---|---|---|---|
| | **General Fund balance** | **Capital Receipts/ Capital Receipts 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 2025/26** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| • Charges for depreciation and impairment of non-current assets | (41,214) | | | 41,214 | | | | 41,214 |
| • Amortisation of intangible assets | (307) | | | 307 | | | | 307 |
| • Capital grants and contributions applied | 72,199 | (31) | | (72,168) | | | | (72,168) |
| • Use of Capital Grant to Fund Loans Repayment | | | | | | | | |
| • Net gain/(loss) on disposal of non-current assets | (23) | | | 23 | | | | 23 |
| • Net gain/(loss) on the lease recognition | 315 | | | (315) | | | | (315) |
| • Statutory repayment of debt (Loans Fund advances) | 12,644 | | | (12,643) | | | | (12,643) |
| • Statutory repayment of debt (Finance Lease Liabilities) | 2,457 | | | (2,457) | | | | (2,457) |
| • Statutory repayment of debt (PFI) | 1,336 | | | (1,336) | | | | (1,336) |
| • Capital expenditure charged in year to General Fund balance | 1,478 | | | (1,478) | | | | (1,478) |
| • Capital receipts received during the year | | (368) | | 368 | | | | 368 |
| • Use of the Capital Reserves to finance new capital expenditure | | 687 | 11,095 | (11,782) | | | | (11,782) |
| • 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 | 4 | | | | (4) | | | (4) |
| • Reversal of items relating to retirement benefits debited or credited to the CIES | (26,399) | | | | | 26,399 | | 26,399 |
| • Employers' pension contributions and direct payments to pensioners payable in the year | 32,589 | | | | | (32,589) | | (32,589) |
| • Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration charged in year in accordance with statutory requirements | 667 | | | | | | (667) | (667) |
| **Total Statutory Adjustments** | **55,746** | **288** | **11,095** | **(60,267)** | **(4)** | **(6,190)** | **(667)** | **(67,128)** |

**14. 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.

| **Movements in 2024/25** | **General Fund £000** | **Capital Fund £000** | **Repairs & Renewals Fund £000** | **Insurance Fund £000** | **Capital Grants & Receipts Unapplied £000** |
|---|---|---|---|---|---|
| Transfer from General Fund to fund new Capital Investment | 3,426 | (3,426) | 0 | 0 | 0 |
| Capital Receipts Transfer to Capital Fund | 0 | 0 | 0 | 0 | 0 |
| Transfer from Repairs & Renewals to General Fund | (1,279) | 0 | 1,279 | 0 | 0 |
| Interest on balances | 732 | (506) | (82) | (144) | 0 |
| | **2,879** | **(3,932)** | **1,197** | **(144)** | **0** |

| **Movements in 2025/26** | **General Fund £000** | **Capital Fund £000** | **Repairs & Renewals Fund £000** | **Insurance Fund £000** | **Capital Grants & Receipts Unapplied £000** |
|---|---|---|---|---|---|
| Transfer from General Fund to fund new Capital Investment | 4,039 | (4,039) | 0 | 0 | 0 |
| Transfers from Repairs & Renewals to General fund | (149) | 0 | 149 | 0 | 0 |
| Transfer to Repairs & Renewals from General Fund | 890 | 0 | (890) | 0 | 0 |
| Interest on balances | 508 | (352) | (19) | (137) | 0 |
| | **5,288** | **(4,391)** | **(760)** | **(137)** | **0** |

**15. Property, Plant & Equipment**

The movements on balances for Property, Plant & Equipment are shown in the following tables. Figures for 2024/25 are provided for comparison.

| **Movements in 2024/25** | **Other Land & Buildings £000** | **Vehicles, Plant, Furniture & Equipment £000** | **Community Assets £000** | **Assets Under Construction £000** | **Surplus Assets £000** | **Right of Use Assets £000** | **Total Property, Plant & Equipment £000** | **Infrastructure Assets £000** |
|---|---|---|---|---|---|---|---|---|
| **Gross Book Value at 1 April 2024** | **696,968** | **38,822** | **5,329** | **11,604** | **8,656** | **0** | **761,379** | |
| Recognition of Right of Use Assets | 0 | 0 | 0 | 0 | 0 | 8,713 | 8,713 | 0 |
| Reclassifications of assets | (2,323) | 0 | 0 | 0 | 2,323 | 0 | 0 | 0 |
| Assets reclassified (to)/ from Held for Sale | (406) | 0 | 0 | 0 | 117 | 0 | (289) | 0 |
| Additions | 26,684 | 10,334 | 2,154 | 31,778 | 4 | 315 | 71,269 | 18,892 |
| Derecognition – disposals | 0 | (1,880) | 0 | 0 | 0 | 0 | (1,880) | (4,795) |
| Revaluation increase/ (decreases) recognised in the Revaluation Reserve | 9,873 | (1,349) | 239 | (4) | (1,366) | 0 | 7,393 | 239 |
| Revaluation losses recognised in the (surplus)/deficit on the provision of services | (5,624) | 0 | (310) | 0 | (300) | 0 | (6,234) | 0 |
| Impairment losses recognised in the revaluation reserves | 0 | 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 | 0 |
| **Gross Book Value at 31 March 2025** | **725,172** | **45,927** | **7,412** | **43,378** | **9,434** | **9,028** | **840,351** | |
| **Accumulated Depreciation at 1 April 2024** | **(62,153)** | **(14,923)** | **(1,002)** | **0** | **(1)** | 0 | **(78,079)** | |
| Depreciation on reclassifications | 321 | 0 | 0 | 0 | (321) | 0 | 0 | 0 |
| Depreciation on reclassification to Assets Held for Sale | 76 | 0 | 0 | 0 | (5) | 0 | 71 | 0 |
| Depreciation charge for year | (23,132) | (5,905) | (275) | 0 | (37) | (2,273) | (31,622) | (11,520) |
| Depreciation written back on disposals | 0 | 1,835 | 0 | 0 | 0 | 0 | 1,835 | 4,784 |
| Depreciation written out to the Revaluation Reserve on revaluations | 49,061 | 1,722 | 31 | 0 | 317 | 0 | 51,131 | 110 |
| Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services | 8,021 | 0 | 15 | 0 | 5 | 0 | 8,041 | 0 |
| Depreciation written out to the Revaluation Reserve on impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out on impairments recognised in the (Surplus)/ Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Accumulated Depreciation at 31 March 2025** | **(27,806)** | **(17,271)** | **(1,231)** | **0** | **(42)** | **(2,273)** | **(48,623)** | |
| Net Book Value at 31 March 2025 | **697,366** | **28,656** | **6,181** | **43,378** | **9,392** | **6,755** | **791,728** | **163,104** |
| Net Book Value at 31 March 2024 | **634,815** | **23,899** | **4,327** | **11,604** | **8,655** | **0** | **683,300** | **155,394** |

| **Movements in 2025/26** | **Other Land & Buildings £000** | **Vehicles, Plant, Furniture & Equipment £000** | **Community Assets £000** | **Assets Under Construction £000** | **Surplus Assets £000** | **Right of Use Assets £000** | **Total Property, Plant & Equipment £000** | **Infrastructure Assets £000** |
|---|---|---|---|---|---|---|---|---|
| **Gross Book Value at 1 April 2025** | **725,172** | **45,927** | **7,412** | **43,378** | **9,434** | **9,028** | **840,351** | |
| Reclassifications of assets | (50) | 0 | (6,146) | 6,146 | 50 | 0 | 0 | 0 |
| Assets reclassified (to)/ from Held for Sale | (288) | 0 | 0 | 0 | 6 | 0 | (282) | 0 |
| Additions | 21,059 | 10,332 | 1,962 | 36,189 | 0 | 363 | 69,905 | 22,966 |
| Derecognition – disposals | (935) | (2,950) | 0 | 0 | 0 | (184) | (4,069) | 0 |
| Revaluation increase/ (decreases) recognised in the Revaluation Reserve | (29,317) | (1,766) | (16) | 0 | 101 | 0 | (30,998) | 0 |
| Revaluation losses recognised in the (surplus)/deficit on the provision of services | (12,821) | (2) | 0 | 0 | 184 | 0 | (12,639) | 0 |
| Indexation increase/ (decrease) recognised in the Revaluation Reserve | (10,943) | 0 | 0 | 0 | (4) | 0 | (10,947) | 0 |
| Indexation increase/ (decrease) recognised in the (surplus)/deficit on the provision of services | (1,787) | 0 | 0 | 0 | 0 | 0 | (1,787) | 0 |
| Other movements in cost of valuation | 0 | 0 | 0 | 0 | 0 | 1,204 | 1,204 | 0 |
| **Gross Book Value at 31 March 2026** | **690,090** | **51,541** | **3,212** | **85,713** | **9,771** | **10,411** | **850,738** | |
| **Accumulated Depreciation at 1 April 2025** | **(27,806)** | **(17,271)** | **(1,231)** | **0** | **(42)** | **(2,273)** | **(48,623)** | |
| Depreciation on reclassifications | 5 | 0 | 1,599 | (1,599) | (5) | 0 | 0 | 0 |
| Depreciation on reclassification to Assets Held for Sale | 22 | 0 | 0 | 0 | 15 | 0 | 37 | 0 |
| Depreciation charge for year | (20,137) | (6,708) | (489) | (1) | (58) | (2,603) | (29,996) | (12,196) |
| Depreciation written back on disposals | 934 | 2,809 | 0 | 0 | 0 | 173 | 3,916 | 0 |
| Depreciation written out to the Revaluation Reserve on revaluations | 20,414 | 2,154 | 15 | 0 | 0 | 0 | 22,583 | 0 |
| Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services | 2,263 | 6 | 0 | 0 | 0 | 0 | 2,269 | 0 |
| Depreciation written out to the Revaluation Reserve on indexation | 19,217 | 0 | 0 | 0 | 7 | 0 | 19,224 | 0 |
| Depreciation written out on indexation losses recognised in the (Surplus)/ Deficit on the Provision of Services | 2,614 | 0 | 0 | 0 | 0 | 0 | 2,614 | 0 |
| **Accumulated Depreciation at 31 March 2026** | **(2,474)** | **(19,010)** | **(106)** | **(1,600)** | **(83)** | **(4,703)** | **(27,976)** | |
| Net Book Value at 31 March 2026 | **687,616** | **32,531** | **3,106** | **84,113** | **9,688** | **5,708** | **822,762** | **173,873** |
| Net Book Value at 31 March 2025 | **697,336** | **28,656** | **6,181** | **43,378** | **9,392** | **6,755** | **791,728** | **163,104** |

**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 |
| Right of Use Asset | Depreciated on a Straight-Line basis over lease term |

**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, Bruton Knowles (24/25 was Colliers International Valuation UK LLP), who following a procurement process were awarded to undertake the Councils valuations commencing in 2025/26. 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 | Depreciated historic 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 |
| Right of Use Asset | Discounted value of future lease payments/fair value |

For Operational Land and Buildings, Surplus Assets and Right of Use Assets (where appropriate) an annual indexation is applied to the Net Book Value in the years between valuation. Please see Note 1- Notes to Accounts for details of indices used.

