

Audited Annual Accounts **2024/25**



SHETLAND
ISLANDS COUNCIL

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Management Commentary

The purpose of the Management Commentary is to help readers understand our priorities and objectives, to provide an overview of our financial and non-financial performance during the year and to help readers understand our financial position as at 31 March 2025. It also sets out the main risks and uncertainties we are likely to face in the future.

Our Council Area

Councillors:



23 Elected Members:

- 21 Independent
- 1 Green Party
- 1 SNP

Population:

23,000

(mid-2023 population estimate NRS)



Ages 0-15: 18%

Ages 16-66: 63%

Ages 67+: 19%

Economy:

£855m



Gross Value Added

(ONS data for 2023)

Original 2024/25 Budget:



£168.8

net revenue

£26.7m

capital

Council Workforce:



3,533

(Count of employees – snapshot at 8th March 2025)



72%

female

28%

male



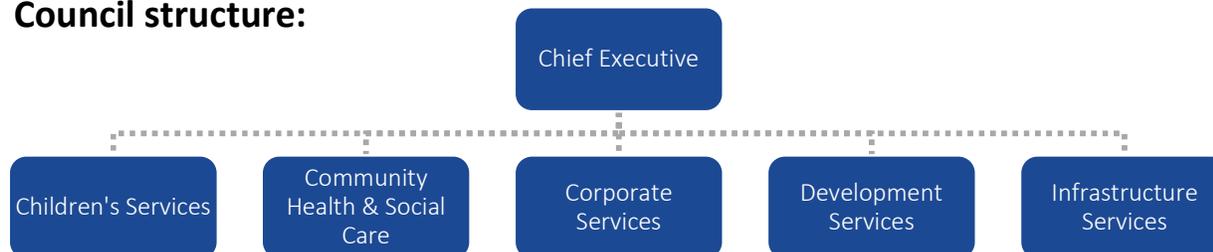
Infrastructure & Assets:



- 247 Council buildings
- 1,056 km road network
- 1,663 Council houses

Land area: **1,466 km²**
Coastline: **2,731 km**

Council structure:



Our Priorities

[Our Ambition](#) sets out our strategic political objectives and provides direction to help us focus on the things that can make the most difference in achieving long-term sustainability for Shetland. It sets out the priorities that we will work towards over a five-year period, up to 2026. Our Ambition is based on a vision of working together to create a positive, confident and sustainable future for Shetland, where the community's opportunities attract people of all ages to live, work, study and invest in Shetland. This includes an aim for more young people to remain in or relocate to Shetland to live, work, study and raise families, and to sustain current jobs and create new ones. The sustainability themes are:

- Community
- Environment
- Workforce
- Finance

Our Medium Term Financial Plan, our Asset Investment Plan and our Workforce Plan align with Our Ambition to ensure the longer term sustainability of Shetland Islands Council whilst delivering organizational and community priorities to improve outcomes.

The Council's Change Programme ensures the co-ordination and oversight of the projects supporting community and organisational sustainability which have been prioritised in Our Ambition.

Our Local Outcomes Improvement Plan is known as the [Shetland Partnership Plan](#), which identifies a vision and four priorities shared by all of our community planning partners, as we work towards reducing inequalities of outcomes in our community. The overarching focus of the Partnership's work is to improve the lives of everyone in Shetland, under four priority areas.

- Participation
- People
- Place
- Money

Our Change Programme

A [Change Programme Framework](#) was approved on 13 April 2021, which identified the key policies and strategic plans that collectively set out the context and drivers for the Change Programme, starting with Our Ambition 2021-2026. The Change Programme is designed to be a key enabler for the delivery of Our Ambition, through a continuous cycle of resourcing, delivering and reviewing. The Change Programme is managed by the Council's Directors, reporting to the Chief Executive as Change Programme Sponsor.

We acknowledge the scale of change that lies ahead, and we are mindful that we cannot deliver everything at the same time within the confines of limited resources, both from a financial and workforce perspective. Details of the work programmes and projects to achieve Our Ambition

are included in Directorate and Service Plans with progress reported to the Council's Committees quarterly.

A 'Programme Management Office' (PMO) has been established within the Corporate Services Department. The PMO oversees the Change Programme, supports standard methodologies, and facilitates best practices. It provides progress summaries to the Chief Executive and the Council's Corporate Management Team, which meets quarterly as the Change Programme Board.

This enables more regular reporting of progress against our stated objectives and priorities and creates clear linkages to the refreshed [Medium-Term Financial Plan \(MTFP\)](#), which sits alongside the Change Programme Policy Framework 2021.

The approved [Workforce Plan](#) outlines how we will develop our workforce to ensure they have the right skills, environment, and values to deliver Our Ambition. The Workforce Strategy complements the Change Programme Framework and Medium-Term Financial Plan.

Our Performance

Partnership performance

We regularly assess our progress in delivering the Shetland Partnership Plan and the latest [Annual Report](#) was published in September 2025, which documents what has been achieved in the past year and what activities we will focus on in the next year. The Annual Report also includes updated indicator information, which allows us to compare long-term outcome measures against the baseline indicators that were established in 2017.

Service Performance

We regularly report Directorate and Service performance to each of our functional committees: Education & Families, Development, Environment & Transport and Policy & Resources. Each committee receives a quarterly performance report, in which we summarise the performance of services during the previous quarter. Quarterly performance reports can be found on our [Council Committee Information](#) pages (COINS) and a recording of meetings is available to view on the [Council's website](#).

How do we compare against other Councils?

Each year, our performance is compared against all other Scottish Councils through the Local Government Benchmarking Framework (LGBF). The data helps us compare our own performance against a suite of efficiency, output and outcome indicators that cover all areas of local government activity. LGBF data can act as a catalyst for improving services, targeting resources towards areas that make the greatest impact and enhancing public accountability.

The latest LGBF data relates to 2023/24 and was published in January 2025. The following table contains information from the latest set of data on how the Council has performed. The national dataset can be found [here](#).

Directorate	Shetland			Scottish average 2023/24
	2022/23	2023/24	% change	
Children's Services				
Cost per secondary school pupil	£12,897	£13,865	7.51%	£8,957
Cost per primary school pupil	£10,646	£11,270	5.86%	£7,213
Cost per pre-school pupil	£14,968	£15,716	5.00%	£11,659
Teacher sickness absence (working days)	6.50	8.10	24.62%	7.63
Corporate Services				
Cost per home of Council Tax collection	£9.36	£16.76	79.06%	£5.89
Council Tax collection rate	97.6%	97.3%	-0.31%	95.49%
Employee Sickness absence (working days)	12.81	12.86	0.39%	13.89
Community Care Services				
Cost of residential care for older people (per person, per week)	£2,647	£2,661	0.53%	£723
Proportion of adult care services graded good or better	87%	89%	2.30%	77%
Cost of providing care to support older people to live at home (£ per hour)	£65.64	£84.77	29.14%	£33.61
What proportion of social care funding is all located using personalised managed budgets	7.8%	7.9%	1.28%	9.0%

Directorate	Shetland			Scottish average 2023/24
	2022/23	2023/24	% change	
	Development Services			
% of procurement spent on local small/medium enterprises	45.7%	48.9%	7.00%	30.7%
Number of weeks to deliver commercial planning application decision (on average)	10.9	10.6	-2.75%	10.7
Cost per planning application	£9,199	£13,423	45.92%	£6,679
Infrastructure Services				
Cost per premises on refuse collection	£112.00	£111.36	-0.57%	£78.72
Quantity of household waste recycled	21%	21%	0.00%	44%
Cost of providing environmental health (£ per 1,000 people)	£43,418	£43,565	0.34%	£15,538

- Shetland Islands Council continues to have the highest percentage of procurement spend with local enterprises. This reflects the Council's position of engaging with local businesses as far as is practical.

- The time taken to deliver planning application decision is improving. Promotion to applicants of availability of pre-application discussions, to help see that applications contain appropriate information at the outset, and new staff have helped reduce this time.

- The cost of a planning application is dependent on the size and nature of the development. The fees are set nationally and are a fraction of the costs incurred. A higher number of major planning applications was experienced during 2023/24.

- The cost per premises on refuse collection is affected by general price inflation, however the number of premises collected from has reduced.

- Since the introduction of the Kerbside recycling scheme, the percentage of household waste recycled has improved, although is below the Scottish average. The Council operates an Energy Recovery Plant for district heating whose waste source also includes recycled household waste.

- The Environmental Health function of Shetland Islands Council supports various activities not found within comparable Environmental Health services elsewhere in Scotland. These include the Animal Health Scheme, Scheme of Assistance Grants for disabled adaptations, antisocial behaviour services including community mediation and port health.

Highlights and Challenges

Fair Isle Ferry Project

The full business case for the Fair Isle Ferry project was approved by Councillors on 6 December 2024. The Government's Department of Transport has also approved this, and a grant of £26.8m has been awarded to the Council towards this project. The Council will fund the balance of £18.6m. The harbour infrastructure works contract was awarded to BAM Nuttall, with works underway at both Fair Isle and Grutness. The vessel build contract was awarded to Parkol Marine Engineering in June 2025. Completion of the works is expected by November 2026.

Knab site

A contract for core infrastructure works at the Knab site has been awarded to Tulloch Developments Ltd. The work includes bulk earthworks, the installation of new foul and surface water mains and new electrical distribution cabling. The works will provide serviced sites for the first phase of housing. This initial phase of construction work has started and will take approximately 16 months to complete.

The Brae Campus

Following approval of the Outline Business Case Robertson Construction have been appointed as the Tier One Contractor. As this is a Design and Build project the Contractor will now work with the Project Team to review and develop the design and cost proposals for the project. As part of this process the Contractor will undertake 'meet the buyer' events in June 2025 to identify potential Tier 2 contractors and suppliers to assist with the proposed construction of the new school campus. Following these events the Project Team and Contractor will progress with developing a Stage Report, which will include the agreement of the outline design, specification and Cost Plan for the Project. The Stage Report will support the preparation of the Full Business Case. The current proposal is for the Full Business Case to be presented to Shetland Islands Council within the second quarter of 2026.

New 3G synthetic turf pitch

On 11 December 2024 the Council approved a final budget of £690K for the new 3G Pitch project at Clickimin North in Lerwick to the match the external funding received of £770k. The project, which will provide a synthetic turf pitch suitable for football and rugby, commenced works on site in March 2025, with an estimated completion date towards the end of July 2025. This project will see the first full sized pitch in Scotland to be installed using an organic infill called PureGrain Corn, which is 100% biodegradable and made from the woody ring portion of corn cobs and is a by-product of seed corn.

Shetland Employee Recruitment Incentive

The Shetland Employee Recruitment Incentive (SERI) is a project aimed at supporting individuals with dependents by offering paid traineeships through the Shetland Islands Council's School Service's Catering & Cleaning team.

This initiative helps increase family income while providing parents/carers with skills and flexible work opportunities. The project is a collaboration between the Shetland Local Employability Partnership and the Shetland Islands Council, ensuring participants receive comprehensive support and guaranteed interviews upon completing their placements.

The project funding framework saw a fixed contribution not exceeding 50% of the staff salaries within pay bands and with an additional bonus payment made to the employer for fulfilling the fair work conditionality of the grant. Remaining match funding for the traineeships was sought by the employer.

Six individuals embarked on the initiative in October 2024, with 4 expected to gain substantive posts within the local authority on conclusion of the 6-month period. The pilot scheme will be evaluated in full in 2025/26 financial year and findings available in the summer.

Roads maintenance and Strategic Roads Network

The ongoing roads maintenance programme delivers incremental but meaningful improvements in road condition.

In June 2025, the Council approved the Full Business Case for a new Cullivoe Road. The existing single track road will be realigned and a new two lane 4.5km carriageway constructed. The new road will be 6.8m wide and will connect the B9082 junction with the A968 Ulsta to Gutcher road and its junction with the road to Cullivoe Pier. The works contract was awarded to CW Johnson Plant Ltd in June 2025, with works programmed to extend over a two-year period, beginning summer 2025.

Ports and Harbours

Negotiations regarding the long-term Clair oilfield export strategy continue to progress as do discussions with East of Shetland producers, where production continues to decline. Major new energy initiatives are progressing through evaluation and decision-making stages. The outcome of the discussions and negotiations remain pivotal to medium and long-term Ports and Harbour plans.

Shared Cost Added Voluntary Contribution (AVC) scheme

In June 2024, Shetland Islands Council implemented a Shared Cost Added Voluntary Contribution (AVC) scheme. This allows the Council to generate National Insurance (NI) savings. Staff enjoy tax and NI savings, providing an encouragement to save for their retirement.

In March 2025, the scheme had around £60k per month of contributions from around 130 participants. If this continues in 2025/26, with the increased NI levels, this will save the Council around £110k and employees, assuming 8% NI, savings of £58k. Offsetting Council savings is a charge based on 6% of the total salary sacrifice.

Climate Change

SIC Climate Change Programme

Shetland Islands Council acknowledged a Climate Emergency in January 2020. In response the Climate Change Programme was established, with the purpose to minimise the risks of climate change, and to make the transition to net zero as beneficial as possible to the Shetland community.

The approach of the Climate Change Programme is to:

- Be proactive in addressing Climate Change mitigation and adaptation in Shetland.
- Progress a range of immediate actions and priority areas.
- Act in partnership with other agencies, business and communities.

The objectives of the Climate Change Programme are:

- Development of the strategy, governance arrangements, target development and action planning required to adapt to, and mitigate, climate change in Shetland.
- Contribute to an effective Scotland, UK and international response.
- Inform the identification of issues and options.
- Assist in evidence-based planning and decision making so that environmental, economic and social needs are recognised, balanced and met.

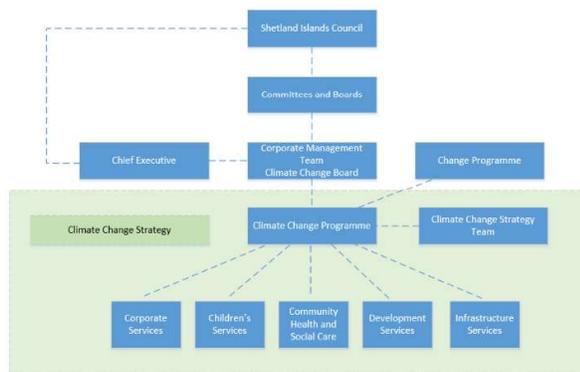
Shetland Islands Council's [Climate Change Strategy and Action Plan](#) was approved in December 2023. The strategy and action plan were co-developed across all Council service areas and built upon data gained in the SIC Net Zero Route Map development, and best practice from Scottish Government, Audit Scotland, Sustainable Scotland Network and Climate Emergency UK. All Climate Change Actions identify a lead with responsibility and have a timeline, with progress monitored, recorded on Pentana, the Council's risk management software, and reported quarterly to Environment and Transport Committee.

During the development of the Shetland Islands Council Climate Change Strategy extensive stakeholder engagement took place, both across internal services and key external stakeholders. This led to the identification of the following Climate Change Programme aims:

- We are an organisation and community that is resilient to our changing climate.
- We are a net zero organisation and community.
- Equality and fairness are at the heart of the transition to net zero.
- Opportunities to maximise the social, economic and environmental benefit to the community are optimised.