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 2027 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 2027 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 23 surplus assets (24 in 2024/25) valued at fair value measurement, and these were measured using level 1 inputs in the fair value hierarchy.

The following table outlines the progress of the Council's five-year rolling programme of valuations and assets subject to indexation in year.

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastru-cture Assets | Commun-ity Assets | Assets Under Construc-tion | Surplus Assets | Right of Use Assets | Total Property, Plant & Equipment |
|---|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Carried at historical cost | 9,624 | 32,531 | 173,209 | 735 | 63,113 | 0 | 5,708 | 284,920 |
| Valued at fair value as at: | | | | | | | | |
| 31 March 2026 Indexation | 331,642 | 0 | 0 | 0 | 0 | 81 | 0 | 331,723 |
| 31 March 2026 Revaluation | 313,411 | 0 | 0 | 276 | 0 | 1,751 | 0 | 315,438 |
| 31 March 2025 | 11,323 | 0 | 664 | 469 | 13,429 | 747 | 0 | 26,632 |
| 31 March 2024 | 11,947 | 0 | 0 | 314 | 19 | 431 | 0 | 12,711 |
| 31 March 2023 | 3,665 | 0 | 0 | 1,208 | 7,547 | 6,635 | 0 | 19,055 |
| 31 March 2022 | 6,004 | 0 | 0 | 104 | 5 | 43 | 0 | 6,156 |
| **Total Cost or Valuation** | **687,616** | **32,531** | **173,873** | **3,106** | **84,113** | **9,688** | **5,708** | **996,635** |

**Capital Commitments**

At 31 March 2026, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment. In 2026/27 this is budgeted to cost £62.529 Million The major commitments are:

| Property, Plant & Equipment | Project Description | Commitment £000 |
|---|---|---|
| George Hotel, Stranraer | Refurbishment | 1,879 |
| Eastriggs Primary School | Refurbishment | 697 |
| Annan Academy | Refurbishment | 303 |
| Council HQ | Refurbishment | 512 |
| Multi Model Hubs | Construction | 3,146 |
| Various Schools | Reinforced Autoclaved Aerated Concrete works | 688 |
| Play Parks | Upgrading of Play Equipment | 447 |
| Various Property - Schools | LED Lighting | 327 |
| Various Property - Other | LED Lighting | 265 |
| Whitesands Flood Protection Scheme | Construction | 45,798 |
| Dumfries Zero Waste Park | Construction | 2,159 |
| Dumfries High School | New Build | 5,691 |
| Newton Stewart Flood Protection Scheme | Design Works | 207 |
| Dumfries Academy | Design Works | 410 |
| **Total** | | **62,529** |

## 16. 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 2024/25 have been provided for comparison.

| | Intangible Assets | | Heritage Assets | | Assets Held For Sale | |
|---|---|---|---|---|---|---|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | | | |
| **Balance at 1 April** | 356 | 1,299 | 2,364 | 2,364 | 1,369 | 721 |
| Assets reclassified (to) / from Assets Held for Sale | 0 | 0 | 0 | 0 | 289 | 282 |
| Additions | 1,020 | 339 | 0 | 46 | 12 | 231 |
| Derecognition - Disposals | (77) | 0 | 0 | 0 | (784) | (281) |
| Revaluation Increases / (Decreases) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | (10) | (61) |
| Revaluation increases/ (decreases) in the CIES | 0 | 0 | 0 | 0 | (155) | (158) |
| **Balance at 31 March** | **1,299** | **1,638** | **2,364** | **2,410** | **721** | **734** |
| **Accumulated Depreciation** | | | | | | |
| **Balance at 1 April** | (82) | (101) | 0 | 0 | (70) | 0 |
| Eliminated on the reclassification of Assets Held For Sale | 0 | 0 | 0 | 0 | (71) | (37) |
| Depreciation / Amortisation Charge | (96) | (307) | 0 | 0 | 0 | (69) |
| Depreciation - Disposals | 77 | 0 | 0 | 0 | 78 | 56 |
| Depreciation written out to the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 35 |
| Depreciation written out to the Surplus / Deficit on Provision of Services | 0 | 0 | 0 | 0 | 63 | 15 |
| **Balance at 31 March** | **(101)** | **(408)** | **0** | **0** | **0** | **0** |
| **Net Book Value at 31 March** | **1,198** | **1,230** | **2,364** | **2,410** | **721** | **734** |

**17. 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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Opening Capital Investment Requirement** | **393,129** | **441,875** |
| **Capital Investment** | | |
| Property, Plant & Equipment – non PFI/PPP assets | 80,289 | 90,256 |
| Property, Plant & Equipment – PFI/PPP/DBFM assets | 10,589 | 2,820 |
| Property, Plant & Equipment – Right of Use | 9,028 | 1,556 |
| Heritage assets | 0 | 46 |
| | **99,906** | **94,678** |
| **Financed as follows:** | | |
| Capital receipts | 218 | 368 |
| Capital Receipts (from Capital Fund) | 14,853 | 11,095 |
| Government grants & other contributions | 16,279 | 72,663 |
| Loans Fund principal | 13,143 | 13,170 |
| PPP/Lease principal repayments | 3,313 | 4,108 |
| Direct revenue contributions | 3,354 | 1,478 |
| | **51,160** | **102,882** |
| **Closing Capital Requirement** | **441,875** | **433,671** |
| **Explanation of movements in the year:** | | |
| Increase/(decrease) in underlying need to borrow | 30,425 | (9,688) |
| Increase/(decrease) in relation to PFI/PPP arrangements | 18,321 | 1,484 |
| **Increase/(decrease) in Capital Financing Requirement** | **48,746** | **(8,204)** |

The Council applied the fiscal flexibility to its service concession arrangements in 2023/24, as detailed in Local Government Finance Circular 10/2022, where the authority has recognised the principal repayments for service concession arrangements over the asset life rather than the contractual term.

**18. Long Term Debtors**

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

| | 2024/25 | | | 2025/26 | | |
|---|---|---|---|---|---|---|
| | Gross Debtors £000 | Provision for debt impairment £000 | Net Debtors £000 | Gross Debtors £000 | Provision for debt impairment £000 | Net Debtors £000 |
| Scottish Police Authority | 6,181 | 0 | 6,181 | 5,780 | 0 | 5,780 |
| Scottish Fire & Rescue Service | 1,625 | 0 | 1,625 | 1,480 | 0 | 1,480 |
| Other entities & individuals | 214 | (41) | 173 | 212 | (40) | 172 |
| **Total Long Term Debtors** | **8,020** | **(41)** | **7,979** | **7,472** | **(40)** | **7,432** |

**19. Short Term Debtors**

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

| | 2024/25 Gross Debtors £000 | 2024/25 Provision for debt impairment £000 | 2024/25 Net Debtors £000 | 2025/26 Gross Debtors £000 | 2025/26 Provision for debt impairment £000 | 2025/26 Net Debtors £000 |
|---|---|---|---|---|---|---|
| Scottish Government bodies | 5,928 | 0 | 5,928 | 8,779 | 0 | 8,779 |
| Central Government bodies | 8,974 | 0 | 790 | 5,062 | 0 | 5,062 |
| Other local authorities | 4 | 0 | 4 | 20 | 0 | 20 |
| NHS bodies | 0 | 0 | 0 | 0 | 0 | 0 |
| Public corporations | 328 | 0 | 328 | 422 | 0 | 422 |
| Other entities and individuals | 23,759 | (6,002) | 25,941 | 21,003 | (7,094) | 13,909 |
| | **38,993** | **(6,002)** | **32,991** | **35,286** | **(7,094)** | **28,192** |
| Council Tax | 16,560 | (15,937) | 623 | 17,531 | (16,868) | 663 |
| Non-Domestic Rates | 3,883 | 0 | 3,883 | 8,936 | 0 | 8,936 |
| **Total Short Term Debtors** | **59,436** | **(21,939)** | **37,497** | **61,753** | **(23,962)** | **37,791** |

**20. Cash & Cash Equivalents**

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Cash held by the Council | 62 | 62 |
| Bank current accounts | (4,574) | (3,902) |
| Short-term deposits with Financial Institutions | 10,031 | 23,380 |
| Amounts held on behalf of Clients | 214 | 924 |
| **Total Cash & Cash Equivalents** | **5,733** | **20,464** |