Following development of the SIC Climate Change Strategy, it was recognised that to effectively address climate change, an agreed framework for the management of climate change is required, within which governance, roles and responsibilities are clearly defined, policy, strategy, objectives and processes are set out and channels and timescales for reporting are agreed.

The following governance structure for the management of climate change was agreed to provide a framework for delivering, developing, maintaining and governing climate change management throughout the organisation.



SIC Climate Change Annual Report 2023/24

The 2023/24 SIC Annual Climate Change Report was published at the end of 2024 and is the first progress report following the development and approval of the Council's Net Zero Route Map, Climate Change Strategy and Action Plan. It details how the Council has progressed towards the climate targets set within the Net Zero Route Map, and how activity has progressed, set out in the action plan, within the report year. It also sets out the priority areas for climate related activity for the following report year, 2024/25.

You can [watch our information video](#) to learn more about the report and its key findings or download the full report and appendices below:

- [SIC Annual Climate Change Report – 2023-2024](#)
- [Appendix A – A Closer Look At Progress and Future Plans](#)
- [Appendix B – SIC Climate Change Programme Management and Governance](#)
- [Appendix C – 2023-2024 Emissions Breakdown](#)

Following the end of the 2024/25 financial year, work will begin on collating and analysing data on progress made towards climate targets. The 2024/25 SIC Annual Climate Change Report will be published in autumn 2025.

SIC Climate Change Programme Priorities for 2025/26

Within the SIC Climate Change Programme, priority areas of action have been set out for 2025/26, which is contributed to from across the Council. The SIC Climate Change Programme 2025/26 document details [this](#).

Shetland Climate Change Strategy

Building on from the Shetland Net Zero Route Map momentum, the Council is currently developing a Climate Change Strategy and Action Plan for Shetland as an area. The Shetland Climate Change Steering Group has been established to deliver on development and implementation, which sits under the Shetland Partnership. The group has membership from SIC, NHS, Highlands and Islands Enterprise, Nature Scot, Visit Scotland and University Highlands and Islands.

The implementation plan is in the final stages of strategy and development. It is a high-level strategy that sits over the top of individual organisational strategies and provides a common vision and approach for addressing climate change. It is hoped that it will increase collaboration and reduce duplication across organisations, stimulate increased investment and accelerate the rate of our climate action.

One of the key drivers is to put place-based projects on the ground, with the community at the heart of the transition to Net Zero, which will improve social,

economic and environmental benefits to the community. The Council is already seeing this through successfully leveraging in £4.9 million of UKRI (UK Research and Innovation) funding across Shetland and Orkney to implement and trial community rural energy hubs.

Climate Action Highlights from 2024/25

There have been a number of areas where Climate action has progressed across the year, including within leadership and governance, communications and engagement, energy, transport and buildings. Some of the highlights are listed below:

- Climate Change Impact Assessments
- Shetland Climate Festival
- Schools Climate Roadshow
- Climate Yarns
- Climate Emergency Training
- Shetland Energy Strategy
- ICNZ Shetland Project
- Local Heat and Energy Efficiency Strategy
- Estate Decarbonisation Project
- SIC Car Club Project
- Shetland Public Transport Network Review
- Inter-Islands Transport Connectivity Programme
- LiDAR Data Project
- Rural Energy Hub Project - Brae Hub building refurbishment, integrating transport and services, car club project and rapid car charging installation, Provision of E-bikes, Electric bus trial and Brae District Heating Feasibility/Outline Business Case.

A detailed update on each of these highlights will be provided within the SIC Annual Climate Change report 2024/25.

Employment of disabled persons

Shetland Islands Council is a Disability Confident employer and supports employability programmes to support people into achieving employment. There is a guaranteed interview scheme for applicants with disabilities, provided the essential qualifications and experience requirements for the post are met. The Council has a duty to make reasonable adjustments to ensure disabled candidates can fully engage in the interview process and any associated tasks. The Council has a number of policies to support continuing

employment for employees who become disabled during the course of their employment, including the maximising attendance and mental health and wellbeing which outline the requirement for reasonable adjustments. The Council has a Workplace Wellbeing Officer in place to support employees and engages with the local Occupational Health team as and when required to ensure that staff are fully supported. The Council is also committed to equality, diversity and inclusion. The Council's Equal Pay Statement for 2025-29 was published earlier this year and states "we are committed to eliminate discrimination and encourage a culture that values and promotes equality and diversity across the organisation". This is supported by the Council's values of Excellent Service, Personal Responsibility and Working Well Together.

Employee involvement

The Employees Joint Consultative Committee (EJCC) meets four times a year, giving employee representatives an opportunity to discuss staffing matters. A Human Resources Partnership Group (HRPG) meets monthly, with Union representatives, HR and Managers, to discuss staffing matters. The Council undertakes a Viewpoint survey every three years, which allows all employees the opportunity to express their views on various aspects of working for the Council. The Viewpoint survey is followed up by Improvement Actions and monitoring by the Corporate Management Team and good practice is shared at various forums including the Management Network. The Council's Communications Team keep staff informed of what's going on in the Council via email. For those staff who do not have access to email, the information is displayed on Interact as well. Interact is the Council's "homepage" for staff and can be accessed via work devices or on an app on personal devices. The Council regularly have various focus groups, involving staff. For example, across the summer focus groups were arranged to review the Maximising Attendance policy, these included groups of staff representatives, union representatives and managerial representatives.

Financial Performance

We reported [our draft revenue and capital outturn report](#) to the Policy and Resources committee on 2 June 2025. This report summarises the end of year outturn for the Council for the year ended 31 March 2025. It sets out the overall level of revenue and capital expenditure incurred by services funded through the General Fund, Housing Revenue Account and Harbour Account.

The Council continues to operate in an environment of:

- increased demand for services,
- difficulties in recruitment due to a competitive local labour market and over-heated contractor market, and
- the impact of rising costs of goods and services and pay awards.

Both the service and financial performance have been affected as a result of these factors, with the end of year outturn position in particular areas resulting in either greater or less spending depending on the issues affecting parts of the budget. For example, slippage in capital but increased spend in some areas of revenue where inflation and staffing issues impact. It is inevitable that there will be a difference to the budget set in March 2024.

Overall, the Council has spent less than anticipated on both revenue service delivery and capital expenditure, with an overall underspend of £5.6m.

On revenue, the General Fund underspent against budget by £4.2m, and on capital by £4.1m. The Harbour Account did not meet its budgetary expectations and generated a reduced surplus by £2.2m. The Housing Revenue Account overspent against its budget by £0.5m. Information on the reasons for these variances are outlined on page 12.

Total capital expenditure across the General Fund, Harbour Account and HRA totals £22.3m against an approved budget of £27.1m, representing an underspend of £4.8m. This is due to slippage encountered during the year. Works will continue into 2025/26 and £4.9m is required to be carried forward in order to finance the continuation of these works.

Further information about our financial performance during 2024/25, including details of variances between actual expenditure and approved budgets, can be found in [our draft revenue and capital outturn report](#).

Key Risks and Uncertainties

The Council maintains a Corporate Risk register and provides update reports on a regular basis to the Policy & Resources Committee. The latest report was presented on 2 June 2025 and can be found here:

[Risk Register update.](#)

The Council's key risks and uncertainties, and associated mitigating actions can be summarised as follows:

Risk / Uncertainty	Mitigating actions
 <p data-bbox="435 583 527 617">Staffing</p>	<p data-bbox="670 443 1336 506">The Council is facing a shortage of key staff and skills. Posts are remaining unfilled due to failure to recruit.</p> <p data-bbox="670 516 1430 768">The Council's Workforce Strategy provides a framework to focus attention and prioritise work streams that identify and develop talent as well as increase the number of ways young people can join the organisation. The Workforce Plan sets out the actions that will deliver progress against the Workforce Strategy. Attracting and retaining staff is a priority in the Workforce Plan as well as exploring new ways to develop career pathways and create a talent pipeline that encourages staff development and progression.</p>
 <p data-bbox="435 947 597 1041">Investment in Shetland's Infrastructure</p>	<p data-bbox="670 842 1425 1167">Shetland's infrastructure was invested heavily in when the oil industry was taking off using income generated from the oil industry. The infrastructure is now ageing and will need to be replaced, however, the financial situation is now tighter which will mean that it will be challenging to finance this. The cost of construction work is escalating and there is also a lack of labour available, which makes programmes of work challenging to deliver. An ongoing review is being undertaken of surplus assets, looking at disposal where no longer required to reduce the Council's asset base.</p>
 <p data-bbox="435 1255 618 1289">Climate Change</p>	<p data-bbox="670 1209 1430 1335">The Council recognises the critical importance of Climate Change and have introduced a specific section in this commentary, highlighting our progress in this area. The level of investment required for the Council to reach net-zero is currently unquantifiable.</p>
 <p data-bbox="435 1451 618 1484">Health & Safety</p>	<p data-bbox="670 1388 1425 1545">Any failure to report, investigate and act on the findings from health & safety incidents within the Council could lead to further incidents that might have been avoided with significant consequences for the Council. CMT is presented with quarterly update reports highlighting any health and safety issues, requesting further follow up reports as necessary.</p>

Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its year-end position at 31 March 2025 and its cash flows for the year then ended. The annual accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

A description of the purpose of the primary statements has been included immediately prior to the four primary statements which are:

- the Comprehensive Income and Expenditure Statement
- the Movement in Reserves Statement,
- the Balance Sheet, and
- the Cash Flow Statement.

These four statements are accompanied by notes to the accounts which set out the accounting policies adopted by the Council and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant annual accounts for the purpose of the audit report.

The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset and a lease liability are to be brought on to the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

The Comprehensive Income and Expenditure Statement (CIES) presents the full economic cost of providing

Council services in 2024/25. This differs from [our draft revenue and capital outturn report](#) which was reported to the Policy & Resources Committee on 2 June 2025.

The reasons for this difference are as follows:

- The application of appropriate accounting standards to ensure that corporate activities not included within operational budgets are identified and included in the accounts, as these costs are required to be met from local taxation; and
- The CIES includes accounting adjustments required to comply with proper accounting practice, but which under statute do not impact upon local taxation payers.
- The final reporting position reflects only those costs that are required to be met from local taxation. Therefore, the difference between the CIES and the actual outturn position is as a result of necessary accounting adjustments.

The Loss on Provision of Services of £38.5m, disclosed on the CIES, has been reconciled to the outturn used for management decision-making of £31.9m in the Expenditure and Funding Analysis (page 48).

The Council's day-to-day operations and the recording of its financial transactions (revenue income and expenditure) are charged to two primary reserves, which have been established by legislation: the General Fund and Harbour Account. There is also a legal requirement to separately identify expenditure and income that relates to the operation of the Council's housing stock; this is referred to as the Housing Revenue Account.

Capital investment expenditure is supported by a range of means including funding from revenue resources, external borrowing and use of retained reserves. Legislation enables the Council to retain capital reserves in order to support its long-term asset investment plans.

The table that follows shows an overall budget underspend of £5.579m. To meet existing obligations, £5.478m is required to be carried forward into 2025/26 which effectively means the Council incurred an underspend of £0.101m in 2024/25.

Revised Budget v Actual Expenditure	Revised Budget £m	Actual £m	Budget v Actual variance Under / (Over) £m	Carry forwards £m	Revised variance Under / (Over) £m
2024/25					
General Fund Revenue (inc Spend to Save)	167.741	163.583	4.158	0.547	3.611
General Fund Capital (inc Spend to Save)	19.647	15.517	4.130	4.931	(0.801)
Housing Revenue Account (Revenue & Capital)	4.139	4.639	(0.500)	0.000	(0.500)
Harbour Account (Revenue & Capital)	(10.153)	(7.944)	(2.209)	0.000	(2.209)
Total	181.374	175.795	5.579	5.478	0.101

General Fund

The General Fund is the statutory fund into which all receipts are paid in and from which all liabilities are paid out, except to the extent that legislation may provide otherwise (for example, the Housing Revenue Account). The General Fund is financed by government grants, Council Tax receipts, National Non-Domestic Rates income and fees and charges. It is also supplemented by transfers from reserves. The Council is permitted to carry forward balances on the General Fund.

General Fund net revenue expenditure for 2024/25 totalled £163.6m (£161.8m 2023/24) against an approved budget of £167.7m. There are a variety of reasons behind the differences in actual and budgeted expenditure which are summarised in [our draft revenue and capital outturn report](#).

In 2024/25 the Council's General Fund received the majority of its funding from the Scottish Government, which is made up of General Revenue Grant and National Non-Domestic Rates (NDR).

Funding of Net General Fund Expenditure	2024/25	
	£m	%
General Revenue Grant	66	39.4%
Non-Domestic Rates	27	16.3%
Specific Grants	24	14.1%
Council Tax	11	6.7%
Draw on Reserves*	39	23.5%

*Includes General Fund and Revenue Spend to Save

Council Tax represents 6.7% of the Council's overall annual external revenue funding. During 2024/25, the

Council collected 97.0% (97.3% 2023/24) of the total billable Council Tax.

The remainder of funding comes from Council's own reserves. The Council holds a range of long-term investments, in line with an investment strategy that is designed to ensure the reserves increase in value over the long term. The Council is able to draw down some of the returns generated from these investments to support service delivery, while seeking to maintain a robust asset base that continues to grow. This enables the Council to supplement government funding over the long term.

Harbour Account

The Zetland County Council Act 1974 empowers the Council to transfer surpluses arising on the Harbour Account to the Harbour Reserve Fund. The Harbour Account budgeted for a surplus of £10.2m in 2024/25 (£18.0m in 2023/24), to be returned to the Harbour Reserve Fund. The actual surplus generated was £7.9m (£13.6m 2023/24). This underachieved surplus was mainly as a result of reduced tanker numbers entering the port.

Housing Revenue Account

The Housing Revenue Account (HRA) is a separate ring-fenced account within the Council. The HRA budget for 2024/25 anticipated a requirement to utilise £4.1m from its reserves to achieve financial balance (£3.4m 2023/24). A total of £4.6m is required from reserves to balance the account.

The financial position of the HRA continues to be a challenge for the Council, due to a need to invest in current housing stock to meet national housing

targets, as well as managing increased demand for new build housing.

A [five-year business plan](#) for the HRA was approved in 2016/17, underpinned by a 30-year financial model to ensure affordability and sustainability over the long term. The Business Plan for the next five-year period is due to be presented for approval before the end of 2025.

At 31 March 2025, the HRA was responsible for managing 1,663 properties. The Council continues to work in partnership with Hjalmland Housing Association in its building programme to secure increased provision of affordable housing through the Strategic Housing Investment Plan (SHIP).

Asset Investment Plan

In 2024/25 Shetland Islands Council incurred total capital expenditure (across General Fund, Housing Revenue Account and Harbour Account) of £22.3m (£17.4m 2023/24) against a budget of £27.1m (£18.8m 2023/24) representing an underspend of £4.8m (£1.4m 2023/24), however, £4.9m will be carried forward into 2025/26 to enable delayed works to be completed.

Further detail about capital expenditure incurred under the General Fund, Housing Revenue Account and Harbour Account can be found in [our draft revenue and capital outturn report](#).