**21. Short Term Creditors**

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

| | 2024/25 Trade creditors £000 | 2024/25 Receipts in advance £000 | 2024/25 Other creditors £000 | 2024/25 Total Creditors £000 | 2025/26 Trade creditors £000 | 2025/26 Receipts in advance £000 | 2025/26 Other creditors £000 | 2025/26 Total Creditors £000 |
|---|---|---|---|---|---|---|---|---|
| Scottish Government bodies | 0 | (1,089) | (161) | **(1,250)** | 0 | (1,964) | (1,264) | **(3,228)** |
| Central Government bodies | 0 | (288) | (361) | **(649)** | 0 | (19,275) | (2,560) | **(21,835)** |
| Other Local Authorities | (66) | 0 | 0 | **(66)** | (55) | 0 | (1,217) | **(1,272)** |
| NHS bodies | 0 | 0 | (4) | **(4)** | 0 | 0 | (1) | **(1)** |
| Public Corporations | (9) | (30) | 0 | **(39)** | 0 | (74) | (1) | **(75)** |
| Payroll | 0 | 0 | (20,533) | **(20,533)** | 0 | 0 | (21,343) | **(21,343)** |
| IJB | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Other entities & individuals | (13,268) | (17,393) | (12,248) | **(42,909)** | (10,097) | (4,356) | (11,200) | **(25,653)** |
| **Total Short Term Creditors** | **(13,343)** | **(18,800)** | **(33,307)** | **(65,450)** | **(10,152)** | **(25,669)** | **(37,586)** | **(73,407)** |

**22. Short Term Liabilities**

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| PPP/DBFM liabilities | (4,524) | (4,549) |
| ST Lease liabilities | (2,313) | (2,067) |
| | **(6,837)** | **(6,616)** |

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**23. Provisions**

There were no provisions reflected within either the 2025/26 or 2024/25 Balance Sheet.

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**24. 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.

<u>Property, Plant & Equipment</u>

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 15.

| | PPP/DBFM Schools | |
|---|---|---|
| | 2024/25 | 2025/26 |
| **Cost or Valuation** | | |
| **At 1 April** | **146,305** | **173,823** |
| Additions | 10,589 | 2,821 |
| Revaluations | 16,929 | (26,771) |
| **At 31 March** | **173,823** | **149,873** |
| | | |
| **Accumulated Depreciation at 1 April** | **(16,387)** | **0** |
| Depreciation charge for year | (4,452) | (3,923) |
| Depreciation Written Out on Revaluations | 20,839 | 3,923 |
| **Accumulated Depreciation at 31 March** | **0** | **0** |
| | | |
| **Net Book Value at 31 March** | **173,823** | **149,873** |

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 | |
|---|---|---|
| | **2024/25** | **2025/26** |
| | **£000** | **£000** |
| Balance outstanding at the start of the year | 97,707 | 104,113 |
| IFRS 16 Transition adjustment | 9,486 | 0 |
| Revised Opening Balance | 107,193 | 104,113 |
| IFRS 16 Annual remeasurement | 1,103 | 2,821 |
| Payments during the year | (4,183) | (4,444) |
| **Balance outstanding at year end** | **104,113** | **102,490** |

From 1 April 2025 IFRS 16 applied to PPP/DBFM arrangements where indexation or changes in a rate affect future payments, the lease liability is remeasured. The net present value of future payments that comprise the liability is recalculated based on the revised level of payments. Increases (or reductions) in expenditure are realised as increases (or reductions) in the amortisation charge taken against the remeasured liability. The PPP/DBFM liability above reflects the annual remeasurement of the liability, £2.8M (£1.1M in 2024/25). The liability will be reassessed in each year of the contract to allow for the updated indexation rate.

The above figures represent the principal liability (i.e. payment for acquisition of assets) due to E4D&G and Hub SW Dalbeattie DBFM Co Limited. The Council has applied the fiscal flexibility to its service concession arrangements, as detailed in Local Government Finance Circular 10/2022, where the authority has recognised the principal repayments for service concession arrangements over the asset life rather than the contractual term. The amount still to be financed through the Comprehensive Income and Expenditure Statement is £138.627 Million (£136.783 Million in 2024/25).

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 | Finance Interest | Repayment of Liability | Total |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Payments due within one year | 9,373 | 7,142 | 4,549 | **21,064** |
| Payments due within two to five years | 41,667 | 25,319 | 20,186 | **87,172** |
| Payments due within six to ten years | 55,318 | 22,044 | 39,222 | **116,584** |
| Payments due within eleven to fifteen years | 46,017 | 6,558 | 35,822 | **88,397** |
| Payments due within sixteen to twenty years | 1,383 | 190 | 2,762 | **4,335** |
| Payments due within twenty-one to twenty-five years | 0 | 0 | 0 | **0** |
| | **153,758** | **61,253** | **102,541** | **317,552** |

## 25. Termination Benefits

In 2025/26 the Council agreed to the early retirement of one (two in 2024/25) individual under the early retirement/voluntary severance (ERVS) scheme and zero (one in 2024/25) flexible retirement under the Council’s flexible retirement policy. As a result, one off costs of £96k (£53k in 2024/25) were incurred in the year wholly associated with the reimbursement to the Pension Fund in relation to the strain on the fund.

## 26. 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 career average revalued earning (CARE) 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 27.

The Dumfries and Galloway Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme (LGPS) and the governance of the scheme is the responsibility of the Pensions Sub Committee of Dumfries and Galloway Council. Policy is determined in accordance with the relevant LGPS regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

### Discretionary / unfunded post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities therefore the Council is required to fund these benefits on an annual basis.

### 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:

| | LGPS | |
|---|---|---|
| | **2024/25 £000** | **2025/26 £000** |
| **Comprehensive Income & Expenditure Statement** | | |
| Included within the Net Cost of Services: | | |
| • current service cost | 28,628 | 22,715 |
| • past service costs (including curtailments) | 912 | 0 |
| • effects from settlements | 0 | 0 |
| Included within Financing and Investment Income & Expenditure: | | |
| • net interest expense | 447 | 3,684 |
| **Total post-employment benefits charged to (Surplus) or Deficit on the Provision of Services** | **29,987** | **26,399** |
| 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) | 7,777 | (46,672) |
| • actuarial (gains) & losses arising on changes in demographic assumptions | (1,720) | 5,830 |
| • actuarial (gains) & losses arising on changes in financial assumptions | (151,905) | (26,930) |
| • other | (12,775) | 7,973 |
| • IFRIC 14 Asset Ceiling Adjustment | 219,273 | 65,047 |
| **Total post-employment benefits charged to the CIES** | **90,637** | **31,647** |
| **Movement in Reserves Statement** | | |
| Reversal of net charges made to the (Surplus) or Deficit on Provision of Services for post-employment benefits in accordance with the Code | **(29,987)** | **(26,399)** |
| Actual amount charged against the General Fund Balance for pensions in the year | | |
| • employers' contributions payable to scheme | **27,328** | **27,444** |
| • employers' contributions in relation to unfunded benefits paid | **5,501** | **5,358** |

The Council's actuarial advisors have estimated that the assets exceed the Council's estimated pension funded liabilities. The Council has therefore assessed that, given the legislative obligations and framework for the Council's ongoing participation in the LGPS, the Council has no unconditional right to a refund of the surplus assets of the scheme. Therefore an "asset ceiling" has been applied and reflected in "Other Comprehensive Income and Expenditure" within the CIES. Consequently, only the unfunded pension liability is recognised on the balance sheet

**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:

| | LGPS | |
|---|---|---|
| | 2024/25 £000 | 2025/26 £000 |
| Present value of the defined benefit obligation | 900,548 | 929,603 |
| Fair value of plan assets | (1,051,164) | (1,159,130) |
| IFRIC 14 Asset Ceiling Adjustment | 219,273 | 297,029 |
| **Net liability arising from defined benefit obligation** | **68,657** | **67,502** |
| Unfunded liabilities included within defined benefit obligation | 68,657 | 67,502 |
| **Net Pensions asset reflected in the Balance Sheet** | **0** | **0** |

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

| | LGPS | |
|---|---|---|
| | 2024/25 £000 | 2025/26 £000 |
| **Opening fair value of scheme assets** | **1,010,609** | **1,051,164** |
| Interest income | 48,472 | 60,977 |
| Remeasurement gain/(loss): | | |
| • the return on plan assets, excluding the amount included in the net interest expense | (7,777) | 46,672 |
| • other | 0 | 0 |
| Contributions from employers | 33,020 | 32,802 |
| Contributions from employees into the scheme | 7,817 | 8,238 |
| Benefits paid | (40,977) | (40,723) |
| **Fair Value of plan assets** | **1,051,164** | **1,159,130** |
| IFRIC 14 Asset Ceiling Adjustment | (219,273) | (297,029) |
| **Closing fair value of scheme assets** | **831,891** | **862,101** |

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

| | Funded Liabilities LGPS | |
|---|---|---|
| | 2024/25 £000 | 2025/26 £000 |
| **Opening balance at 1 April** | **1,021,649** | **900,548** |
| Current service cost | 28,628 | 22,715 |
| Interest cost | 48,919 | 51,952 |
| Contribution from scheme participants | 7,817 | 8,238 |
| Remeasurement (gains) & losses: | | |
| • actuarial (gains) & losses arising on changes in demographic assumptions | (1,720) | 5,830 |
| • actuarial (gains) & losses arising on changes in financial assumptions | (151,905) | (26,930) |
| • other experience | (12,775) | 7,973 |
| Past service cost | 912 | 0 |
| Effect of settlements | 0 | 0 |
| Benefits paid | (40,977) | (40,723) |
| **Closing balance at 31 March** | **900,548** | **929,603** |

**Local Government Pension Scheme assets comprised:**

| | Fair value of scheme assets | | | |
|---|---|---|---|---|
| | 2024/25 | | 2025/26 | |
| | Quoted £000 | TOTAL £000 | Quoted £000 | TOTAL £000 |
| Cash & cash equivalents | 4,763 | 4,763 | 0 | 0 |
| Real Estate: | | | | |
| • UK Property | 0 | 0 | 247,122 | 247,122 |
| Other investment funds | | | | |
| • equities | 578,407 | 578,407 | 630,289 | 630,289 |
| • bonds | 255,060 | 255,060 | 281,719 | 281,719 |
| • other | 212,934 | 212,934 | 0 | 0 |
| | **1,046,401** | **1,046,401** | **912,008** | **912,008** |
| **Total assets** | **1,051,164** | **1,051,164** | **1,159,130** | **1,159,130** |

All scheme assets have quoted prices in active markets.

**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 valuation of the scheme as at 31 March 2023. The principal assumptions used by the actuary have been:

| **Financial Assumptions** | LGPS | |
|---|---|---|
| | **2024/25** | **2025/26** |
| Long term expected rate of return on assets in the scheme | 5.8% | 6.2% |
| Mortality assumptions | | |
| • longevity at 65 for current pensioners | | |
| o men | 20.6 years | 20.9 years |
| o women | 23.1 years | 23.2 years |
| • longevity at 65 for future pensioners | | |
| o men | 21.1 years | 21.4 years |
| o women | 24.8 years | 25.0 years |
| Rate of increase in salaries | 3.5% | 3.7% |
| Rate of increase in pensions | 2.8% | 3.0% |
| Rate for discounting scheme liabilities | 5.8% | 6.2% |

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.

| **Changes in assumptions** | **Approx % increase to defined benefit obligation** | **Approx Monetary amount £000** |
|---|---|---|
| 0.1% increase in the Salary Increase Rate | 0% | 867 |
| 0.1% increase in the Pensions Increase Rate (CPI) | 1% | 13,322 |
| 0.1% decrease in the Real Discount Rate | 2% | 14,206 |
| 1 year increase in member life expectancy | 4% | 37,184 |

**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 is subject to a stability mechanism whereby annual increases or decreases in employer contributions are limited to +0.5%/-1% per annum. The last triennial valuation was undertaken as at 31 March

2023 and indicated that the Pension Fund was in surplus (122% funded). This has allowed the Council contribution rate to reduce by 1% per annum for the period 2023/24 to 2025/26. As at 31 March 2026 the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. As noted above, the Council has applied an "asset ceiling" accounting treatment and therefore an unfunded pension liability is recognised. The next triennial valuation is currently being progressed with an effective date of 31 March 2026.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2027 is £25.538 million.

**27. Pension Schemes Accounted for as Defined Contribution Schemes**
(a) The Dumfries and Galloway Council participates in the Scottish Teachers' Superannuation 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 valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 22.4% to 26.0% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 April 2024 have been paid within a range of 7.35% to 12.14% and have been anticipated to deliver a yield of 9.6%.

(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 April 2025 is 26% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.
(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and the introduction of statutory measures to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. In parallel the Government Actuary was asked to review whether, and to what extent, the employer cost cap mechanism continues to meet its original policy objectives. The findings of that review were taken into account in the completion of the 2020 actuarial valuations, which were substantially delayed as a result of the McCloud remedy and wider economic changes. Employer contribution rates were implemented from 1 April 2024 following the completion of the 2020 valuations and will remain in force pending the outcome of the current 2024 valuation cycle, which is now underway.

(v) Dumfries and Galloway Council's level of participation in the scheme is 2.20% based on the proportion of employer contributions paid in 2024-25.

The amounts paid to the Scottish Public Pensions Agency in 2025/26 amounted to £7.66 Million (£7.37 Million in 2024/25) being deducted from employees and £20.44 Million (£19.77 Million in 2024/25) 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 2025/26 amounted to £2.53 Million (£2.55 Million in 2024/25).

## 28. 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), two 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.

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## 29. 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 13 Adjustments Between Accounting Basis and Funding Basis Under Regulations, and Note 14 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 31/3/25 £000 | Balance as at 31/3/26 £000 |
|---|---|---|
| Capital Fund | (27,932) | (21,228) |
| Repairs & Renewals Fund | (480) | (1,240) |
| Insurance Fund | (3,393) | (3,530) |
| General Fund | (60,656) | (54,066) |
| Capital Grants & Receipts Unapplied | (548) | (260) |
| | **(93,009)** | **(80,324)** |

### Capital Fund

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **(38,853)** | **(27,932)** |
| Transfers to/(from) General Fund | (3,426) | (4,039) |
| Amounts applied to fund new capital investment | 14,853 | 11,095 |
| Interest on balances | (506) | (352) |
| **Balance at 31 March** | **(27,932)** | **(21,228)** |

### Repairs & Renewals Fund

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

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **(1,677)** | **(480)** |
| Transfer to/(from) General Fund | 1,279 | (741) |
| Interest on balances | (82) | (19) |
| **Balance at 31 March** | **(480)** | **(1,240)** |

### 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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **(3,249)** | **(3,393)** |
| Transfer to/(from) General Fund | 0 | 0 |
| Interest on balances | (144) | (137) |
| **Balance at 31 March** | **(3,393)** | **(3,530)** |

**Capital Receipts / 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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **0** | **(548)** |
| Amounts received in year not applied to Capital Expenditure | (548) | (31) |
| Amounts Transferred to fund new Capital Expenditure | 0 | 319 |
| **Balance at 31 March** | **(548)** | **(260)** |

**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.

As reflected within the table below, a review of reserves was carried out to identify resources for release to support addressing the required additional payment to the IJB. A total of £5.285 Million was identified for release, with the residual resources available (following the application of funding to support the payment to the IJB) reallocated to the Council's Budget Pressures Resilience Fund, Corporate Change Fund and General Fund balances, to support the Council's overall financial resilience.

| | Balance at 31 March 2025 £000 | Transfers In £000 | Release of Reserves £000 | Transfers Out £000 | Reallocation of Resources £000 | Balance at 31 March 2026 £000 |
|---|---|---|---|---|---|---|
| Service Concessions Reserve | (9,890) | | | 1,842 | | (8,048) |
| Schools PPP | (320) | (260) | | | | (580) |
| Waste Insurance & Remedials Reserve | (245) | (1,144) | | | | (1,389) |
| Extended Producer Responsibility (EPR) funding | | (573) | | | | (573) |
| Affordable Social Housing (2nd Homes Discount) | (3,386) | (1,432) | | 1,301 | | (3,517) |
| Planning & Development Reserve | (1,362) | | | 21 | | (1,341) |
| Digital Transformation Reserve | (347) | (190) | | 56 | | (481) |
| Devolved School Management Reserve | (849) | (81) | | | | (930) |
| Severe Weather Emergency Fund | (500) | | | | | (500) |
| Social Work Support Fund | (1,000) | | 1,000 | | | 0 |
| AEF Funding | (1,694) | (824) | | 427 | | (2,091) |
| Policy Development Funding | (1,028) | (155) | | 96 | | (1,087) |
| Anti-Poverty/ Cost of Living | (767) | | | 114 | | (653) |
| Economic Recovery | (276) | | | 173 | | (103) |
| Young Persons Employability | (1,712) | | | 30 | | (1,682) |
| Employment Issues | (237) | | | | | (237) |
| Budget Pressures/ Resilience Funding | (5,301) | | | 773 | (998) | (5,526) |
| Corporate Change Fund | (5,996) | | | 2,596 | (600) | (4,000) |
| Medium Term Financial Planning | (4,738) | | 2,439 | 1,597 | | (702) |
| Schools Digital Strategy/ Desktop Technology | (276) | (320) | | 147 | | (449) |
| ASL Assistants/ ASN Training/ Education Support Officers | (3,733) | | | 510 | | (3,223) |
| Unspent Grants | (5,113) | (1,255) | 1,744 | 993 | | (3,631) |
| Review of Reserves | 0 | 3,022 | (5,285) | | 2,263 | 0 |
| Earmarked/ Committed Amounts | (2,236) | (1,374) | 102 | 500 | | (3,008) |
| Unallocated Balance | (9,650) | | | | (665) | (10,315) |
| **Total Allocated / Committed Funds** | **(60,656)** | **(4,586)** | **0** | **11,176** | **0** | **(54,066)** |

## 30. 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 13 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 31/3/25 £000** | **Balance as at 31/3/26 £000** |
|---|---|---|
| Capital Adjustment Account | (194,833) | (255,080) |
| Revaluation Reserve | (330,741) | (319,518) |
| Financial Instruments Adjustment Account | 89 | 85 |
| Pensions Reserve | 68,657 | 67,502 |
| Employee Statutory Adjustment Account – Employee Benefits | 4,551 | 3,884 |
| **Total Unusable Reserves** | **(452,277)** | **(503,127)** |

### 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.

| | **2024/25 £000** | **2025/26 £000** |
|---|---|---|
| **Balance at 1 April** | **(172,783)** | **(194,833)** |
| Depreciation & impairment of non-current assets | 28,728 | 41,214 |
| Amortisation of intangible assets | 96 | 307 |
| Value of assets sold, disposed or decommissioned | 288 | 43 |
| Capital receipts applied to finance new capital expenditure | (15,071) | (11,782) |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement | (15,273) | (72,168) |
| Capital grants applied to support principal repayment | 0 | 0 |
| Loans Fund principal repayments | (13,670) | (12,643) |
| Statutory repayment of debt (PFI/PPP) | (3,313) | (3,793) |
| Capital expenditure financed from current revenue | (3,354) | (1,478) |
| Capital receipts received during the year | 218 | 368 |
| Gain on recognition of Right of Use Assets/Liabilities | (697) | (315) |
| Other adjustments | (2) | |
| **Balance at 31 March** | **(194,833)** | **(255,080)** |