More information about how capital expenditure has been funded can be found in Note 33 Capital Expenditure and Capital Financing.

The Balance Sheet

The Balance Sheet sets out the total net worth of Shetland Islands Council and is a snapshot of the position as at 31 March 2025. When comparing this to the position as at 31 March 2024, there has been an overall increase in the net worth of the Council of £3.0m.

This figure reconciles to the total figure in the Comprehensive Income and Expenditure Statement of £6.3m, which captures all transactions during the

financial year that led to the movement in the Council's net worth, and adjustments on transition to new accounting arrangements for leases (£9.3m).

Material Transactions

Long-Term Investments

The long-term financial investments are covered by the [Council's Investment Strategy 2024/25 – 2029/30](#), which sets out the overarching investment approach to complement the Council's MTFP. The strategy aims to achieve investment returns that are sufficient to enable an annual sum to be withdrawn to support the revenue budget, while protecting the capital from the impact of inflation. The strategy also mitigates investment risk by the diversification of asset classes, global coverage and a number of fund managers.

The Investment Strategy is supported by a [Treasury Management and Annual Investment Strategy](#) report, which includes more detail on capital and treasury activities, including key treasury indicators.

As at 31 March 2025 the Council had £371.0m invested with three external Fund Managers (£386.9m at 31 March 2024). The Council's investments during 2024/25 have decreased in value by £15.9m. This decrease is a combination of Council withdrawals of £24.0m (£35.0m in 2023/24) to meet its cashflow requirements, and an investment return of £8.1m (£45.0m in 2023/24). The positive investment return was due to improving inflation figures and interest rate cuts in some of the major economies, with investment gains reduced later in the financial year due to concerns over the global impact of US economic policy.

[The Fund Management Annual Investment Report 2024/25](#) was presented to the full Council on 12 June 2025 which summarised the performance of the Council's investments during the year.

External Borrowing

External borrowing is regulated by the Borrowing Policy, part of the Council's [Treasury Management and Annual Investment Strategy](#), which aims to

secure best value in the financing of capital expenditure.

The Council's Capital Financing Requirement (CFR) is £90.9m as at 31 March 2025 (£87.1m at 31 March 2024), of which £49.0m (£49.0m in 2023/24) relates to external borrowing, £3m of which was repaid in April 2025. It represents the capital expenditure to be funded from borrowing. Whilst the CFR is a guide to the Council's underlying need to borrow, the Executive Manager – Finance can manage the Council's actual borrowing position by either borrowing to finance the CFR, choosing to utilise some temporary cash flow funds instead of borrowing (under-borrowing), or borrowing for future increases in the CFR (borrowing up to two years in advance of need). More information is provided in Note 33: Capital Expenditure and Capital Financing.

Debt financing costs currently represent 2.8% of the Council's net revenue stream (3.0% 2023/24) from General Revenue Grant (including NDR), Council Tax, housing rents and harbour income. This provides an indication on the affordability of the Council's debt in terms of how much income can be directed to provide front-line service delivery rather than funding capital expenditure costs. Ongoing revenue implications of investment decisions will be managed within existing budgetary levels and the estimated cost of debt for 2025/26 is 3.7% of the net revenue stream.

Pension

The Council is the administering authority for the Shetland Islands Council Local Government Pension Scheme, which has a statutory requirement to prepare a separate annual report and accounts. The Pension Fund's Annual Report and Accounts for 2024/25 was presented to the Pension Fund Committee on 23 June 2025.

The impact of the Local Government Pension Scheme (LGPS) and Teachers' Superannuation Scheme on the Council's accounts has been disclosed in Notes 28 and 29 to the accounts.

Health and Social Care Partnership

The Public Bodies (Joint Working) (Scotland) Act 2014 introduced significant changes to the provision of health and social care across Scotland. The legislation means changes to the law that require health boards and local authorities to integrate their services, resulting in more joined up services and improved quality of health and social care provision.

The Shetland Islands Integration Joint Board (IJB) was formally constituted on 27 June 2015 with voting members from both the Council and the Health Board.

In 2024/25, the Council contributed £37.0m (£36.3m 2023/24) to the IJB and received income of £38.2m (£37.6m 2023/24) from the IJB.

The annual accounts of the IJB can be found on the Council's website at:

http://www.shetland.gov.uk/about_finances/.

The Council's Reserves

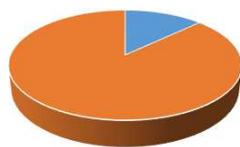
The Council holds the following balances in reserves:

Reserves	As at 31 March 2024	As at 31 March 2025
	£m	£m
General Fund	128,975	113,862
Unrealised Investment Gains	119,516	120,723
Housing Revenue Account	15,165	11,010
Harbour Reserve Funds	60,777	62,484
Capital Funds	49,348	46,422
Other Usable Funds	29,826	19,201
Total Usable Reserves	403,607	373,702

The reserves comprise two elements:

- The unallocated general fund; and
- Balances earmarked for specific purposes.

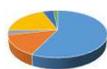
Reserves balance as at 31 March 2025



■ Unallocated General Fund ■ Earmarked

The earmarked reserves are made up of the following:

Earmarked reserves balance as at 31 March 2025



■ General Fund ■ Capital
■ HRA ■ Harbour
■ Repairs & renewals ■ Insurance

The unallocated General Fund reserves can be used to defray General Fund expenditure. The Earmarked Funds can only be used for the purpose that they were set up for.

Further detail on the reserves can be found in Notes 6 & 7.

The overall level of usable reserves was £373.7m at 31 March 2025, a decrease of £29.9m from the previous year. The movement on reserves differs from the outturn position reported. The reserves position is required to reflect a number of accounting adjustments for matters such as asset transfers, provisions and capital grants, which are not reflected in the reports to management during the year. The Movement in Reserves Statement and associated notes provide further detail.

The reserves of the Council reflect the historic financial performance of the Council and decisions that have been taken to provide a financial foundation upon which to plan for the future delivery and provision of Council services.

The Council uses its reserves on an annual basis to support delivery of frontline services. This is based on money being available from the anticipated income and growth achieved from the Council's long-term investments.

The value of the Council's long-term investments, which are quite separate from its usable reserves, represent the money that has been invested by the Council for long-term return. The decrease in value is mainly attributable to cash withdrawals to meet the cash flow requirements of the Council. More information is outlined in the 'Long-Term Investments' section on page 13.

Usable reserves on the other hand reflect a level of resources that the Council has available to carry out its future business; these reserves can be applied to the provision of services.

Group Accounts

The Code requires the Council to prepare group accounts where the Council has material interests in subsidiaries, associates and / or jointly controlled entities.

The Council has interests in the Zetland Educational Trust (ZET), Orkney and Shetland Valuation Joint Board (OSVJB), Zetland Transport Partnership (ZetTrans) and the Integration Joint Board. The net impact of the consolidation modifications to the financial statements are deemed to be not material and are therefore not consolidated in group accounts. More detail can be found in Note 38 Group Interests.

The accounts of the ZET, ZetTrans and the IJB can be found on the Council's website at:

http://www.shetland.gov.uk/about_finances/.

The accounts of the O&SVJB can be found at:

<http://www.orkney.gov.uk>

Looking Ahead

In May 2025, Shetland Islands Council celebrated its 50th birthday. Shetland Islands Council was established by the Local Government (Scotland) Act 1973 on 16 May 1975. The Council replaced the Zetland County Council which governed Shetland from 1890 to 1975.

There are a number of large capital projects ongoing at present. The contract for the replacement ferry for Fair Isle was awarded to Parkol Marine Engineering in June 2025, with expected handover date for the vessel as October 2026. The works contract for the new Cullivoe Road was awarded to C W Johnson Plant Ltd in June 2025.

Major studies are ongoing seeking to outline the long term position for Transport connectivity including options to deliver fixed links, Brae Campus, and the Knab site.

Core services continue to review the implementation of activities to shift the balance of care to see services set up to address demographic shifts.

More widely, the progression of Artificial Intelligence (AI) tools has the possibility to update tasks and deliver efficiencies, freeing up resource to ensure higher productivity.

Work is also underway to update the Council's Corporate Plan (Our Ambition) as it approaches the end of its five year term.

2025/26 Budget

Our General Fund revenue budget has been developed in line with the principles and financial planning assumptions that we set out in *Our Medium-Term Financial Plan*, presented in December 2024.

The Settlement indicated the Scottish Government will provide total revenue funding of £120.3m, inclusive of £24.9m of ring-fenced revenue funding in 2025/26, of which £24.7m is provided for the operational costs of inter-island ferry services. The budget reflects a Council Tax increase of 10% in 2025/26. Initial budget proposals suggested a Council Tax increase of 5%, but Councillors decided to go with the higher rate to help the Council get back to a more sustainable position.

Even with the 10% increase, Council Tax rates in Shetland remain the lowest across Scotland.

We plan to supplement the income we receive from the Scottish Government, Council Tax and fees and charges, by using £43.9m from our reserves to meet our total planned revenue expenditure in 2025/26.

This amount includes:

- £15.4m of anticipated returns from our long-term investments, which we can afford to draw down on a sustainable basis in line with *Our Medium-Term Financial Plan*;
- £7.5m of trading income generated from the Harbour Account, including additional income from the Shetland Gas Plant.

We can expect our total income to amount to £157.4m.

We expect to spend £178.4m delivering services funded through the General Fund in 2025/26. There is a remaining deficit of £21m that cannot be met from other sources of funding, and will need to be met from reserves in order to set a balanced General Fund budget. The utilisation of £21m from the reserves compares positively to the previous year, with higher than anticipated funding from the Scottish Government. We do still continue to face increasing costs and continue to place reliance on the reserves to finance our annual revenue budgets. The use of £21m of reserves, over and above the amounts envisaged in the Medium Term Financial Plan mean that we are not yet able to demonstrate the Council is in a financially stable position.

Our planned capital investment for the year for General Fund, Harbour Account and Housing Revenue Account amounts to £54.2m and largely relates to the maintenance of existing assets (£19.0m). £39m capital expenditure relates to new capital projects (the Fair Isle ferry project is £27.8m of this), with an anticipated slippage offset of £3.8m. The Settlement provides a core capital grant of £5.9m, which means the remainder of our planned capital expenditure needs to be financed by a combination of capital receipts, external grants (£26.7m for Fair Isle project), from revenue funding and from reserves. The balance from reserves in 2025/26 was £5.1m.

For more detail about the 2025/26 budget can be found on the Council's website at:

<https://www.shetland.gov.uk/budget-finance/council-budget>.

Medium-Term Financial Plan

Our Medium-Term Financial Plan (MTFP) is a key document within a wider suite of plans and strategy documents occupying a position between long term strategies and detailed, short term, operational plans. An updated MTFP was presented to Elected Members in October 2025 and can be found here:

[Medium Term Financial Plan 2025-2030](#)

The MTFP attempts to summarise, in one place, a consideration of factors that may affect our Council's financial position over the next five years. It brings together a range of assumptions on future income and expenditure over a five-year period which allows us to identify where, and when, we can expect to face financial pressures. This will support discussions on the need to adapt to new ways of working and changes to the way we deliver services.

The MTFP summarises our key financial planning assumptions, primarily for the General Fund revenue spend, and translated our assumptions and financial modelling into three different scenarios:

- An optimistic, upside scenario
- A central, most likely scenario, *and*
- A pessimistic, downside scenario.

Our scenario planning and financial modelling indicates that the Council faces a significant challenge in being able to set balanced budgets in the future. Our central scenario indicates a potential cumulative budgetary deficit of £134.3m by 2029/30 should the Council not be proactive in managing and addressing the financial pressures it expects to face in the short- to medium-term. The more optimistic scenario indicated a likely deficit of £108.9m while the pessimistic scenario indicated a likely deficit of £160.5m over the same time period.

Emma Macdonald

Emma Macdonald
Leader of the Council
10 December 2025

Maggie Sandison

Maggie Sandison
Chief Executive
10 December 2025

Paul Fraser

Paul Fraser CPFA
Executive Manager - Finance
10 December 2025

We recognise that our MTFP doesn't provide all the answers. Effective financial management cannot be achieved in a vacuum and that is why the MTFP is part of a collection of planning documents that seek to define what we will do over the next five years, and how we will go about it. The wider suite of documents includes:

- ['Our Ambition'](#) contains the strategic corporate and political priorities that will seek to deliver better outcomes for Shetland.
- [The Workforce Strategy/Plan](#) which sets the framework for how we make changes to our organisation so that we deliver our key priorities effectively and at pace.
- [SIC Climate Change Strategy and Action Plan](#) which sets out the strategic priorities and details action required for the Council to comply with climate legislation and targets.
- [The Asset Investment Plan](#) contains our capital expenditure plans for the next five years, *and*
- [The Annual Budget](#) is the tactical financial plan that sets out our spending priorities for the forthcoming financial year.

Conclusion

We have ended the financial year in a relatively positive position, which stands us in good stead for managing some of the uncertainties we expect to face in the short term, such as continued inflation, difficulties with recruitment and pressures around public sector funding. We continue to focus on improved financial control and reporting to ensure we have strong financial management. In addition, Our Ambition sets out an ambitious agenda for change, which will require careful prioritisation given the medium and longer-term challenges we face. An updated plan is likely to continue to describe operational ambitions which will require funding. Despite these challenges, the Council remains financially sound with a strong balance sheet and is well placed to serve the Shetland community in the future.

Annual Governance Statement

Introduction

This Annual Governance Statement explains how the Council has complied with the principles of the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'* for the year ended 31 March 2025. It sets out the Council's governance arrangements and systems of internal control, and concludes on their effectiveness.

Scope of Responsibility

Shetland Islands Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging these overall responsibilities, the Council is responsible for establishing proper arrangements for the governance of its affairs, including the stewardship of resources at its disposal and arrangements for the management of risk.

The Council reviewed and updated its Code of Corporate Governance in December 2024 which sets out fundamental elements that govern how the Council conducts its business. The Code of Corporate Governance is consistent with the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'*, which was published in 2016.

The Council has a system of internal controls in place designed to manage risk to a reasonable level. Internal controls cannot completely eliminate the risk of failure to achieve strategic priorities and outcomes, but they can provide a reasonable level of assurance.

The system of internal controls is regularly reviewed to identify and prioritise the risks to the achievement of the Council's strategic priorities and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Purpose of the Governance Framework

The governance framework consists of the systems, processes, culture and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.

The Governance Framework

The governance framework adopted by the Council is consistent with the seven core principles of the CIPFA/SOLACE framework illustrated below:

A	<i>Behaving with integrity, demonstrating a strong commitment to ethical values and respecting the rule of law.</i>
B	<i>Ensuring openness and comprehensive stakeholder engagement.</i>
C	<i>Defining outcomes in terms of sustainable economic, social and environmental benefits</i>
D	<i>Defining the interventions necessary to optimise achievement of intended outcomes.</i>
E	<i>Developing the entity's capacity, including the capability of its leadership and the individuals within it.</i>
F	<i>Managing risks and performance through robust internal control and strong public financial management.</i>
G	<i>Implementing good practices in transparency, reporting and audit to deliver effective accountability</i>

The governance framework has been in place for the year ended 31 March 2025 and up to the date of approval of the annual accounts.

The key elements of the Council's governance framework include:

- the legal powers, duties and functions of the Council, and roles and responsibilities of the people who take decisions on behalf of the community;

- **Scheme of Administration and Delegations**, which detail the functions that the Council has asked officers to carry out on its behalf, and the conditions they must comply with in doing so;
- **Standing Orders**, which set out the rules around how committees are run and decisions are made;
- **Financial Regulations**, setting out how the Council manages its financial affairs in accordance with good practice and statute;
- **Contract Standing Orders**, which set out the principles and rules about contracting with other parties;
- the Council's **Performance Management Framework**, which sets out how the Council sets its objectives, monitors and reports on its performance against those objectives and identifies areas for improvement;
- **Compliance** with the CIPFA codes of practice, including Code of Practice on Local Authority Accounting, Service Reporting Code of Practice for Local Authorities, Prudential Code for Capital Finance in Local Authorities, and Treasury Management in the Public Services Code of Practice, and with the CIPFA statements on *the Role of the Head of Internal Audit* and *the Role of the Chief Financial Officer*
- A **comprehensive programme of internal audit reviews** across different service areas, which provides assurance about the effectiveness of the system of internal controls and identifies areas of improvement.

The Council's suite of governance documents, including the Scheme of Administration and Delegations, Financial Regulations, Contract Standing Orders and Code of Corporate Governance can be found on the Council's [website](#).

Review of Effectiveness

The Council conducts an annual review of the effectiveness of its overall governance framework. The review is informed by the work of the senior officers who have responsibility for the development and maintenance of the governance framework, the Internal Audit Annual Report prepared by the Chief

Internal Auditor, and also reports from external auditors and other external agencies.

The effectiveness of the Council's governance framework has been evaluated as follows:

- Each director has reviewed the arrangements in place for their respective portfolios and certified their effectiveness to the Executive Manager – Finance. These assurances include confirmation of compliance with internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern. For 2024/25, no areas of weakness or concern were identified.
- The Council assesses its compliance with the CIPFA *Financial Management Code*. The regular self-assessment indicates that the Council is compliant with each of the requisite financial management standards.
- The Council's financial management arrangements comply with the requirements of the CIPFA Statement on *the Role of the Chief Financial Officer in Local Government*.
- The annual review of the Code of Corporate Governance has followed a standard self-evaluation exercise to score the level of Council compliance with legislative and operational requirements, standards and controls. The 2024/25 Corporate Governance Self-Evaluation has found that, based on the evidence presented, Shetland Islands Council is governed by sound and effective internal management controls and continues to demonstrate compliance with the requirements of the CIPFA/SOLACE Framework: "Delivering Good Governance in Local Government."
- The Council's committee structure supports the organisational and management structure of the Council, incorporating a culture of accountability that has been developed throughout.
- The Council's Constitution promotes good decision-making and adherence to the Building Better Business Cases methodology, supporting evidence-based options appraisal for the commissioning and procurement of complex services and for capital investments.
- The Audit Committee remains responsible for considering all reports prepared by internal and

external auditors and ensuring the effectiveness of the system of internal controls. Its remit ensures that the work of the Council, from both a control and performance perspective, is checked and scrutinised.

- A significant induction and training programme for new and returning councillors is delivered after each local election, including the May 2022 election. This is also delivered to Councillors who are appointed outwith the local election period when an existing Councillor stands down.
- The Council's internal audit function operates in accordance with the CIPFA Statement on *the Role of the Head of Internal Audit*. Furthermore, internal audit reviews are conducted in accordance with the Public Sector Internal Audit Standards (PSIAS). From 1 April 2025, internal audit are working to new professional standards. These are a combination of the Global Internal Audit Standards (GIAS) and the Application Note 'Global Internal Audit Standards in the UK Public Sector'.
- The internal audit function followed the approved internal audit plan through the year and their work revealed a range of findings. Management are working to implement agreed recommendations. The Internal Audit Annual Report contains further detail.
- The Council's external auditor reports to the Audit Committee. Reports from the external auditor include annual external audit plan and audit reports of the financial statements and wider audit dimensions, such as financial management, financial sustainability, vision, leadership and governance, and use of resources to improve outcomes as required by Audit Scotland's Code of Audit Practice.

Audit of Best Value

Best Value audit is now fully integrated within annual audit work, which includes an annual evaluation of the Council's approach to demonstrating improvement in its services and public performance reporting.

Each year the Accounts Commission directs auditors to conduct a Best Value thematic review. The thematic work for 2024/25 is on the subject of service transformation and involves considering how the

council is redesigning services to maintain outcomes and deliver services more efficiently. The outcome of the thematic review is due to be presented to Audit Committee in September 2025.

Prior year best value recommendations:

- *Best Value Assurance Report (BVAR) August 2022:*
Audit Scotland undertook an assessment of progress against the original recommendations in the BVAR report, stating that most actions have now been completed, with those still in progress integrated into council improvement activity. Audit Scotland continue to assess this progress and report on the Council's arrangements to secure continuous improvement as part of the annual audit work.
- 2022/23 thematic review – *effectiveness of the leadership of the development of the Council's strategic priorities:*
Five of the six recommendations are complete, with the remaining recommendation (BV5 – use of reserves) superseded and included as part of 2023/24 audit recommendations.
- 2023/24 thematic review – *workforce innovation, how councils are responding to workforce challenges.*
Progress on the 6 recommendations was reported to Audit Committee in May 2025 and can be found [here](#).

Progress against audit recommendations are monitored under the direction of the Chief Executive and discussed at Corporate Management Team.

The Controller of Audit reports to the Accounts Commission on the Council's performance in meeting its Best Value duties at least once every five years. A report on the Council's performance is currently scheduled for year 3 of the programme (October 2025 to August 2026).

Significant Governance Issues

During the year, the Audit Committee received a range of reports produced by Internal Audit that enabled scrutiny and questioning of officers, such that the Committee gained assurance about any weaknesses identified as well as the actions being taken to address them.

The following issues and related action plans are highlighted for specific areas of concern:

Significant Governance Issue	Responsible Officer	Potential Impact	Mitigating actions currently in place	Proposed Action
Weighbridge Operations An internal audit review highlighted serious control deficiencies with regard to the use and management of the weighbridge.	Team Leader – Maintenance / Quarry Manager	Significant operational, financial and reputational risk exposure, which may ultimately result in the Council's failure to demonstrate Best Value.	Immediate review of the audit findings.	Operational procedures are being developed, and automated weighbridge systems are being investigated. Further security matters are being addressed.

Update on Significant Governance Issues previously reported

The following table details the actions taken to address the significant governance issues that have been previously reported in a prior year's Annual Governance Statement. For those partially implemented, progress will be monitored by Internal Audit with further updates to be provided to the Audit Committee. Further information can be found in the [Internal Audit – Follow up monitoring](#) report:

Prior Year Significant Governance Issue	Responsible Officer	Action taken	Current status and further action required
<p>Health and Safety</p> <p>No adequate Health & Safety monitoring programme in place to ensure services are fulfilling their requirements.</p>	Executive Manager – Human Resources and Health & Safety Manager	A schedule of health and safety audits and inspection has been agreed, but the process to monitor completion of planned activity and any associated recommendations remains in development.	<p>Ongoing</p> <p>Progress will be monitored by Internal Audit with further updates to the Audit Committee</p>
<p>Business Continuity</p> <p>Some services have not yet developed a Business Continuity Plan (BCP), and other services which have a BCP in place, but it is out of date.</p>	Executive Manager – Governance & Law	The recommendations have now been completed. Only one recommendation from these audits remains outstanding and it relates to testing of BCPs. A plan is now in place and the first desktop exercises are expected to be completed by September 2025.	Complete
<p>Procurement</p> <p>An internal audit review highlighted serious control deficiencies with regard to procurement compliance.</p>	Director of Corporate Services	The recommendations arising from the previous reviews of procurement have all now been completed.	Complete

Prior Year Significant Governance Issue	Responsible Officer	Action taken	Current status and further action required
<p>Use of Consultants</p> <p>An internal audit review highlighted serious control deficiencies with regard to commissioning of consultancy services.</p>	<p>Director of Corporate Services</p>	<p>Only one recommendation remains outstanding for this review. The recommendation relates to reviewing and updating IR35 guidance and ensuring that IR35 status is checked for all consultancy engagements.</p>	<p>Ongoing</p> <p>Work is ongoing to address this recommendation</p>
<p>Asset Management arrangements for inter-island ferries</p> <p>An internal audit review highlighted serious control deficiencies with regard to the lack of an asset management strategy and plan, formal review of the fleet, and records of maintenance.</p>	<p>Executive Manager – Ferry & Airport Operations & Port Infrastructure and Executive Manager – Transport Planning</p>	<p>Work on the Inter-Island Transport Connectivity Network Business Case is now well underway. The current programme is that the Outline Business Case (OBC) will be completed by January 2026. The OBC will describe an Inter-Island Transport Connectivity Road Map that will set out the preferred options for investment in the inter-island transport network. This in turn will be available to the Ferry Operations team to take account of the specifics of the Ferries Asset Management Strategy and Asset Management Plans.</p>	<p>Ongoing</p> <p>Work is ongoing and management will continue to ensure that progress continues to align with the due date of January 2026, and flag any issues or delays.</p>
<p>Finance procedures at ports and harbours</p> <p>An internal audit review highlighted serious control deficiencies with regard to financial monitoring and reconciliations, and significant use of manual documentation and processes.</p>	<p>Executive Manager – Finance and Executive Manager Ferry & Airport Operations & Port</p>	<p>Progress has been delayed due to other work commitments, with work ongoing to investigate and address issues and to determine what actions/improvements are required.</p>	<p>Ongoing</p> <p>A significant amount of work is required to address the audit recommendations. Internal audit will provide support to ensure that the areas of highest risk are addressed first and that an appropriate plan is in place.</p>

Internal Audit Opinion

The Council has a system of internal control designed to manage risk to a reasonable level and the Services Directors have provided assurances to this effect. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

As part of our reviews we have identified improvements to the internal control environment, which have been accepted by management. Our follow up work in 2024/25 shows that management have continued to find it challenging to implement agreed audit recommendations within agreed timescales. The Council therefore remains exposed to risk in these areas previously reported.

Based on the audit work undertaken, and noting the specific issues above, including the follow up position, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2024/25 in the Council.

External Audit

The 2023-24 [Annual Audit Report](#) was considered by the Audit Committee in November 2024. The report included external audit's findings in the following areas:

- Audit of 2023/24 annual accounts;
- Financial management;
- Financial sustainability,
- Best Value, and
- Vision, leadership, governance and use of resources.

The Audit Report made 9 new recommendations following the audit process, 6 of which related to the Best Value thematic review.

The Council is committed to take steps to address any new or outstanding matters to further enhance our governance arrangements. Corporate Management Team receive regular updates on the implementation of audit recommendations, collating evidence and revising target dates if required.

The Council will continue to monitor effectiveness of the governance arrangements and will take any new recommendations into account as part of the next annual review.

Conclusion

Overall, we believe that reliance can be placed upon the adequacy and effectiveness of the governance and internal controls that operate across Shetland Islands Council throughout 2024/25. We consider that the arrangements and internal control environment allow us to identify any significant risks which may impact on the achievement of the Council's principal objectives, and to take action (or actions), to avoid or mitigate the impact of any such risks.

Emma Macdonald

Maggie Sandison

Emma Macdonald

Maggie Sandison

Leader of the Council

Chief Executive

10 December 2025

10 December 2025

Remuneration Report

The Remuneration Report is set out in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures on the remuneration and pension benefits of senior councillors and employees.

The Code of Practice on Local Authority Accounting in the UK (the Code) also requires the disclosure of exit packages.

Remuneration Arrangements of Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 and the (Remuneration) Regulations 2007 (as amended). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the convener of a council, senior councillors or councillors. A senior councillor is a councillor who holds a significant position of responsibility in a council's political management structure, usually referred to as the chair or vice-chair of a committee, sub-committee or board.

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 and Convener of the Council is set out in the amended Regulations SSI 2008/415, which came into effect on 10 February 2009 (later amended by the 2013 and 2015 regulations). For 2024/25 the level of remuneration for the Leader was £35,580 (£33,503 in 2023/24), and for the Convener was £26,686 (£25,128 in 2023/24).

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors a 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 a council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £216k in 2024/25 (£204k in 2023/24).

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

The senior councillor positions are:

- Chair of Education and Families Committee;
- Chair / Vice Chair of Integration Joint Board (IJB);
- Chair of Development Committee;
- Chair of Environment and Transport Committee;
- Chair of Audit Committee;
- Chair of Planning Committee;
- Chair of Licensing Committee; and
- Chair of Harbour Board.

Excluding the Convener and the Leader, the total remuneration paid to these Councillors in 2024/25 was £193k (£181k in 2023/24).

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 Local Government Pension Scheme.

All reports are available from the Council's [Committee Information](#) pages.

Remuneration of Conveners and Vice-Conveners for Joint Boards

In addition to the senior councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board, such as the OSVJB.

The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member.

The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Vice-Convener of the OSVJB from May 2022 has been a senior councillor of Orkney Islands Council, who is reimbursed by the Joint Board for additional remuneration paid in respect of this role.

Remuneration of Senior Employees

Remuneration is the term used to describe the total payments made to employees and will include salary payments and allowances such as distant islands allowance and statutory duty allowances.

The salary of senior employees is set by reference to national arrangements and agreements. The Scottish Joint Negotiating Committee for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities and also sets out the spinal column salary points for Chief Officers which local authorities can utilise in setting the salary levels for posts within their authority. Circular CO/150 sets the amount of salary for the Chief Executive of Shetland Islands Council for 2024/25.

Executive managers fall into two bandings, the second reflecting the additional level of statutory responsibility held by the Monitoring Officer, the Section 95 Officer and the Chief Social Work Officer.

- Chief Executive
- Director - Children's Services
- Director - Community Health and Social Care
- Director - Corporate Services
- Director - Development
- Director – Infrastructure
- Executive Manager - Children and Families (Chief Social Work Officer)
- Executive Manager - Finance (Section 95 Officer)
- Executive Manager - Governance and Law (Monitoring Officer)

In order to ensure that recruitment of senior employees is properly managed, a protocol for chief officer appointments is in place. The protocol applies

to appointments to the chief officer posts of Chief Executive and Director. The protocol is designed to ensure that:

- the appointment is widely known and the best available candidates are attracted to apply;
- best information is available to the Council about qualities, skills, experience and personal attributes of candidates; and
- information about candidates is assessed effectively and fairly during the assessment, selection and appointment process.

Allowances

Senior employees are entitled to claim mileage costs paid at rates approved by HM Revenue & Customs.

General Disclosure by Pay Band

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50k or more, disclosed in bands of £5k.

This table includes payments made in the year for salary, pension contributions, redundancy and compensatory added years of pension.

Bands that do not appear in the table had nil employees in both 2024/25 and 2023/24.