### 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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **(285,050)** | **(330,741)** |
| Opening Balance Adj – removal of financing costs from asset valuations | (4,456) | (6,420) |
| Upward revaluations of assets | (59,241) | (23,586) |
| Downward revaluation of assets & impairments not charged to the (Surplus)/ Deficit on the Provision of Services | 4,834 | 30,169 |
| Difference between fair value depreciation and historical cost depreciation | 12,698 | 10,735 |
| Accumulated gains on assets disposed of | 474 | 325 |
| **Balance at 31 March** | **(330,741)** | **(319,518)** |

**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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **132** | **89** |
| 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 | (43) | (4) |
| **Balance at 31 March** | **89** | **85** |

**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. As at 31 March 2026 the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. The Council has assessed that, given the legislative obligations and framework for the LGPS an asset ceiling limit should be applied for funded pensions. The net liability remaining reflects the Council's unfunded pension liability.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **11,040** | **68,657** |
| Remeasurement of net defined liability/ (asset) | (158,814) | (60,012) |
| Movement of Asset Ceiling Cap | 219,273 | 65,047 |
| 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 | 29,987 | 26,399 |
| Employer's pension contributions payable in year | (32,829) | (32,589) |
| **Balance at 31 March** | **68,657** | **67,502** |

**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.

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| **Balance at 1 April** | **1,811** | **4,551** |
| 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 | 2,740 | (667) |
| **Balance at 31 March** | **4,551** | **3,884** |

**31. Leases**

Council as Lessee

As a lessee, under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Council applied recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term

***Leases classified as operating leases under IAS 17***

In 2024/25 at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Council's incremental borrowing rate as at 1 April 2024. Right of use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Council's incremental borrowing rate at the date of initial application or;
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments;
- For right-of-use assets for peppercorn or nominal lease payments a right-of use asset shall be recognised at fair value on 1 April 2024, with any gain, being the difference between that fair value and the lease liability, recognised as a donated asset as an adjustment to opening balances.

The Council used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date.
- A single discount has been applied to portfolios of leases with reasonably similar characteristics.
- The weighted average of the incremental borrowing rates used to discount liabilities was 5.23%.
- Right-of use assets are measured at the amount of the lease liability.
- All leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review.

**Authority as Lessee**

**Right of Use Assets**

The table below shows the change in the value of right-of-use assets held under leases by the authority:

| | **Land and buildings £000s** | **Vehicles, plant and equipment £000s** | **Total £000s** |
|---|---|---|---|
| **Balance at 1 April 2025** | **4,883** | **1,872** | **6,755** |
| Additions | 363 | 0 | 363 |
| Revaluations | 183 | 1,021 | 1,204 |
| Depreciation and Amortisation | (1,500) | (1,103) | (2,603) |
| Disposals | (11) | 0 | (11) |
| **Balance as at 31 March 2026** | **3,918** | **1,790** | **5,708** |

The balance above includes £391K (£697K 2024/25) of assets in relation to peppercorn leases (where the Council has right of use but does not pay any lease liability). £320K was charged in 2025/26 (£322K 2024/25) to the Comprehensive Income and Expenditure Account in relation to interest expenses.

The lease liabilities in relation to the above assets can be summarized as follows:

| | 31 March 2026 £000s | 31 March 2025 £000s |
|---|---|---|
| Less than one year | 2,067 | 2,313 |
| One to five years | 2,356 | 2,792 |
| More than five years | 676 | 1,208 |
| **Total Lease Liabilities** | **5,099** | **6,313** |

The Council applied recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. As at 31 March 2026 the Council has 46 (63 2024/25) leases classed as low value exempt and 4 (30 2024/25) short term leases. £25k and £63k (£20k & £165K 2024/25) was charged to the Comprehensive Income and Expenditure Account in relation to these leases, respectively.

Council as Lessor

Under IFRS 16, Councils acting as an intermediate lessor are required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset.

Where an authority is party to a lease for nil consideration, in which it is acting as lessor and the lease is classified as finance lease, the Code requires it will derecognise the asset being provided to the third party and recognise any unguaranteed residual value in accordance with the requirements of IFRS 16.

The Authority was not party to any sublease arrangements as lessor during 2024/25 or 2025/26.

The Authority did not have any Sale and Leaseback transactions during 2024/25 or 2025/26.

*Finance leases*

The Council currently has a finance lease receivable in relation to the Crichton Estate which has been leased to the Crichton Trust until 2170 at a cost of £10 per annum. Whilst the assets do not transfer to the trust at the end of the lease term as under a typical finance lease, given that the lease is deemed to be for the entire useful economic life of the asset, it is treated as such. The income due from this lease is £1.2K (£1K in 2024/25).

*Operating Leases*

The Council leases properties to charities and community groups under Community Asset Transfer to provide a long-term operating lease at a peppercorn rent of £1-£1K per annum. The leases are granted to support community objectives aligned with the Council's strategic priorities. The asset remains recognised in the Council's balance sheet under Property, Plant and Equipment. No material lease income is expected, and no debtor is recognised

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 £1.182 Million (£0.948 Million 2024/25) 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.

| | At 31 March 2025 £000 | At 31 March 2026 £000 |
|---|---|---|
| Not later than one year | (1,049) | (1,360) |
| Later than one year and not later than five years | (105) | (105) |
| Later than five years | (217) | (217) |
| | (1,371) | (1,682) |

## 32. 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:

| | Long Term | | Current | | Total | |
|---|---|---|---|---|---|---|
| | 31 March 2025 £000 | 31 March 2026 £000 | 31 March 2025 £000 | 31 March 2026 £000 | 31 March 2025 £000 | 31 March 2026 £000 |
| Financial assets at Amortised Cost | | | | | | |
| Investments | 844 | 870 | 0 | 0 | 844 | **870** |
| Debtors | 7,979 | 7,432 | 18,695 | 18,927 | 26,674 | **26,359** |
| Cash & cash equivalents | 0 | 0 | 5,733 | 20,464 | 5,733 | **20,464** |
| **Total Financial Assets** | **8,823** | **8,302** | **24,428** | **39,391** | **33,251** | **47,693** |
| Financial Liabilities at Amortised Cost | | | | | | |
| Borrowing | (203,071) | (218,243) | (19,206) | (18,433) | (222,277) | **(236,676)** |
| PPP/Lease Liabilities | (103,589) | (100,972) | (6,837) | (6,616) | (110,426) | **(107,588)** |
| Creditors | 0 | 0 | (46,649) | (49,811) | (46,649) | **(49,811)** |
| **Total Financial Liabilities** | **(306,660)** | **(319,215)** | **(72,692)** | **(74,860)** | **(379,352)** | **(394,075)** |

### Reclassifications Between Categories

The Council did not reclassify any financial assets or liabilities between categories during the year, or during 2024/25.

### Income, Expense, Gains and Losses

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

| | Financial Assets Loans and receivables | | Financial Liabilities Liabilities measured at amortised cost | | Total | |
|---|---|---|---|---|---|---|
| | 2024/25 £000 | 2025/26 £000 | 2024/25 £000 | 2025/26 £000 | 2024/25 £000 | 2025/26 £000 |
| Interest expense | 0 | 0 | 18,277 | 19,002 | 18,277 | 19,002 |
| **Total expense in (Surplus) or Deficit on the Provision of Services** | **0** | **0** | **18,277** | **19,002** | **18,277** | **19,002** |
| Interest income | (3,913) | (2,637) | 0 | 0 | (3,913) | (2,637) |
| **Total income in (Surplus) or Deficit on the Provision of Services** | **(3,913)** | **(2,637)** | **0** | **0** | **(3,913)** | **(2,637)** |
| **Net (gain)/ loss for year** | **(3,913)** | **(2,637)** | **18,277** | **19,002** | **14,364** | **16,365** |

### 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 2026 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 2025 | | 31 March 2026 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair Value at Level 2 £000 | Carrying amount £000 | Fair Value at Level 2 £000 |
| Financial assets | | | | |
| Investments | 844 | 844 | 870 | 870 |
| Debtors | 26,674 | 26,674 | 26,359 | 26,359 |
| Cash & cash equivalents | 5,733 | 5,733 | 20,464 | 20,464 |
| **Total Financial Assets** | **33,251** | **33,251** | **47,693** | **47,693** |

| | 31 March 2025 | | 31 March 2026 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair Value at Level 2 £000 | Carrying amount £000 | Fair Value at Level 2 £000 |
| Financial liabilities | | | | |
| Borrowing | (222,277) | (193,720) | (236,676) | (202,031) |
| PPP/Lease Liabilities | (110,426) | (110,426) | (107,588) | (107,588) |
| Creditors | (46,649) | (46,649) | (49,811) | (49,811) |
| **Total Financial Liabilities** | **(379,352)** | **(350,795)** | **(394,075)** | **(359,430)** |

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.

## 33. 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.

| | Amount at 31 March 2026 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2026 | Estimated maximum exposure to default & uncollectability at 31 March 2026 | Estimated maximum exposure to default & uncollectability at 31 March 2025 |
|---|---|---|---|---|---|
| | £000 | % | % | £000 | £000 |
| Deposits with banks & financial institutions | 5,518 | 0 | 0 | 0 | 0 |
| Customers | 6,697 | 10 | 10 | 670 | 844 |

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.

**Trade Receivables**
At 31 March 2026 the potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £6.967 Million with a bad debt provision of £2.739 Million. This amount does not include debtors related to Council tax, non-domestic rates as these are not considered to be finance assets. Analysis of the Gross Debtor amount by age is as follows:

| Age | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Less than 3 months | 4,224 | 2,038 |
| 3 – 6 months | 1,181 | 408 |
| 6 months – 1 year | 940 | 1,565 |
| More than 1 year | 2,090 | 2,956 |
| **Total** | **8,435** | **6,967** |

**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 no more than 20% 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:

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Less than one year | 19,206 | 18,439 |
| Between one and two years | 10,005 | 20,077 |
| Between two and five years | 42,804 | 47,778 |
| More than five years | 150,262 | 150,382 |
| | **222,277** | **236,676** |

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 2026, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Increase in interest payable on variable rate borrowings | 63 | 13 |
| Increase in interest receivable on variable rate investments | (157) | (55) |
| **Impact on (Surplus) or Deficit on Provision of Services** | **(94)** | **(42)** |
| 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) | **17,277** | **16,102** |
| 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) | **21,286** | **19,624** |

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.