Number of Employees							
Total at 31 March 2024	Remuneration Bands	Children's Services	Infra-structure Services	Community Health & Social Care	Development Services	Corporate & Executive Services	Total at 31 March 2025
196	£50,000 - £54,999	133	43	18	11	16	221
74	£55,000 - £59,999	29	33	14	8	11	95
62	£60,000 - £64,999	25	28	5	1	2	61
51	£65,000 - £69,999	23	18	3	1	2	47
43	£70,000 - £74,999	20	12	1	2	1	36
19	£75,000 - £79,999	7	7	2	3	2	21
17	£80,000 - £84,999	6	6	1	0	0	13
13	£85,000 - £89,999	4	10	1	0	0	15
7	£90,000 - £94,999	1	6	2	0	0	9
3	£95,000 - £99,999	1	6	0	0	2	9
1	£100,000 - £104,999	1	2	1	0	0	4
4	£105,000 - £109,999	0	7	0	1	1	9
2	£110,000 - £114,999	0	2	0	0	0	2
0	£115,000 - £119,999	0	1	0	0	0	1
1	£120,000 - £124,999	0	0	0	0	0	0
2	£125,000 - £129,999	0	0	0	0	0	0
0	£130,000 - £134,999	0	2	0	0	1	3
0	£135,000 - £139,999	0	0	0	0	0	0
3	£140,000 - £144,999	0	2	0	0	0	2
0	£145,000 - £149,999	0	1	0	0	0	1
0	£150,000 - £154,999	0	1	0	0	0	1
498	Total	250	187	48	27	38	550

Of the 250 staff (247 in 2023/24) in Children's Services noted above, 203 were head teachers or senior teaching staff (205 in 2023/24).

Of the 187 staff (170 in 2023/24) in Infrastructure Services noted above, 142 worked in Ports and Harbours Operations or Ferry Operations (136 in 2023/24).

Summary of Remuneration paid to Councillors

The Council paid the following salaries, additional allowances (for senior councillors) and expenses in respect of all elected members:

	2023/24 £000	2024/25 £000
Salaries	462	486
Expenses	96	16
Allowances	39	42
Total	597	544

The annual return of Councillors' salaries and expenses for 2024/25 is available for any member of the public to view on the Council's website [here](#).

Summary of Remuneration paid to Employees

The Council paid the following salaries, expenses and additional allowances in respect of all staff:

	2023/24 £000	2024/25 £000
Salaries	94,086	98,811
Overtime	4,607	4,878
Expenses	905	1,049
Allowances	1,212	1,328
Total	100,810	106,066

Note that the Distant Island Allowance, which is paid to all staff based in Shetland, is included within Salaries.

Exit Packages

The Regulations require the Remuneration Report to provide information on the number of exit packages awarded in bandings of £20k up to £100k, and thereafter in bandings of £50k, along with the total cost of the exit packages within each band.

The Regulations also require disclosure of the number of compulsory redundancies and other agreed departures. The cost of exit packages must pay back within three years, with ongoing salary savings realised thereafter.

There were three exit package awarded in 2024/25 (one in 2023/24).

Exit package cost band (including special payments)	(a)		(b)		(a+b)		Total cost of exit packages in each	
	Number of compulsory		Number of other departures agreed		Total number of exit packages by cost		2023/24	2024/25
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	£000	£000
£0 - £19,999	0	2	0	0	0	2	0	18
£20,000 - £39,999	0	1	0	0	0	1	0	24
£40,000 - £59,999	0	0	1	0	1	0	45	0
£60,000 - £79,999	0	0	0	0	0	0	0	0
£80,000 - £99,999	0	0	0	0	0	0	0	0
£100,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 - £199,999	0	0	0	0	0	0	0	0
Total	0	3	1	0	1	3	45	42

The table above details the number and cost of exit packages awarded. Included in the cost of the exit packages are:

- Any termination payment, such as a redundancy payment;
- Strain on the fund cost (the amount payable by the Council to the pension fund because the employee has retired before the assumed retirement age);
- Any enhanced payments, such as compensatory added years; and
- A capitalised value of the recurring compensatory added years' payment. This is paid annually by the Council once an employee has left and is therefore a notional capitalised cost is confirmed in the year it occurs.

Disclosure of Remuneration for Senior Councillors

2023/24		2024/25			
Total Remuneration (Restated)	Name of Councillor	Designation	Salary, Fees and Allowances	Taxable Expenses	Total Remuneration
£			£	£	£
25,128	A Manson	Convener	26,686	0	26,686
33,503	E Macdonald	Leader of the Council	35,580	0	35,580
22,078	A Duncan	Chair - Audit Committee	23,446	0	23,446
23,283	D Leask	Chair - Development Committee	24,727	0	24,727
23,283	D Sandison	Chair - Education & Families Committee	24,727	0	24,727
23,283	M Lyall	Chair - Environment & Transport Committee	24,727	0	24,727
22,078	R W Thomson	Chair - Harbour Board	23,446	0	23,446
22,078	N Pearson	Chair - Licensing Committee	23,446	0	23,446
22,078	R McGregor	Chair - Planning Committee	23,446	0	23,446
23,283	J Fraser	Vice Chair - Shetland Islands Integration Joint Board	24,727	0	24,727
20,099	S Leask	Convener - Orkney & Shetland Valuation Joint Board	26,686	0	26,686

Notes:

- Taxable expenses include telephone line rental / broadband costs;
- Councillors are only paid one special responsibility allowance, irrespective of how many Chair/Vice Chair positions they hold.

Remuneration of Senior Employees of the Council

2023/24		Designation	2024/25		
Total Remuneration	Name of Senior Employee		Salary, Fees and Allowances	Taxable Expenses	Total Remuneration
£			£	£	£
126,574	M Sandison	Chief Executive	131,195	0	131,195
105,995	H Budge c)	Director - Children's Services	48,440	0	48,440
88,986	S Flaws d)	Director - Children's Services	95,673	0	95,673
89,896	J Robinson e)	Director - Community Health & Social Care	100,462	0	100,462
106,020	C Ferguson	Director - Corporate Services	109,875	84	109,959
105,995	N Grant	Director - Development Services	109,875	0	109,875
106,070	J Smith	Director - Infrastructure Services	109,875	0	109,875
101,874	D Morgan	Executive Manager - Criminal Justice (Acting Chief Social Work Officer)	94,054	515	94,569
90,411	P Fraser	Executive Manager - Finance (Section 95 Officer)	96,245	30	96,275
95,985	J Riise	Executive Manager - Governance & Law (Monitoring Officer)	98,663	0	98,663
	S Polson f)	Marine Pilot	151,386	133	151,519

Notes:

- Remuneration includes ad-hoc elements that are part of the normal duties of the post, i.e. call-out and stand-by allowances;
- Taxable expenses include taxable mileage and / or expenses out with HMRC's dispensation;
- H Budge retired from her position as Director – Children's Services on 8 September 2024. The full time remuneration for this post is £107,075;
- S Flaws was Acting Director – Children's Services from 27 September 2024, and formally appointed to the post of Director – Children's Services on 1 November 2025. The full time equivalent remuneration for this post is £102,630;
- J Robinson continues to work a 34 hour week. The full time equivalent remuneration for Ms Robinson's substantive post in 2024/25 is £109,934.
- S Polson remuneration for 2023/24 under £150k therefore not disclosed.

Pension Benefits – Senior Councillors

The pension entitlements for Senior Councillors are shown in the table below, together with the contribution made by the Council to each Senior Councillor during the year. Councillors can be members of the Pension Scheme until the eve of their 75th birthday and on the completion of their term can access the pension benefits that have accrued to them if they have attained / exceeded their normal pension age.

Name of Councillor	Designation	In-Year Employer Pension Contributions		Accrued Pension Benefits			
		31 March 2024		As at 31 March 2025		Difference from 31 March 2024	
		£000	31 March 2025 £000	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
A Manson	Convenor	6	5	7	0	1	0
E Macdonald	Leader of the Council	7	8	5	0	1	0
D Leask	Chair - Development Committee	5	5	2	0	1	0
D Sandison	Chair - Education & Families Committee	5	5	6	0	1	0
M Lyall	Chair - Environment & Transport Committee	5	5	3	0	1	0
R W Thomson	Chair - Harbour Board	5	4	1	0	0	0
N Pearson	Chair - Licensing Committee	5	4	1	0	0	0

Pension Benefits - Senior Employees

Name of Senior Official	Designation	In-Year Employer		Accrued Pension Benefits			
		31 March 2024 £000	31 March 2025 £000	As at 31 March 2025		Difference from 31 March 2024	
				Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
M Sandison	Chief Executive	28	25	62	68	5	3
H Budge	Director - Children's Services	24	13	42	119	0	(7)
S Flaws	Director - Children's Services	20	25	27	0	27	0
J Robinson	Director - Community Health & Social Care	20	19	42	43	6	4
C Ferguson	Director - Corporate Services	23	21	85	122	10	4
N Grant	Director - Development Services	23	21	43	26	4	1
J Smith	Director - Infrastructure Services	23	21	53	62	4	2
P Fraser	Executive Manager - Finance	20	18	4	0	2	0
D Morgan	Executive Manager - Criminal Justice (Acting Chief Social Work Officer)	22	19	55	78	3	0
J Riise	Executive Manager - Governance & Law	21	19	59	84	4	2
S Polson	Marine Pilot	24	22	51	46	5	2

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS), apart from teachers, whose pension benefits are provided through the Scottish Teachers Pension Scheme. The LGPS is a funded pension scheme that receives contribution payments from both Scheme members and participating employers.

Councillors' pension benefits to 31 March 2015 were based on career average pay. Councillors' pay for each year or part up to 31 March 2015 (other than the pay in the final year commencing 1 April 2014) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the Scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits up to 31 March 2015.

From 1 April 2015, the Pension Scheme moved to a career average related earnings scheme for all scheme members. Councillors and local government employees build up a pension at a rate of 1/49th of the amount of pensionable pay they receive in a scheme year. The amount of pension built up is increased in line with HM Treasury Orders at the end of each scheme year.

Benefits built up before 1 April 2015 will continue to be calculated on final pay for employees and average revalued pay for councillors.

The Scheme's normal retirement age for both councillors and employees is now linked to their own state pension age (with a minimum age 65).

From 1 April 2015 the five-tier employee pension contribution system still remains, with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of Scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

Tiered contribution rates on whole time pay are as follows:	2023/24 %	Tiered contribution rates on whole time pay are as follows:	2024/25 %
On earnings up to and including £25,300	5.50	On earnings up to and including £27,000	5.50
On earnings above £25,301 and up to £31,000	7.25	On earnings above £27,001 and up to £33,000	7.25
On earnings above £31,001 and up to £42,500	8.50	On earnings above £33,001 and up to £45,300	8.50
On earnings above £42,501 and up to £56,600	9.50	On earnings above £45,301 and up to £60,400	9.50
On earnings above £56,601	12.00	On earnings above £60,401	12.00

From April 2015, if a person works part-time, their contribution rate is worked out on their actual pay rate for the job and contributions are paid on actual pay earned. Prior to April 2015, the contribution rate was worked out on their whole-time equivalent rate of pay, with contributions paid on actual pay earned.

From 1 April 2009, there was no longer automatic entitlement to a lump sum. Members may opt to give up (commute) up to 25% of their pension for lump sum, per the Finance Act 2004. From April 2015, pensions are built up at a rate of 1/49th of annual pensionable pay for that year. From 1 April 2009 to April 2015, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension

based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a 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 accrued as a consequence of an individual's total Local Government Service, not just their current appointment. The figures also reflect any transfer of pension benefits from another pension arrangement.

Trade Union Facility Time Report 2024/25

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employees to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

Facility Time Publication Requirements 2024/25	Central Function Employees	Education Function Employees
Table 1 - What was the total number of your employees who were relevant union officials during the relevant period?		
Number of employees	19	8
Full-time equivalent employee number	18.18	8
Table 2 - How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?		
Percentage of time	Number of employees	Number of employees
0%	12	6
1-50%	6	2
51-99%	1	0
100%	0	0
Table 3 - Percentage of pay bill spent on facility time: Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.		
	£000	£000
Total cost of facility time (A)	30	33
Total pay bill (B)	117,233	27,631
Percentage of the total pay bill spent on facility time (A ÷ B)	0.03%	0.12%
Table 4 - Paid trade union activities: As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?		
	%	%
Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ Total paid facility time hours x 100	66.5%	35.3%

Emma Macdonald

Emma Macdonald

Leader of the Council

10 December 2025

Maggie Sandison

Maggie Sandison

Chief Executive

10 December 2025

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority the proper officer is the Executive Manager - Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to 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); and
- approve the annual accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Shetland Islands Council at its meeting on 10 December 2025.

Signed on behalf of Shetland Islands Council.

Emma Macdonald

Emma Macdonald
Leader of the Council
10 December 2025

The Executive Manager - Finance's Responsibilities

The Executive Manager - Finance is responsible for the preparation of the Authority's annual accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the annual accounts, the Executive Manager - Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Executive Manager - Finance has also:

- kept adequate accounting records which were up to date; and
- 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 at the reporting date and the transactions of the Local Authority for the year ended 31 March 2025.

Paul Fraser

Paul Fraser
Executive Manager - Finance
10 December 2025

Independent auditor's report to the members of Shetland Islands Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Shetland Islands Council for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Housing Revenue Account Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council as at 31 March 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Manager – Finance and the Audit Committee for the financial statements

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

In preparing the financial statements, the Executive Manager – Finance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the council's operations.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on other requirements

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

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

Other information

The Executive Manager – Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Rachel Browne

Rachel Browne CPFA,
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN
10 December 2025

Primary Financial Statements

Comprehensive Income and Expenditure Statement for year ended 31 March 2025

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and in Note 2: Expenditure and Funding Analysis.

2023/24 Gross Expenditure £000	2023/24 Gross Income £000	2023/24 Net Expenditure £000	Notes	2024/25 Gross Expenditure £000	2024/25 Gross Income £000	2024/25 Net Expenditure £000
2,364	(54)	2,310	Chief Executive and Cost of Democracy	2,448	(92)	2,356
66,839	(9,032)	57,807	Children's Services	73,777	(6,782)	66,995
80,179	(47,832)	32,347	Community Care Services	82,213	(48,832)	33,381
16,508	(4,343)	12,165	Corporate Services	20,695	(8,167)	12,528
22,952	(4,303)	18,649	Development Services	23,395	(4,501)	18,894
52,396	(30,910)	21,486	Infrastructure Services	55,914	(32,170)	23,744
5,970	(7,491)	(1,521)	Housing Revenue Account	7,688	(7,859)	(171)
19,085	(31,888)	(12,803)	Harbour Account	20,885	(29,939)	(9,054)
266,293	(135,853)	130,440	Net Cost of Services	287,015	(138,342)	148,673
7,349	(599)	6,750	Other operating income and expenditure	6,772	(956)	5,816
4,867	(46,983)	(42,116)	Financing and investment income and expenditure	7,911	(11,814)	(3,903)
0	(104,944)	(104,944)	Taxation and non-specific grant income	0	(112,068)	(112,068)
278,509	(288,379)	(9,870)	(Gain) / Loss on Provision of Services	301,698	(263,180)	38,518
			<i>Items that will not be reclassified to the (surplus) or deficit on the provision of (Surplus) / Deficit on revaluation of property, plant and equipment assets</i>		12	(28,298)
		682	Remeasurement of the net defined benefit liability/asset		28	(3,892)
		(19,906)	Other Comprehensive Income and Expenditure			(32,190)
		(29,776)	Total Comprehensive Income and Expenditure			6,328

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 other 'unusable' reserves. This statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The Net Increase / Decrease line shows the statutory General Fund and Housing Revenue Account movements in the year following those adjustments.

2024/25	General Fund £000	Housing Revenue Account £000	Capital Funds £000	Other Revenue/ Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2024	(248,491)	(15,165)	(49,348)	(90,603)	(403,607)	(429,494)	(833,101)
Adjustments on transition to new accounting arrangement for leases	(6,414)	0	0	0	(6,414)	(2,931)	(9,345)
Transitional adjustments between accounting basis and funding basis	6,414	0	0	0	6,414	(6,414)	0
Adjusted balance at 1 April 2024	(248,491)	(15,165)	(49,348)	(90,603)	(403,607)	(438,839)	(842,446)
Movement in reserves during the year:							
Total Comprehensive Income and Expenditure	35,135	3,383	0	0	38,518	(32,191)	6,327
Adjustments between accounting basis & funding basis per regulations (Note 6)	(13,853)	772	1,013	0	(12,068)	12,068	0
Net Decrease/(Increase) before transfers	21,282	4,155	1,013	0	26,450	(20,123)	6,327
Net Transfers to/(from) Other Statutory Reserves	(7,376)	0	1,913	8,918	3,455	(3,455)	0
Decrease/(Increase) in year	13,906	4,155	2,926	8,918	29,905	(23,578)	6,327
Balance at 31 March 2025	(234,585)	(11,010)	(46,422)	(81,685)	(373,702)	(462,417)	(836,119)

2023/24	General Fund	Housing Revenue Account	Capital Funds	Other Revenue/ Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2023	(168,377)	(18,968)	(70,134)	(132,109)	(389,588)	(413,737)	(803,325)
Movement in reserves during the year:							
Total Comprehensive Income and Expenditure	(9,790)	(81)	0	0	(9,871)	(19,905)	(29,776)
Adjustments between accounting basis & funding	(9,600)	3,924	(43)	0	(5,719)	5,719	0
Net (Increase)/Decrease before transfers	(19,390)	3,843	(43)	0	(15,590)	(14,186)	(29,776)
Net Transfers to/(from) Other Statutory Reserves	(60,724)	(40)	20,829	41,506	1,571	(1,571)	0
(Increase)/Decrease in year	(80,114)	3,803	20,786	41,506	(14,019)	(15,757)	(29,776)
Balance at 31 March 2024	(248,491)	(15,165)	(49,348)	(90,603)	(403,607)	(429,494)	(833,101)

Balance Sheet as at 31 March 2025

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations or earmarking on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt and the Unrealised Investment Gains which is earmarked and not available to fund the delivery of services). Unusable reserves are those that are not able to be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2024 £000		Notes	As at 31 March 2025 £000
489,314	Property, Plant and Equipment	13	514,822
0	Property, Plant and Equipment - Right of Use	27	12,769
1,515	Investment Property	14	1,395
4,391	Heritage Assets	15	4,380
48,502	Intangible Assets	16	43,686
386,864	Long-term Investments	18	371,643
724	Long-term Debtors	22	644
931,310	Long-Term Assets		949,339
62	Assets held for Sale	21	344
5,901	Inventories	25	6,342
26,279	Short-term Debtors	23	23,028
8,095	Cash and Cash equivalents	20	14,639
40,337	Current Assets		44,353
(25,574)	Short-term Creditors	24	(28,240)
(232)	Short-term Provisions	26	(137)
(2,676)	Grant Receipts in Advance - Capital	11	(16,605)
(988)	Grant Receipts in Advance - Revenue	11	(1,145)
(29,470)	Current Liabilities		(46,127)
(49,029)	Long-term Borrowing	18	(49,009)
(21,938)	Pension Liability - Unfunded Obligations	28	(19,092)
(836)	Long-term Provisions	26	(818)
(36,362)	PFI and Similar Contracts	17	(38,406)
(911)	Other Long-term Liabilities	18	(4,121)
(109,076)	Long-Term Liabilities		(111,446)
833,101	Net Assets		836,119
403,607	Usable Reserves	7	373,702
429,494	Unusable Reserves	12	462,417
833,101	Total Reserves		836,119

The unaudited financial statements were issued on 30 June 2025 and the audited financial statements were authorised for issue on 10 December 2025

Paul Fraser

Paul Fraser CPFA
Executive Manager – Finance
10 December 2025

Cash Flow Statement for year ended 31 March 2025

This statement shows the changes in cash and cash equivalents of the Council during the financial year. It 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 the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2023/24 £000		Notes	2024/25 £000
	Operating activities		
(9,870)	Net (surplus)/deficit on the provision of services (CIES)		38,518
(18,412)	Adjustment to net surplus or deficit on the provision of services for non-cash movements		(54,512)
8,360	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		8,204
(19,922)	Net cash flows from Operating Activities		(7,790)
19,334	Investing activities		(959)
1,606	Financing activities		2,205
1,018	Net increase in cash and cash equivalents		(6,544)
9,113	Opening Cash and Cash Equivalents	20	8,095
(1,018)	Net movement of Cash and Cash Equivalents during the year		6,544
8,095	Closing Cash & Cash Equivalents		14,639

Notes to the Cash Flow Statement

Operating Activities

Cash flows for operating activities include the following:

2023/24 £000		Notes	2024/25 £000
(5,469)	Interest received	9	(4,851)
3,984	Interest paid		4,081
(6,771)	Dividends received	9	(6,294)
(8,256)	Total		(7,064)

The Surplus or Deficit on the Provision of Services has been adjusted for these non-cash movements:

2023/24 £000		Notes	2024/25 £000
(16,842)	Depreciation, impairment and revaluations		(25,432)
(2,487)	Amortisation		(2,575)
384	(Increase) in impairment for bad debts		(557)
37	(Increase) in creditors		(15,749)
6,646	Increase/(Decrease) in debtors		(2,997)
330	(Decrease)/Increase in inventories	25	441
1,023	Movement in pension liability	28	(1,046)
(7,300)	Carrying amount of non-current assets sold or de-recognised		(6,667)
(203)	Other non-cash items charged to the net surplus or deficit on the provision of services		70
(18,412)	Total		(54,512)

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2023/24 £000		2024/25 £000
550	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	850
7,810	Any other items for which the cash effects are investing or financing cash flows	7,354
8,360	Total	8,204

Investing Activities

2023/24 £000		Notes	2024/25 £000
17,699	Purchase of property, plant and equipment, investment property and intangible assets		22,507
10,077	Purchase of short-term and long-term investments	18	(15,221)
(550)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(850)
(112)	Proceeds from short-term and long-term investments		(124)
30	Other payments from investing activities		83
(7,810)	Other receipts from investing activities		(7,354)
19,334	Total		(959)

Financing Activities

2023/24 £000		2024/25 £000
1,583	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,186
23	Repayments of short and long-term borrowing	19
1,606	Total	2,205

Housing Revenue Account

Introduction and Statutory Background

The Housing (Scotland) Act 1987 provides the statutory framework for the housing accounts of Scottish local authorities. Part X of the 1987 Act requires a local authority to keep a Housing Revenue Account of the income and expenditure for each year in respect of the houses, buildings and land specified in Part I of Schedule 15.

Part X of the 1987 Act and Schedule 15 thereto make significant provisions relevant to the preparation of the financial statements:

Section 203(1) – housing authorities have a duty to keep an HRA;

Section 203(5) – the HRA must be kept in accordance with Part II of Schedule 15 regarding debits, credits and supplementary provisions;

Section 204 – the Scottish Government has the power to limit General Fund contributions to HRA;

Schedule 15 – housing authorities have a duty to avoid a deficit in the HRA but if there is a deficit, a General Fund contribution must be made equal to the deficit;

Schedule 15 – the Scottish Government may decide that items of income or expenditure, either generally or of a specific category, shall be included or excluded from the HRA;

Schedule 15 – with the consent of the Scottish Government, a housing authority may exclude or include any items of income or expenditure in the HRA; and

Schedule 15 – the Scottish Government may direct rectification of the account if it is of the opinion that items of income or expenditure have not been, or have been improperly, credited or debited in the HRA.

The operation of the HRA in terms of statutory debits and credits is governed by Part II of Schedule 15 of the 1987 Act and will include income (dwelling rents, services and other charges) and expenditure (repairs, maintenance and management, capital financing costs, bad debts and voids).

In parallel with the treatment for the Council's wider operations, the transactions relating to the HRA have been separated into two statements:

the HRA Income and Expenditure Statement;

the Movement on the HRA Statement.

The HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Housing Revenue Account Income and Expenditure Statement

2023/24 £000		2024/25 £000
	Expenditure	
4,398	Repairs and maintenance	4,623
866	Supervision and management	851
435	Depreciation and impairment of non-current assets	1,850
(4)	Movement in the allowance for bad debts	86
218	Other expenditure	220
5,913	Total expenditure	7,630
	Income	
(7,232)	Dwelling rents	(7,585)
(227)	Non-Dwelling rents	(236)
(32)	Other Income	(37)
(7,491)	Total income	(7,858)
(1,578)	Net (Income)/Expenditure of HRA services as included in the CIES	(228)
57	HRA services' share of Corporate and Democratic Core	57
(1,521)	Net (Income)/Expenditure of HRA Services	(171)
	HRA share of operating income and expenditure included in the CIES	
3,527	(Gain) or Loss on sale of HRA non-current assets	3,650
442	Interest payable and similar charges	472
(1,678)	Interest and investment income	(514)
15	Pension interest cost and expected return on pension assets	16
(867)	Capital Grants and Contributions	(70)
1,439	Net HRA share of operating expenditure	3,554
(82)	(Surplus)/Deficit for the year on HRA services	3,383

Movement on the Housing Revenue Account Statement

2023/24 £000		2024/25 £000
(18,968)	Opening balance on the HRA	(15,165)
(82)	(Surplus) / Deficit on the HRA Income and Expenditure Statement	3,383
3,925	Adjustment between accounting basis and funding basis under statute	772
3,843	Increase in year on the HRA	4,155
(40)	Transfers to reserves	-
(15,165)	Closing balance on the HRA	(11,010)

The adjustments between accounting basis and funding basis for the HRA are shown in disclosure Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations and transfers to or from reserves are shown in Note 7: Transfers to / (from) Earmarked Reserves.

Notes to the Housing Revenue Account

Number and Types of Dwellings

The following table shows the stock movements by apartment size:

2023/24 Number	Housing Stock	2024/25 Number
75	1 Apartment	77
412	2 Apartment	412
522	3 Apartment	528
609	4 Apartment	610
33	5 Apartment	32
2	6 Apartment	2
2	8 Apartment	2
1,655	Total	1,663

Amount of Rent Arrears

At 31 March 2025, the total rent arrears amounted to £0.659m (2023/24: £0.695m). The table below provides analysis of this amount. The format of the note and presentation of prior year information has been revised.

2023/24 £000		2024/25 £000
	Dwellings	
376	Current Tenants	350
319	Former Tenants	309
695	Total	659
9.6%	Arrears as % of dwelling rent income	8.7%
	Non-Dwelling Rents	
3	Current Tenants	2
5	Former Tenants	3
8		5
3.8%	Arrears as % of non-dwelling rent income	2.1%

Provision for Bad Debts

The value of housing debt written off in 2024/25 was £33k (£114k 2023/24). The housing bad and doubtful debt provision included within the Council's accounts at 31 March 2025 is £118k (£65k 2023/24).

Void Rents

The following table summarises the income lost due to voids in 2024/25. These amounts are included in the other expenditure line of the Housing Revenue Account Income and Expenditure Statement.

2023/24 £000		2024/25 £000
107	General needs void rents and charges	152
35	Sheltered housing void rents and charges	25
142	Total	177

Council Tax Income Account

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

Council Tax Income Account

2023/24 £000		2024/25 £000
(13,451)	Gross Council Tax levied and contributions in lieu	(13,824)
758	Council Tax Reduction Scheme	779
1,702	Other discounts and reductions	1,582
54	Write-offs of uncollectable debts and allowance for impairment	64
23	Adjustment to previous years' Community Charge and Council Tax	71
(10,914)	Transfer to General Fund	(11,328)

Council Tax Base

The table below shows the Council Tax base used to set the 2024/25 charges. The amount of Council Tax payable depends on the valuation band of the dwelling. The following analysis sets out the number of chargeable dwellings in each valuation band, before and after adjustment for exemptions and discounts, with all figures also shown after conversion to band D equivalents.

2024/25	Number of dwellings	Number of exemptions	Disabled relief	Discounts	Council Tax Reduction	Total dwellings	Ratio to Band D	2024/25 Band D equivalents	2023/24 Band D equivalents
Band A*			8	(1)	(1)	6	0.56	3	3
Band A	2,977	(126)	7	(502)	(262)	2,094	0.67	1,396	1,387
Band B	1,880	(88)	13	(277)	(162)	1,366	0.78	1,063	1,066
Band C	2,903	(117)	13	(369)	(238)	2,192	0.89	1,949	1,946
Band D	1,908	(46)	6	(167)	(57)	1,644	1.00	1,643	1,636
Band E	1,520	(14)	2	(92)	(18)	1,398	1.31	1,838	1,811
Band F	319	(3)	1	(13)	(2)	302	1.63	492	488
Band G	70	(3)	0	(3)	0	64	1.96	126	122
Band H	2	(1)	0	(1)	0	1	2.45	1	0
Sub-total								8,511	8,459
Less	Bad Debt provision							(59)	(59)
	Council Tax Base							8,452	8,400

* Relates to Band A properties subject to disabled relief

The gross charge to a given property may be affected by the following deductions:

Council Tax Reduction Scheme:

This is a scheme that reduces the Council Tax liability of low income households in Scotland.

Exemptions:

Houses where all the residents are students, or under 18 years old, or are persons with a severe mental impairment will be exempt. Some classes of empty property, in many cases only for a limited period, will also be exempt.

Discounts:

If only one adult lives in a property, the bill may be cut by 25%. If the property is unoccupied and is no-one's sole or main residence, the bill may be cut by up to 50%. If the property is a second home or long-term empty, the discount will only be 10%.

Reliefs:

If a house has been structurally altered for a disabled person, the Council Tax bill may be set at the next band lower in value than that shown in the Valuation List (Band A* shown above). A reduction is also offered for properties in Band A.

Non-Domestic Rate Income Account

Statutory Background

The Non-Domestic Rate Account (Scotland) is a statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

Non-Domestic Rate Income Account

2023/24 £000		2024/25 £000
31,463	Gross rates levied and contributions in lieu	36,268
(4,544)	Reliefs and other deductions	(8,538)
0	Payment of interest	(8)
0	Write-offs of uncollectable debts	(70)
(10)	Allowance for impairment of uncollectable debt	0
26,909	Net non-domestic rate income	27,652
(225)	Adjustment to previous years' national non-domestic rates	(235)
(2,382)	Net contribution (to) / from National Non-Domestic Rate pool	(69)
24,302	Net NDR Income transferred to General Fund	27,348

Analysis of Rateable Value

The amount paid for non-domestic rates is determined by the rateable value agreed by the Assessor multiplied by the rate per £ (rate poundage) that is announced annually by the Scottish Government.