## 34. Cash Flow Operating Activities

The cash flows from operating activities include the following items:

| | 2024/25 £000 | 2025/26 £000 |
|---|---|---|
| Interest received | (3,913) | (2,637) |
| Interest paid | 10,660 | 11,430 |
| Right Of Use Asset Interest Payments | 324 | 320 |
| Interest element of PFI/ PPP payments | 7,292 | 7,253 |
| **Net cash flow from interest** | **14,363** | **16,366** |

**35. 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.

**Scottish Government**
Scottish 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 12 (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 2025/26, 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 £3,466k (£2,839k in 2024/25). People Smart Solutions provided training courses to the value of £7k (£12K in 2024/25).

**Other Public Bodies**
From 1 April 2016, the Council along with NHS Dumfries & Galloway established a Health and Social Care Integration Joint Board (IJB), 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 2025/26 the Council contributed £116,517k to the IJB (£99,270k in 2024/25) and received £116,517k (£104,640k in 2024/25) from the IJB to support the provision of services. There was no creditor in 25/26 (or 2024/25) relating to income due to the IJB. The Health and Social Care Integration Joint Board is also included in the Group Accounts.

Dumfries & Galloway Council is also responsible for providing funding to support the day-to-day operation of the SWestrans Transport Partnership under the Transport (Scotland) Act 2005. In 2025/26, the Council provided £100k (£100k in 2024/25) as match funding to a Scottish Government grant for core running costs, £401k (£404k in 2024/25) for the use of the public bus service to transport pupils to school with a further £3,989k (£3,777k in 2024/25) requisitioned by the Transport Partnership to cover general operating costs in 2025/26. The Council received funding of £743k from Swestrans to support the provision of DGC buses as an operator of last resort following the re-procurement of local bus services during the year, and the withdrawal of Stagecoach from the region. SWestrans does not employ its own staff and during 2025/26 Dumfries & Galloway Council charged SWestrans £376k (£268k in 2024/25) in respect of staff support, supplies and other support services. At the year-end £49k (£4k in 2024/25) was outstanding for payments to Dumfries and Galloway Council and £191k (£188k in 2024/25) in relation to sums held in the Dumfries and Galloway Council Loans Fund.

**Pension Fund**
The Council is the administering authority for The Local Government Pension Scheme (LGPS) for administrative and manual employees. More information on LGPS can be found in Note 26. The amounts paid to the LGPS in 2025/26 amounted to £8,238k (£7,817k in 2024/25) being deducted from employees and £32,802k (£33,020k in 2024/25) funded from the Council as the employer. The Council charged the Pension Fund a total of £152k (£391k in 2024/25) for expenses incurred in administering the Fund.

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**36. Contingent Liabilities**
The Council had no contingent liabilities at year end.

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**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.

| 2024/25 £000 | | 2025/26 £000 |
|---|---|---|
| 101,767 | Gross Council Tax Charge | 111,237 |
| | **Less Deductions** | |
| (568) | Exemptions | (420) |
| (165) | Disabled relief | (181) |
| (9,258) | Discounts | (10,214) |
| 0 | Council Tax Benefits (net of government grant) | 3 |
| (1,449) | Provision for doubtful debts | (1,471) |
| (156) | Previous year adjustments | (599) |
| **90,171** | | **98,355** |
| (10,807) | Council Tax Reduction Scheme | (11,954) |
| **79,364** | **Net Council Tax Income per the Comprehensive Income & Expenditure Statement** | **86,401** |

## 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 regarded residents in the property. Discounts of 50% are available for some unoccupied properties (job-related homes & purpose-built holiday homes). There is also a time limited discount of 10% available for certain unoccupied properties. In addition, certain long-term empty properties and all second homes are 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 along with time limited exemptions for some newly unoccupied properties.

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 2025/26 were as follows:

| 2024/25 Total | | A* | A | B | C | 2025/26 Bands D | E | F | G | H | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **76,535** | Properties | 0 | 11,097 | 22,698 | 12,642 | 10,592 | 11,066 | 5,732 | 2,712 | 156 | **76,695** |
| **(2,552)** | Exemptions | 0 | (688) | (707) | (373) | (217) | (244) | (93) | (42) | (4) | **(2,368)** |
| **(615)** | Disabled Reliefs (to lower band) | 0 | (37) | (134) | (83) | (95) | (141) | (80) | (42) | 0 | **(612)** |
| **615** | Disabled Reliefs (from higher band) | 37 | 134 | 83 | 95 | 141 | 80 | 42 | 0 | 0 | **612** |
| **(7,392)** | Discounts (25%) (equivalent properties) | (5) | (1,813) | (2,509) | (1,217) | (814) | (720) | (311) | (125) | (5) | **(7,519)** |
| **(1,517)** | Discounts (50%) (equivalent properties) | 0 | (253) | (386) | (294) | (222) | (185) | (84) | (60) | (8) | **(1,492)** |
| **65,074** | **Total Equivalent** | **32** | **8,440** | **19,045** | **10,770** | **9,385** | **9,856** | **5,206** | **2,443** | **139** | **65,316** |
| | **Ratio** | 200/360 | 240/360 | 280/360 | 320/360 | 360/360 | 473/360 | 585/360 | 705/360 | 882/360 | |
| **65,639** | **Band D Equivalents** | **18** | **5,627** | **14,812** | **9,573** | **9,385** | **12,949** | **8,460** | **4,784** | **340** | **65,948** |
| (1,819) | Bad Debt Provision | | | | | | | | | | (1,978) |
| **63,820** | | | | | | | | | | | **63,970** |

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

For 2025/26, the Scottish Government's Local Government Settlement gave Councils the flexibility to increase Council tax levels based on local circumstances. In accordance with this flexibility, Dumfries and Galloway Council approved a 9% increase on 2024/25 levels, increasing the Band D charge per household up to £1,454.98.

From 1 April 2024, the Scottish Government agreed legislation which provided additional flexibility to local authorities in relation to premiums on second homes, permitting enhancements of up to 100% that effectively double the level of council tax that can be charged on these properties. The Council agreed the application of this flexibility in 2024/25, with the budgeted Council Tax reflective of this increased income.

The total sum budgeted to be raised from Council Tax in 2025/26 was £84.6 Million. This was based on applying the 2025/26 Band D charge of £1,454.98 to the budgeted tax base, adding on additional income anticipated to be received from premiums on second home and long term empty properties, and then deducting the estimated level of Council Tax Reduction that would be applied to those individuals in receipt of this benefit.

The charges for 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 (£969.99) and the Band H charge equivalent to 882/360 of the Band D charge (£3,564.70).

| Valuation Band | Charge per Dwelling 2024/25 £ | 2025/26 £ |
|---|---|---|
| A up to £27,000 | 889.90 | 969.99 |
| B £27,000 to £35,000 | 1,038.22 | 1,131.65 |
| C £35,000 to £45,000 | 1,186.53 | 1,293.32 |
| D £45,000 to £58,000 | 1,334.85 | 1,454.98 |
| E £58,000 to £80,000 | 1,753.84 | 1,911.68 |
| F £80,000 to £106,000 | 2,169.13 | 2,364.34 |
| G £106,000 to £212,000 | 2,614.08 | 2,849.34 |
| H over £212,000 | 3,270.38 | 3,564.70 |

**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.

| 2024/25 £000 | | | 2025/26 £000 |
|---|---|---|---|
| 83,318 | Gross rates levied and contributions in lieu | | 79,625 |
| | **Reliefs and other deductions** | | |
| (225) | Vacant properties | (358) | |
| (14,736) | Mandatory relief | (15,149) | |
| (1,276) | Discretionary relief | (924) | |
| (1,657) | Disabled relief | (1,617) | |
| 0 | Interest on Appeals | (198) | |
| (17,894) | **Total Reliefs and other deductions** | | **(18,246)** |
| (455) | Write-offs of uncollectable debts and allowance for impairment | | (467) |
| **64,969** | **TOTAL Non-Domestic Rates Income (before Authority retentions)** | | **60,912** |
| 0 | Non-Domestic Rates income retained by the Authority (BRIS) | | 0 |
| (1,592) | Contribution from/ (to) National Non-Domestic Rate Pool | | 3,453 |
| **63,377** | **Net Non-Domestic Rates Income to Comprehensive Income & Expenditure Statement** | | **64,365** |

**Notes**

**1. Analysis of Rateable Subjects and Values as at 1 April 2025**

| As at 1 April 2025 Subjects | Values £000 | | As at 1 April 2026 Subjects | Values £000 |
|---|---|---|---|---|
| 7,083 | 72,082 | Commercial | 7,071 | 71,929 |
| 154 | 20,735 | Industrial | 154 | 20,542 |
| 57 | 24,346 | Public Utilities | 57 | 24,330 |
| 3,097 | 41,243 | Miscellaneous | 3,131 | 41,163 |
| **10,391** | **158,406** | | **10,413** | **157,964** |

**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 2025/26 the Scottish Government announced the poundage rate for properties with a rateable value below £51,000 would be frozen at 49.8 pence in the pound. Businesses with a Rateable Value between £51,001 and £100,000 pay an additional supplement of 5.6 pence in the pound and businesses with a Rateable Value over £100,001 pay an additional supplement of 7 pence in the pound.