The 2024/25 Non-Domestic Basic Property Rate ('poundage') was set at 49.8p (49.8p in 2023/24), with a large business supplement of 4.7p for properties with a rateable value between £51,001 and £100,000 (54.5p – the Intermediate Property Rate), and 6.1p for all subjects with a rateable value above £100,000 (55.9p – the Higher Property rate).

The table below sets out the number of subjects liable for General Rates and the rateable values at the start of the year.

Rateable values at 1 April 2024	Number of Subjects	Rateable Value £000
Commercial	576	8,226
Industrial	510	37,318
Other	1,288	16,718
Total	2,374	62,262

Notes to the Financial Statements

Note 1: Prior Period Disclosure Error

An error has been identified in the inclusion of an investment property and land rental as part of Note 27: Leases for 2023/24. As per the Code, investment properties are accounted for under IAS 40, and separately disclosed at Note 14. A land asset lease for which the Council does not have the right of use, as this right is passed on via a sub leasing arrangement, does not meet the accounting definition of a lease.

The following is an extract from the disclosures in the financial statements setting out the classification error:

Effect on Note 27: Leases Minimum lease payments due under non-cancellable leases in future years	As originally stated £000	As Restated £000	Restatement £000
Not later than one year	1,159	510	(649)
Later than one year and not later than five years	3,269	672	(2,597)
Later than five years	4,456	2,921	(1,535)
	8,884	4,103	(4,781)

Note 2: Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (i.e. government grants, rents, Council Tax and business rates) for the year has been used in providing services, in comparison with those resources consumed or earned in accordance with accounting practices. It 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 CIES.

2024/25	Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between Funding and Accounting Basis £000	Presentational Adjustments £000	Net Expenditure in the CIES £000
Chief Executive and Cost of Democracy	2,099	210	47	2,356
Children's Services	61,860	5,612	(477)	66,995
Community Care Services	36,533	1,268	(4,420)	33,381
Corporate Services	8,494	3,911	123	12,528
Development Services	17,156	2,730	(992)	18,894
Infrastructure Services	35,357	4,131	(15,744)	23,744
Housing Revenue Account	4,639	(5,175)	365	(171)
Harbour Account	(7,943)	863	(1,974)	(9,054)
Net Cost of Services	158,195	13,550	(23,072)	148,673
Other income and expenditure	(126,337)	(469)	16,651	(110,155)
Deficit or (Surplus)	31,858	13,081	(6,421)	38,518
Opening General Fund and HRA balance*		263,656		
Add (Surplus) / Deficit in the year		38,518		
Add other items not charged to the (Surplus) / Deficit		(56,579)		
Closing General Fund and HRA balance*		245,595		

2023/24	Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between Funding and Accounting Basis £000	Presentational Adjustments £000	Net Expenditure in the CIES £000
Chief Executive and Cost of Democracy	2,149	125	36	2,310
Children's Services	59,885	2,428	(4,506)	57,807
Community Care Services	32,305	346	(304)	32,347
Corporate Services	10,407	1,000	758	12,165
Development Services	19,084	1,614	(2,049)	18,649
Infrastructure Services	36,333	4,860	(19,706)	21,486
Housing Revenue Account	5,602	(6,601)	(522)	(1,521)
Harbour Account	(13,592)	1,961	(1,172)	(12,803)
Net Cost of Services	152,173	5,733	(27,465)	130,440
Other income and expenditure	(121,876)	(57)	(18,379)	(140,310)
Deficit or (Surplus)	30,297	5,676	(45,844)	(9,870)
Opening General Fund and HRA balance*		187,345		
Add (Surplus) / Deficit in the year*		(13,189)		
Add other items not charged to the (Surplus) / Deficit		89,500		
Closing General Fund and HRA balance*		263,656		

*For a split between General Fund and HRA balances, see the Movement in Reserves Statement.

The following table analyses the Adjustments between Funding and Accounting Basis figure outlined above:

2024/25	Adjustments for capital £000	Adjustment for pensions net change £000	Other adjustments £000	Total adjustments £000
Chief Executive and Cost of Democracy	189	21	0	210
Children's Services	6,140	(516)	(12)	5,612
Community Care Services	1,097	379	(208)	1,268
Corporate Services	3,936	(4)	(21)	3,911
Development Services	2,812	(82)	0	2,730
Infrastructure Services	3,966	191	(26)	4,131
Housing Revenue Account	(5,192)	25	(8)	(5,175)
Harbour Account	868	(37)	32	863
Net Cost of Services	13,816	(23)	(243)	13,550
Other income and expenditure	(1,538)	1,069	0	(469)
Total adjustments between accounting basis and funding basis	12,278	1,046	(243)	13,081
2023/24	Adjustments for capital £000	Adjustment for pensions net change £000	Other adjustments £000	Total adjustments £000
Chief Executive and Cost of Democracy	156	(31)	0	125
Children's Services	3,478	(1,042)	(8)	2,428
Community Care Services	627	(191)	(90)	346
Corporate Services	1,205	(175)	(30)	1,000
Development Services	1,833	(200)	(19)	1,614
Infrastructure Services	5,059	(189)	(10)	4,860
Housing Revenue Account	(6,611)	(6)	16	(6,601)
Harbour Account	2,098	(192)	55	1,961
Net Cost of Services	7,845	(2,026)	(86)	5,733
Other income and expenditure	(1,060)	1,003	0	(57)
Total adjustments between accounting basis and funding basis	6,785	(1,023)	(86)	5,676

Capital Adjustments

This column includes depreciation, impairment and revaluation gains and losses, income on disposal of assets and the amounts written off for those assets; statutory charges for capital financing and capital grants not chargeable under generally accepted accounting practices.

Pensions Adjustments

Employer pension contributions made by the Council are removed here and replaced with current service costs and past service costs according to IAS 19. Net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

Other differences between amounts charged to the CIES and amounts to be recognised under statute include the amount by which finance costs charged to the CIES are different from finance costs chargeable in the year and the amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year.

Presentational Adjustments

Further adjusting differences between amounts charged to the CIES and amounts reported internally to management. Some items of investment income and expenditure are not reported internally and therefore must also be presented here.

Note 3: Accounting Standards Issued but not yet Adopted

Standards, amendments and interpretations issued but not adopted this year

At the date of authorisation of these financial statements, the Council has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS21 (The Effects of Changes in Foreign Exchange Rate – Lack of Exchangeability). Applicable for periods beginning on or after 1 April 2025. The amendments:
 - clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking; and
 - require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

This amendment is not expected to have an impact on the Council's financial statements.

- Amendments to IFRS 17 (Insurance Contracts). Applicable for periods beginning on or after 1 April 2025. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

This amendment is not expected to have an impact on the Council's financial statements.

- Changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

At transition, the carrying value of intangible assets will be considered historical cost.

Therefore the change in standard is not expected to have a material impact on the Council's financial statements.

Note 4: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 39, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note, however a summary of those with the most significant effect is detailed below:

- There are a number of legal claims currently outstanding against the Council. Where a reliable estimate can be made and it's probable the Council will be required to settle the obligation, these have been included as provisions within the Council's Balance Sheet. Where it has not been possible to establish a reliable estimate or the probability of settlement, the claims have been accounted for as contingent liabilities;
- There is a high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that its assets may be impaired as a result of (for example) reduced maintenance;
- The Council has classified the measurement basis of its available for sale financial instruments as fair value through profit or loss. This is due to the contractual terms of the asset which do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. During 2024/25 the unrealised gain recognised in the CIES was £1.2m;
- The Council is deemed to control the services provided under the PFI for the Anderson High School and also to control the residual value at the end of the agreement. The accounting policies for PFI have been applied to this arrangement (valued at net book value of £59.9m at 31 March 2025) which is

recognised as Property, Plant and Equipment on the Council's Balance Sheet;

- The Council has considered all entities in which it has an interest for consolidation in group accounts. The Council has assessed that the value of the financial results is considered not material for consolidation in group accounts. Further information can be found at Note 38: Group Interests.

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. Because balances cannot be determined with certainty, however, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are shown in the following table:

Note 5: Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets (see Note 28: Defined Benefit Pension Schemes). A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £8.922m; however, the assumptions interact in complex ways.
Fair Value Measurement	When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. The Council holds Financial Assets (Equity Investments) at fair value.	This will be different in each case, but changes in any assumptions used in all asset valuation could affect the values disclosed in the accounts.
Fishing Quota	Fishing quota held by the Council was valued at £43.27m by an independent broker at 31 March 2025. In line with the Code and IFRS 13, the valuer determined the market valuation of the Council's holding with reference to the number of Fixed Quota Allocation (FQA) units held, offers made in the year in the active market, then adjusted for Council specific considerations. It is highly probably that Brexit will have a long-term impact on the quantity of FQAs in the market affecting future valuations.	The effect will vary depending on market conditions at the time of valuation; it is not quantifiable at this time.

Item	Uncertainties	Effect if actual results differ from assumptions																
Property, Plant and Equipment: Valuations	<p>Assets held at Fair Value are subject to valuation on a five year rolling programme, as set out in the Accounting Policies Note. Additional valuations are carried out outwith the rolling programme, for example where a need for impairment has been identified, or where there is a material change to the value due to external factors. The valuation report has been used to inform the measurement of the land and buildings portfolio in these financial statements. The valuer exercises professional judgement in preparing the valuation, therefore, this is the best information available to the Council as at 31 March 2025 and can be relied upon.</p>	<p>A +/-5% change in the value of assets held at Fair Value would result in an increase or decrease to the value of Property Plant & Equipment of:</p> <table border="1" data-bbox="1036 380 1474 604"> <thead> <tr> <th>Asset Category</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Other Land & Buildings</td> <td>12,624</td> </tr> <tr> <td>Council Dwellings</td> <td>3,714</td> </tr> <tr> <td>Vehicles, Plant & Equipment</td> <td>2,603</td> </tr> <tr> <td>ROU - Land & Buildings</td> <td>445</td> </tr> <tr> <td>Surplus Assets</td> <td>94</td> </tr> <tr> <td>Community Assets</td> <td>8</td> </tr> <tr> <td></td> <td>19,488</td> </tr> </tbody> </table>	Asset Category	£000	Other Land & Buildings	12,624	Council Dwellings	3,714	Vehicles, Plant & Equipment	2,603	ROU - Land & Buildings	445	Surplus Assets	94	Community Assets	8		19,488
Asset Category	£000																	
Other Land & Buildings	12,624																	
Council Dwellings	3,714																	
Vehicles, Plant & Equipment	2,603																	
ROU - Land & Buildings	445																	
Surplus Assets	94																	
Community Assets	8																	
	19,488																	
Financial Instruments	<p>When measuring the fair value of the Council's external investments, the Council must maximise the use of relevant observable inputs and minimise the use of unobservable inputs. To achieve this the Council is required to follow the fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into three levels: Level 1 (quoted prices), Level 2 (observable inputs other than quoted prices), and Level 3 (unobservable inputs). Where level 1 inputs are not available, the Council using relevant experts, identifies the most appropriate valuation techniques to determine the fair value.</p> <p>At 31 March 2025, the Council had external investments with Fund Managers within Level 2 & 3 of £372m. The value of the Council's investments can increase or decrease from movements in the price of these investments. The Council is exposed to risk in terms of a loss arising if investments were sold at a point in time when the decrease in value of the investment showed the sale price to be lower than the original purchase price.</p>	<p>It is estimated that a general shift of 5% in the general price of shares (positive or negative) would result in a £14.8m gain or loss in value being recognised in the CIES.</p> <p>The largest investment exposure is to Global Equities, and a risk assessment of a general shift of +/-1% in Global Equities would result in an estimated gain or loss of £2.3m.</p>																

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the 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 capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises those resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund Housing Revenue Account services.

Housing Revenue Account

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part X of the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Usable Reserves

This includes the Capital Receipts Reserve and Capital Grants Unapplied Account.

The former holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which it can take place.

2024/25	Usable Reserves				Unusable Reserves £000
	General Fund £000	Housing Revenue Account £000	Capital Usable Reserves £000	Total Usable Reserves £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation of non-current assets	(18,622)	(1,851)	0	(20,473)	20,473
Charges for impairment of non-current assets	(4,867)	28	0	(4,839)	4,839
Movement in the fair value of Investment Properties	(120)	0	0	(120)	120
Amortisation of intangible assets	(2,549)	(26)	0	(2,575)	2,575
Capital grants and contributions applied	7,284	70	0	7,354	(7,354)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(2,908)	(3,759)	0	(6,667)	6,667
Capital repayment in respect of finance leases	112	0	0	112	(112)
Insertion of items not charged to the CIES:					
Statutory provision for the financing of capital investment (principal repayments)	3,618	810	0	4,428	(4,428)
Capital expenditure charged against the General Fund and HRA balances	4,228	5,424	0	9,652	(9,652)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Application of capital grants to finance capital expenditure	0	0	55	55	(55)
Adjustments involving the Capital Fund:					
Use of Capital Fund to fund capital expenditure in the year	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	741	109	0	850	(850)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	958	958	(958)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits charged to the CIES	(17,857)	(274)	0	(18,131)	18,131
Employer's pensions contributions and direct payments to pensioners payable in the year	16,852	233	0	17,085	(17,085)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	235	8	0	243	(243)
Total Adjustments	(13,853)	772	1,013	(12,068)	12,068

2023/24	Usable Reserves				Unusable Reserves £000
	General Fund £000	Housing Revenue Account £000	Capital Usable Reserves £000	Total Usable Reserves £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation of non-current assets	(17,276)	(1,544)	0	(18,820)	18,820
Charges for impairment of non-current assets	843	1,135	0	1,978	(1,978)
Movement in the fair value of Investment Properties	0	0	0	0	0
Amortisation of intangible assets	(2,461)	(26)	0	(2,487)	2,487
Capital grants and contributions applied	6,943	867	0	7,810	(7,810)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(3,736)	(3,564)	0	(7,300)	7,300
Capital repayment in respect of finance leases	111	0	0	111	(111)
Insertion of items not charged to the CIES:					
Statutory provision for the financing of capital investment (principal repayments)	3,025	808	0	3,833	(3,833)
Capital expenditure charged against the General Fund and HRA balances	1,302	6,238	0	7,540	(7,540)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	0	0	(43)	(43)	43
Adjustments involving the Capital Fund:					
Use of Capital Fund to fund capital expenditure in the year	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	513	37	0	550	(550)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits charged to the CIES	(17,209)	(267)	0	(17,476)	17,476
Employer's pensions contributions and direct payments to pensioners payable in the year	18,242	257	0	18,499	(18,499)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	103	(17)	0	86	(86)
Total Adjustments	(9,600)	3,924	(43)	(5,719)	5,719

Note 7: Transfers to / (from) Earmarked Reserves

This note sets out the amounts transferred to and from General Fund and Housing Revenue Account balances and other earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2024/25.