**3. Empty Property Relief**

From 1 April 2023, the Scottish Government devolved responsibility for empty property relief to Local Authorities meaning reliefs are no longer legislative. Local Authorities are now responsible for creating their own relief policies suitable to their individual communities' requirements. The Council agreed from 1 April 2024 that all empty properties would receive 50% relief for 3 months, followed by 10% relief for a further 9 months. If the property remained empty after 12 months, no relief would be given. The associated impact of this relief is reflected within the discretionary relief section of the non-domestic rates account.

**Note 37. 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**

| 2024/25 Total £000 | | 2025/26 Educational £000 | 2025/26 Charitable £000 | 2025/26 Total £000 |
|---|---|---|---|---|
| | **Incoming Resources** | | | |
| | Income from generated funds: | | | |
| (7) | - other income | (1) | 0 | **(1)** |
| (41) | - investment income | (69) | 0 | **(69)** |
| (48) | **Total incoming resources** | **(70)** | **0** | **(70)** |
| | **Resources Expended** | | | |
| 109 | Charitable activities | 9 | 0 | **9** |
| 18 | Other resources expended | 2 | 15 | **17** |
| 127 | **Total resources expended** | **11** | **15** | **26** |
| 79 | **Net (incoming)/ outgoing resources** | **(59)** | **15** | **(44)** |
| | **Other Recognised Gains** | | | |
| 0 | Revaluation of fixed assets | 0 | 0 | **0** |
| 2 | (Gains)/ losses on investment assets | (18) | 0 | **(18)** |
| 81 | **Net movement in funds** | | | |
| | **Reconciliation of Funds** | | | |
| (1,740) | Total funds brought forward | (679 | (980) | **(1,659)** |
| (1,659) | **Total funds carried forward** | **(756)** | **(965)** | **(1,721)** |

**Trust Funds Balance Sheet**

| 2024/25 Total £000 | | 2025/26 Educational £000 | 2025/26 Charitable £000 | 2025/26 Total £000 |
|---|---|---|---|---|
| 840 | Non-current Assets | 0 | 825 | **825** |
| 687 | Investments | 705 | 0 | **705** |
| | Current Assets | | | |
| 132 | Temporary Deposits with Loans Fund | 51 | 140 | **191** |
| 0 | Current Liabilities | 0 | 0 | **0** |
| 1,659 | **Net Assets** | **756** | **965** | **1,721** |
| | **Financed by:** | | | |
| 45 | Available for Sale Financial Instruments Reserve | 65 | (2) | **63** |
| 398 | Revaluation Reserve | 0 | 389 | **389** |
| 1,295 | Balance in Funds at 1 April | 632 | 593 | **1,225** |
| 0 | Transfers to / (From) Reserves | 0 | 0 | **0** |
| (79) | Surplus/ (Deficit) for year | 59 | (15) | 44 |
| 1,659 | **Balance on Trust Funds at 31 March** | **756** | **965** | **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 on scholarship however no scholarships were awarded in 2025/26 and instead ten students visited the university for the . The Trust meets the college fees and everyday expenses of two students. Syracuse University has said that the scholarship will restart in autumn 2026 and run until at least 2028.

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 2026.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £825k. The property is valued at depreciated replacement cost.

**Note 38. 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, Dalbeattie, 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 Council currently funds the cost of any capital works required on Common Good assets through the provision of a grant. The accounts include the property asset values for those Common Good assets which are leased to the Council and would normally be removed under IAS 19. 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 2025/26 for individual Funds is provided in Note 1.

**Common Good Comprehensive Income & Expenditure Statement**

| 2024/25 £000 | | 2025/26 £000 | £000 |
|---|---|---|---|
| 839 | Gross expenditure | 421 | |
| (65) | Gross income | (82) | |
| **774** | **Net Cost of Services** | | **339** |
| | Financing & Investment Income and Expenditure | | |
| (133) | - interest income | | (101) |
| | Taxation & Non-Specific Grant Income | | |
| (586) | - capital grants & contributions | | (429) |
| **55** | **(Surplus) or Deficit on the Provision of Services** | | **(191)** |
| 292 | (Surplus) or deficit on revaluation of non-current assets | (182) | |
| 24 | Other unrealised (gains)/ losses | (96) | |
| **316** | **Other Comprehensive Income & Expenditure** | | **(278)** |
| **371** | **Total Comprehensive Income & Expenditure** | | **(469)** |

**Common Good Balance Sheet**

| 31 March 2025 £000 | | 31 March 2026 £000 |
|---|---|---|
| 6,645 | Property, Plant & Equipment | 6,952 |
| 1,651 | Long term investments | 1,746 |
| **8,296** | **Long Term Assets** | **8,698** |
| 0 | Short Term Debtors | 0 |
| 1,450 | Cash & Cash Equivalents | 1,518 |
| **1,450** | **Current Assets** | **1,518** |
| (4) | Short Term Creditors | (4) |
| **(4)** | **Current Liabilities** | **(4)** |
| **9,742** | **Net Assets** | **10,212** |
| 1,651 | Revaluation Reserves | 1,747 |
| 8,091 | Common Good Fund Balance | 8,465 |
| **9,742** | **Total Reserves** | **10,212** |

**Notes**
**1. Common Good Funds 2025/26**

**Comprehensive Income & Expenditure Account for year ended 31 March 2026**

| | 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 | 46 | 30 | 8 | 115 | 0 | 15 | 86 | 3 | 8 | 96 | 13 | 1 | 421 |
| Gross Income | (9) | (9) | (2) | (4) | 0 | (6) | (11) | 0 | (2) | (36) | (3) | 0 | (82) |
| **Net Cost of Services** | **37** | **21** | **6** | **111** | **0** | **9** | **75** | **3** | **6** | **60** | **10** | **1** | **339** |
| - interest income | (26) | (11) | (2) | (12) | (1) | (2) | (20) | (1) | (2) | (13) | (9) | (2) | (101) |
| - capital grants & contributions | 0 | (26) | 0 | (397) | 0 | 0 | (2) | 0 | 0 | 0 | (4) | 0 | (429) |
| **(Surplus) or Deficit on the Provision of Services** | **11** | **(16)** | **4** | **(298)** | **(1)** | **7** | **53** | **2** | **4** | **46** | **(4)** | **(1)** | **(191)** |
| (Surplus) or Deficit on revaluation of non-current assets | (123) | 0 | 0 | (10) | 0 | 0 | (49) | 0 | 0 | 0 | 0 | 0 | (182) |
| Other unrealised (gains)/losses | (18) | 0 | 0 | 0 | 0 | 0 | (78) | 0 | 0 | 0 | 0 | 0 | (96) |
| **Other Comprehensive Income & Expenditure** | **(141)** | **0** | **0** | **(10)** | **0** | **0** | **(127)** | **0** | **0** | **0** | **0** | **0** | **(278)** |
| **Total Comprehensive Income & Expenditure** | **(130)** | **(16)** | **4** | **(308)** | **(1)** | **7** | **(74)** | **2** | **4** | **46** | **(4)** | **(1)** | **(469)** |

**Balance Sheet as at 31 March 2026**

| | 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** |
| **Long Term Assets** | | | | | | | | | | | | | |
| Other Land & Buildings | 852 | 261 | 209 | 1,175 | 0 | 150 | 1,988 | 84 | 209 | 1,860 | 164 | 0 | 6,952 |
| Long term investments | 919 | 0 | 0 | 1 | 1 | 0 | 816 | 0 | 0 | 0 | 9 | 0 | 1,746 |
| | **1,771** | **261** | **209** | **1,176** | **1** | **150** | **2,804** | **84** | **209** | **1,860** | **173** | **0** | **8,698** |
| **Current Assets** | | | | | | | | | | | | | |
| Short term debtors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash & cash equivalents | 30 | 276 | 49 | 296 | 41 | 28 | 78 | 24 | 55 | 358 | 227 | 56 | 1,518 |
| | **30** | **276** | **49** | **296** | **41** | **28** | **78** | **24** | **55** | **358** | **227** | **56** | **1,518** |
| **Current Liabilities** | | | | | | | | | | | | | |
| Short term creditors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4) | 0 | 0 | (4) |
| | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **(4)** | **0** | **0** | **(4)** |
| **Net Assets** | **1,801** | **537** | **258** | **1,472** | **42** | **178** | **2,882** | **108** | **264** | **2,214** | **400** | **56** | **10,212** |
| Revaluation Reserve | 464 | 67 | 202 | 71 | 0 | 0 | 258 | 43 | 82 | 560 | 0 | 0 | 1,747 |
| Common Good Fund Balance | 1,337 | 470 | 56 | 1,401 | 42 | 178 | 2,624 | 65 | 182 | 1,654 | 400 | 56 | 8,465 |
| | **1,801** | **537** | **258** | **1,472** | **42** | **178** | **2,882** | **108** | **264** | **2,214** | **400** | **56** | **10,212** |

**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 2026.

The accounting policies applied are those of Dumfries & Galloway Council with exception of the treatment of ‘Reserves’. The Reserves policy adopted for the Common Good Accounts follows LASAAC guidance. This approach requires assets should be depreciated and set against any surplus in the income and expenditure account. Therefore, statutory adjustments are not applied to the Common Good statements.

# Group Accounts

## Introduction to Group Accounts

The code of practice on Local Authority Accounting in the United Kingdom 2025/26 (the code) and relevant accounting standard
s 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 116 to 120 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 Integration 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**

| 2024/25 Gross Expenditure £000 | 2024/25 Income £000 | 2024/25 Net Expenditure £000 | | 2025/26 Gross Expenditure £000 | 2025/26 Income £000 | 2025/26 Net Expenditure £000 |
|---|---|---|---|---|---|---|
| 223,816 | (20,153) | 203,663 | Education Skills & Community Wellbeing | 235,232 | (19,988) | 215,244 |
| 52,669 | (16,056) | 36,613 | Social Work Services | 52,837 | (10,485) | 42,352 |
| 244,625 | (139,561) | 105,064 | Integration Joint Board (IJB) | 271,095 | (154,971) | 116,124 |
| 121,307 | (28,650) | 92,657 | Economy & Infrastructure | 124,422 | (37,157) | 87,265 |
| 73,617 | (35,416) | 38,201 | Enabling & Customer Services | 67,233 | (28,421) | 38,812 |
| 5,493 | (2,803) | 2,690 | Non-Distributable Costs | 6,070 | (3,557) | 2,513 |
| 5,561 | (1,280) | 4,281 | SWestrans | 4,743 | (1,487) | 3,256 |
| **727,088** | **(243,919)** | **483,169** | **Net Cost of Services** | **761,632** | **(256,066)** | **505,566** |
| | | 1,681 | Other Operating Expenditure | | | 1,622 |
| | | 14,810 | Financing and Investment Income & Expenditure | | | 20,049 |
| | | (484,485) | Taxation & Non-Specific Grant Income | | | (571,007) |
| | | **15,175** | **Deficit on the Provision of Services** | | | **(43,770)** |
| | | 2,325 | Share of Surplus on the Provision of Services by Joint Venture | | | (3,302) |
| | | **17,500** | **Group Deficit on the Provision of Services** | | | **(47,072)** |
| | | (58,669) | Surplus on revaluation of non-current assets | | | 508 |
| | | 60,459 | Remeasurement of net defined liability | | | 5,035 |
| | | 0 | Other unrealised (gains)/ losses | | | 0 |
| | | **1,790** | **Other Comprehensive Income & Expenditure** | | | **5,543** |
| | | **19,290** | **Total Comprehensive Income & Expenditure** | | | **(41,529)** |

**Group Movement in Reserves Statement**

| | Usable Reserves | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Fund £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Grants & Receipts Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves £000 | Authority Share of Subsid & JV Reserves £000 | Group Reserves £000 |
| **Balance at 31 March 2024** | **(73,620)** | **0** | **(38,853)** | **(1,677)** | **(3,249)** | **0** | **(117,399)** | **(444,850)** | **(562,249)** | **(4,393)** | **(566,642)** |
| **Movements in Reserves during 2024/25** | | | | | | | | | | | |
| (Surplus) or Deficit on provision of services | 10,894 | 0 | 0 | 0 | 0 | **0** | 10,894 | 0 | 10,894 | 6,606 | 17,500 |
| Other Comprehensive Income & Expenditure | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 1,788 | 1,788 | 0 | 1,788 |
| **Total Comprehensive Income & Expenditure** | **10,894** | **0** | **0** | **0** | **0** | **0** | **10,894** | **1,788** | **12,682** | **6,606** | **19,288** |
| Adjustments to usable reserves permitted by accounting standards | (12,698) | 0 | 0 | 0 | 0 | 0 | (12,698) | 12,698 | 0 | 0 | 0 |
| Adjustments between accounting basis & funding basis under regulations | 7,608 | 0 | 14,853 | 0 | 0 | (548) | 21,913 | (21,913) | 0 | 0 | 0 |
| Adjustments between group accounts and Council accounts | 4,281 | 0 | 0 | 0 | 0 | 0 | 4,281 | 0 | 4,281 | (4,281) | 0 |
| **Net (increase)/ decrease before transfers to /(from) other statutory reserves** | **10,085** | **0** | **14,853** | **0** | **0** | **(548)** | **24,390** | **(7,427)** | **16,963** | **2,325** | **19,288** |
| Transfers to/ (from) Other Statutory Reserves | 2,879 | 0 | (3,932) | 1,197 | (144) | 0 | 0 | 0 | 0 | 0 | 0 |
| **(Increase)/ decrease in year** | **12,964** | **0** | **10,921** | **1,197** | **(144)** | **(548)** | **24,390** | **(7,427)** | **16,693** | **2,325** | **19,288** |
| **Balance at 31 March 2025 carried forward** | **(60,656)** | **0** | **(27,932)** | **(480)** | **(3,393)** | **(548)** | **(93,009)** | **(452,277)** | **(545,286)** | **(2,068)** | **(547,354)** |
| **Opening Balance as at 1 April 2025** | | | | | | | | | | | |
| (Surplus) or Deficit on provision of services | (47,026) | 0 | 0 | 0 | 0 | **0** | (47,026) | 0 | (47,026) | (46) | (47,072) |
| Other Comprehensive Income & Expenditure | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 5,543 | 5,543 | 0 | 5,543 |
| **Total Comprehensive Income & Expenditure** | **(47,026)** | **0** | **0** | **0** | **0** | **0** | **(47,026)** | **5,543** | **(41,483)** | **(46)** | **(41,529)** |
| Adjustments to usable reserves permitted by accounting standards | (10,735) | 0 | 0 | 0 | 0 | 0 | (10,735) | 10,735 | 0 | 0 | 0 |
| Adjustments between accounting basis & funding basis under regulations | 55,746 | 0 | 11,095 | 0 | 0 | 288 | 67,129 | (67,128) | 1 | 0 | 1 |
| Adjustments between group accounts and Council accounts | 3,317 | 0 | 0 | 0 | 0 | 0 | 3,317 | 0 | 3,317 | (3,317) | 0 |
| **Net (increase)/ decrease before transfers to /(from) other statutory reserves** | **1,302** | **0** | **11,095** | **0** | **0** | **288** | **12,685** | **(50,850)** | **(38,165)** | **(3,363)** | **(41,528)** |
| Transfers to/ (from) Other Statutory Reserves | 5,288 | 0 | (4,391) | (760) | (137) | 0 | 0 | 0 | 0 | 0 | 0 |
| **(Increase)/ decrease in year** | **6,590** | **0** | **6,704** | **(760)** | **(137)** | **288** | **12,685** | **(50,850)** | **(38,165)** | **(3,363)** | **(41,528)** |
| **Balance at 31 March 2026 carried forward** | **(54,066)** | **0** | **(21,228)** | **(1,240)** | **(3,530)** | **(260)** | **(80,324)** | **(503,127)** | **(583,451)** | **(5,431)** | **(588,882)** |

**Group Balance Sheet**

| 31 March 2025 £000 | | 31 March 2026 £000 |
|---|---|---|
| 954,832 | Property, Plant & Equipment | 996,635 |
| 2,364 | Heritage Assets | 2,410 |
| 1,198 | Intangible Assets | 1,230 |
| 844 | Long Term Investments | 870 |
| 7,979 | Long Term Debtors | 7,432 |
| 2,069 | Investment in Joint Ventures and Associates | 5,370 |
| **969,286** | **Long Term Assets** | **1,013,947** |
| 721 | Assets Held For Sale | 734 |
| 928 | Inventories | 1,058 |
| 37,872 | Short Term Debtors | 38,070 |
| 5,733 | Cash & Cash Equivalents | 20,525 |
| **45,254** | **Current Assets** | **60,387** |
| (19,206) | Short Term Borrowing | (18,433) |
| (65,825) | Short Term Creditors | (73,686) |
| (6,837) | Short Term Liabilities | (6,616) |
| 0 | Short Term Provisions | 0 |
| **(91,868)** | **Current Liabilities** | **(98,735)** |
| (203,071) | Long Term Borrowing | (218,243) |
| (103,589) | Other Long Term Liabilities | (100,972) |
| (68,657) | Other Long Term Liabilities (Pensions) | (67,502) |
| **(375,317)** | **Long Term Liabilities** | **(386,717)** |
| **547,355** | **Net Assets** | **588,882** |
| 93,009 | Usable Reserves | 80,324 |
| 452,277 | Unusable Reserves | 503,127 |
| 2,069 | Group Usable Reserves | 5,431 |
| 0 | Group Unusable Reserves | 0 |
| **547,355** | **Total Reserves** | **588,882** |

**Paul Garrett**
**Chief Financial Officer**
**25 June 2026**

**Group Cash Flow Statement**

| 2024/25 £000 | | 2025/26 £000 | £000 |
|---|---|---|---|
| 17,501 | Net deficit on the provision of services | (47,072) | |
| (37,969) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | (50,659) | |
| 15,273 | Adjustments to net (surplus) or deficit on the provision of services that are investing or financing activities | 71,800 | |
| **(5,195)** | **Net cash flow from operating activities** | | **(25,931)** |
| | Investing activities | | |
| 83,834 | - purchase of property, plant & equipment, heritage assets & intangible assets | 93,452 | |
| 0 | - other payments for investing activities | 319 | |
| (218) | - proceeds from the sale of property, plant, equipment | (368) | |
| (15,585) | - Other receipts from investing activity | (71,977) | |
| **68,031** | | | **21,426** |
| | Financing activities | | |
| (76,514) | - cash receipts from short & long term borrowing | (30,212) | |
| 3,729 | - cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts | 4,091 | |
| 25,896 | - repayments of short & long term borrowing | 15,895 | |
| 0 | - other payments for financing activities | 0 | |
| **(46,889)** | | | **(10,226)** |
| **15,947** | **Net (increase) or decrease in cash and cash equivalents** | | **(14,731)** |
| 21,680 | Cash and cash equivalents at the beginning of the year | | 5,733 |
| **5,733** | **Cash and cash equivalents at the end of the reporting year** | | **20,464** |

**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 in 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:

| | | 2025/26 | | | 2024/25 | | |
|---|---|---|---|---|---|---|---|
| | % 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 |
| **Subsidiaries** | | | | | | | |
| Swestrans | 100% | (340) | (279) | 61 | 375 | (375) | 0 |
| **Joint Ventures** | | | | | | | |
| Integration Joint Board | 50% | 0 | 0 | 3,302 | 0 | 0 | 2,325 |