	Balance at 1 April 2024 £000	Transfers out £000	Transfers in £000	Balance at 31 March 2025 £000
General Fund Balance (unearmarked)	(68,084)	177,172	(157,569)	(48,481)
Equalisation Fund (unearmarked)	(29,937)	30,893	(956)	0
Revenue Spend to Save Fund	(1,942)	2,004	(62)	0
Council Tax Second Homes Receipts	(2,948)	0	(350)	(3,298)
Welfare Reform Fund	(387)	399	(12)	0
Hansel Funds	(215)	0	(21)	(236)
School Funds	(421)	0	(30)	(451)
Central Energy Efficiency Fund	(92)	27	0	(65)
Coastal Community Fund	(2,204)	0	(2,186)	(4,390)
Early Learning and Childcare (ELC)	(1,199)	1,199	0	0
Pupil Equity Funding (PEF)	(423)	297	0	(126)
Other Earmarked Reserves	(2,531)	328	(63)	(2,266)
Sustainable Transport	(2)	2	0	0
Local Investment Fund	(18,590)	18,650	(60)	0
Debt Repayment	0	0	(54,549)	(54,549)
Total General Fund	(128,975)	230,971	(215,858)	(113,862)
Capital Fund	(39,245)	3,654	(10,756)	(46,347)
Capital Spend To Save	(9,015)	9,303	(288)	0
Capital Grants Unapplied	(130)	55	0	(75)
Capital Receipts Reserve	(958)	958	0	0
Repairs & Renewals Fund	(24,574)	11,428	(785)	(13,931)
Housing Revenue Account	(15,165)	4,421	(266)	(11,010)
Harbour Reserve Fund	(60,777)	9,891	(11,598)	(62,484)
Insurance Fund	(5,252)	599	(617)	(5,270)
Total Statutory Reserves	(155,116)	40,309	(24,310)	(139,117)
Unrealised Investment Gains (earmarked)	(119,516)	0	(1,207)	(120,723)
Total Usable Reserves	(403,607)	271,280	(241,375)	(373,702)

General Fund Reserves

Under the Local Government (Scotland) Act 1973, the Council is permitted to carry forward balances on the General Fund.

General Fund Balance: established to defray General Fund expenditure.

Unrealised Investment Gains Reserve: This element of the General Fund is earmarked and is not available to fund the delivery of services. It represents the difference between the fair value of investments at 31 March 2025 compared with their original cost. The net gain (increases less decreases) is 'unrealised' because the underlying investments have not been sold as at

31 March 2025. The amount of the unrealised gain that is earmarked are those gains that are not readily converted to cash, plus those unrealised gains that are readily converted to cash but the Council does not consider it prudent to use to fund services.

Equalisation Fund: realised returns that exceed the long-term average rate of return that can be released in future years.

Revenue Spend to Save Fund: to fund savings initiatives upfront, to be repaid when a saving is realised.

Council Tax Second Homes Receipts: to fund affordable housing expenditure from receipts from second homes' Council Tax.

Welfare Reform Fund: to earmark income received from Government grants to fund initiatives relating to Welfare Reform and the introduction of Universal Credit.

Hansel Funds: held for the benefit of residents in care establishments.

School Funds: to contribute to the good of the schools of Shetland or enhance educational or social activities for children.

Central Energy Efficiency Fund: to fund the reduction in energy consumption and carbon emissions.

Coastal Community Fund: to fund projects intended to improve the economic development of coastal communities.

Early Learning and Childcare: to fund the expansion of Early Learning and Childcare facilities.

Pupil Equity Funding: to help fund initiatives to raise attainment in schools.

Other Earmarked Reserves: earmarked balances from grant income received in advance.

Local Investment Fund: income from Shetland Development Trust for investment in local businesses and distributing any investment income to Shetland Charities.

Other Statutory Reserves

The **Capital Fund** was established under the Local Government (Scotland) Act 1975. This fund may be used to defray certain items of capital expenditure and for the repayment of loan principals. It also incorporates funds established to facilitate the capital costs associated with implementing future savings plans; and the holding of capital grants and receipts to finance subsequent capital expenditure.

The **Repairs and Renewals Fund** was established under the provisions of the Local Government (Scotland) Act 1975 for the purpose of defraying

expenditure in repairing, maintaining, replacing and renewing any buildings, works, plant, equipment or articles belonging to the Council. This now incorporates the former Quarry Repairs and Renewals Fund.

The **Housing Revenue Account** carries forward the accumulated surplus or deficit generated by the HRA each year. The fund is set aside to defray certain expenditure on the HRA, such as the future maintenance of housing stock.

The **Harbour Reserve Fund** was established under Section 67(1) of the Zetland County Council Act 1974. This Act empowers the Council to transfer to the fund surpluses arising on the Harbour Account. The fund may be used to defray certain expenditure on the harbour undertaking and for any other purpose that is solely in the interest of the County and its inhabitants. It now incorporates the former Harbour Contingency and Pilot Boat Renewal Funds.

The **Insurance Fund** may be used to make good loss or damage suffered by the Council as a result of an occurrence against the risk of which the Council can insure. It can also be used in paying premiums on a policy of insurance against the risk.

Note 8: Other Operating Income and Expenditure

2023/24 £000		2024/25 £000
6,750	Losses on the disposal of non-current assets	5,816
6,750	Total	5,816

Note 9: Financing and Investment Income and Expenditure

2023/24 £000		2024/25 £000
5,389	Interest payable and similar charges	6,293
14	Change in expected credit loss	132
(28)	Impairment losses on financial instruments	0
(258)	Income and expenditure in relation to Investment properties	(270)
0	Changes in fair value of Investment Properties	120
1,003	Pensions interest cost and expected return on pensions assets	1,067
(5,469)	Interest receivable and similar income	(4,851)
(6,771)	Other investment income	(6,294)
(12,904)	Realised (gains)/losses in relation to available for sale financial assets	900
(23,133)	Unrealised (gains)/losses in relation to available for sale financial assets	(1,206)
41	Impairment (bad debt)	206
(42,116)	Total	(3,903)

Note 10: Revenue from Contracts with Service Recipients

The Council has recognised £53.1m in 2024/25 (£53.4m in 2023/24) from contracts with service recipients. The Council exercises judgement in recognising income from service recipients. Income is recognised as performance obligations are satisfied. The Council typically satisfies its performance obligations as services are rendered, or on delivery of goods. Revenue is recognised as (or when) the performance obligation is met.

The below table details how the timing of satisfaction of performance obligations relates to the typical timing of payment. Income received in advance is mainly from rental income and course fees. Income received at the point of use is mainly from ferry fare income and canteen sales. Of the income received in arrears, 66% (61% 2023/24) on average was within the standard 30 day payment terms.

Timing of Payment	Average % 2023/24	Average % 2024/25
Paid at point of use	4.0%	4.3%
Paid in advance	11.0%	16.1%
Paid in arrears	85.0%	79.6%

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients are detailed in the tables shown below. The Council determines that the categories used in disclosing debtor balances can be used to meet the objective of the disaggregation disclosure requirements of IFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The tables below illustrate the disaggregation disclosure by type of service recipient.

2024/25	Central Government	Other Local Authorities	NHS Bodies	Public Corporations and Trading Funds	Other Entities and Individuals	Total
	£000	£000	£000	£000	£000	£000
Agency Income	0	(19)	(30)	(13)	(2,120)	(2,182)
Care home fees	0	0	0	0	(1,498)	(1,498)
Course Fees	0	0	0	0	(5)	(5)
Other Income	(58)	(303)	(80)	(9)	(4,838)	(5,288)
Sale of materials / equipment	(15)	0	0	(1)	(2,107)	(2,123)
Sale of Meals	0	0	(2)	0	(1,182)	(1,184)
Transport Income	(13)	(13)	(58)	(23)	(2,009)	(2,116)
Waste disposal	(20)	(433)	(22)	(122)	(1,867)	(2,464)
General Fund	(106)	(768)	(192)	(168)	(15,626)	(16,860)
Dues	0	0	0	0	(1,346)	(1,346)
Jetty and Spur Booms Income	0	0	0	0	0	0
Other Income	0	0	0	0	(4,161)	(4,161)
Tanker Income	0	0	0	0	(22,908)	(22,908)
Harbour Account	0	0	0	0	(28,415)	(28,415)
Rental Income	0	0	0	0	(7,825)	(7,825)
Other Income	0	0	0	0	(34)	(34)
Housing Revenue Account	0	0	0	0	(7,859)	(7,859)
Total	(106)	(768)	(192)	(168)	(51,900)	(53,134)

2023/24	Central Government	Other Local Authorities	NHS Bodies	Public Corporations and Trading Funds	Other Entities and Individuals	Total
	£000	£000	£000	£000	£000	£000
Agency Income	0	(142)	(26)	(913)	(743)	(1,824)
Care home fees	0	0	0	0	(1,206)	(1,206)
Course Fees	0	0	0	0	(9)	(9)
Other Income	(31)	(214)	(81)	(8)	(5,050)	(5,384)
Sale of materials / equipment	0	0	0	(1)	(1,898)	(1,899)
Sale of Meals	(1)	0	(1)	0	(1,047)	(1,049)
Transport Income	(13)	(20)	(58)	(17)	(2,104)	(2,212)
Waste disposal	(107)	(331)	(14)	(193)	(1,850)	(2,495)
General Fund	(152)	(707)	(180)	(1,132)	(13,907)	(16,078)
Dues	0	0	0	0	(1,513)	(1,513)
Jetty and Spur Booms Income	0	0	0	0	0	0
Other Income	0	0	0	0	(3,724)	(3,724)
Tanker Income	0	0	0	0	(24,602)	(24,602)
Harbour Account	0	0	0	0	(29,839)	(29,839)
Rental Income	0	0	0	0	(7,462)	(7,462)
Other Income	0	0	0	0	(30)	(30)
Housing Revenue Account	0	0	0	0	(7,492)	(7,492)
Total	(152)	(707)	(180)	(1,132)	(51,238)	(53,409)

Note 11: Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2024/25:

2023/24 £000		2024/25 £000
	Credited to Taxation and Non-Specific Grant Income	
(61,919)	Revenue Support Grant	(66,038)
(24,302)	Non-domestic Rates	(27,348)
(10,914)	Council Tax	(11,328)
(7,809)	Capital Grants and Contributions	(7,354)
(104,944)	Total	(112,068)
	Credited to Services	
(23,082)	Support for Ferries	(23,082)
0	Crown Estate	(3,540)
(3,117)	Housing Benefit funding	(3,210)
(3,335)	Scottish Government PFI Support	(3,147)
(1,987)	Rural Care Model	(1,986)
(1,650)	Resource Transfer	(1,650)
(430)	UK Shared Prosperity Fund	(1,100)
0	Net Zero Living - Rural Energy Hub	(939)
(1,018)	Energy grants	(891)
(384)	Employability Funding	(484)
(424)	NHS Grants	(422)
(388)	Criminal Justice grant	(370)
(379)	Educational attainment / Pupil equity funding	(279)
(126)	Islands Programme	(243)
(197)	Active Schools Funding	(200)
(13)	Early Adopter Communities Project	(160)
0	Viking Community Fund	(100)
(91)	Education Maintenance Allowance Funding	(91)
(85)	Young People Mental Health Wellbeing	(86)
(63)	Youth Music Funding	(70)
(2,690)	Expansion of early learning and childcare	(62)
(86)	Levelling Up Funding - Capacity & Capability	(60)
(23)	Department of Work and Pensions Funding	(56)
(50)	Active Travel	(43)
0	Screen Educator	(42)
(33)	Sports Development and Facilities Funding	(37)
(4)	Other grants and contributions	(28)
(33)	Support for Ukranian Displaced Persons	(24)
0	Care Experienced Children and Young People	(20)
(18)	Grants for Economic Development	(21)
0	Catering and Cleaning Support	(16)
(34)	Bikeability	(13)
(32)	Electric Vehicle Funding	(11)
(13)	Transport Grants	(1)
(32)	Inspiring School Age Childcare Spaces Fund	0
(18)	UK Government Energy Grant Administration	0
(39,835)	Total	(42,484)
(3,664)	Value of grants received in advance not recognised	(17,750)

Note 12: Unusable Reserves

Reconciliation of Unusable Funds to the Balance Sheet

2023/24 £000		2024/25 £000
(181,367)	Revaluation Reserve	(206,414)
21,938	Pensions Reserve	19,092
(275,309)	Capital Adjustment Account	(280,096)
5,244	Employee Statutory Adjustment Account	5,001
(429,494)	Total Unusable Reserves	(462,417)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Revaluation 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.

2023/24 £000		2024/25 £000
(166,300)	Opening balance	(181,367)
0	Adjustments on transition to new accounting arrangements for leases	(2,932)
(166,300)	Adjusted balance at 1 April 2024	(184,299)
(20,658)	(Surplus) or deficit on revaluation of non-current assets not posted to the CIES	(28,298)
	Amounts written off to the Capital Adjustment Account:	
5,246	Difference between fair value depreciation and historical cost depreciation	5,846
275	Assets sold or scrapped	337
70	Decommissioning Obligation provision	0
(181,367)	Closing balance	(206,414)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits, and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions, and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. For the current financial year, the overall pension asset of £171.7m as per the actuarial valuation, has been disaggregated to distinguish between funded and unfunded obligations. The net asset position relating to funded obligations of £190.8 has been adjusted for the asset ceiling calculation required by IAS19 / IFRIC14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction, resulting in a revised pension asset of £0. The debit balance on the Pensions Reserve reflects the net liability position relating to unfunded obligations of £19.0m which shows a

shortfall in the resources set aside by the Council to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24 £000		2024/25 £000
22,279	Opening balance	21,938
(112,066)	Actuarial (gains) and losses on pensions assets and liabilities	(194,704)
112,748	Asset ceiling adjustment	190,812
17,476	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	18,131
(18,499)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,085)
21,938	Closing balance	19,092

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 CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis) and credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties, gains recognised on donated assets that have yet to be consumed by the Council, and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2023/24 £000		2024/25 £000
(275,045)	Opening balance	(275,309)
0	Adjustments on transition to new accounting arrangement for leases	(6,414)
(275,045)	Adjusted balance at 1 April	(281,723)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
18,820	Charges for depreciation of non-current assets	20,473
(1,978)	Charges for revaluation gains/losses of non-current assets	4,839
0	Movement in the fair value of Investment Properties	120
2,487	Amortisation of intangible assets	2,575
(60)	Repayment of capital on finance leases	(62)
(1,472)	Repayment of capital on PFI contract	(1,496)
0	Repayment of capital on right of use leases	(578)
7,300	Amounts of Non-Current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	6,667
(5,521)	Adjustment amounts written out of the Revaluation Reserve	(6,183)
	Capital financing applied in the year:	
(482)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,808)
(7,767)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(7,354)
(15)	Application of grants to capital financing from the Capital Grants Unapplied Account	(55)
(2,412)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,404)
(7,540)	Capital expenditure charged against the General Fund and HRA balances	(9,652)
(1,624)	Capital Fund / Other Reserves	(3,455)
(275,309)	Closing balance	(280,096)

Employee Statutory Adjustment Account

This Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2023/24 £000		2024/25 £000
5,329	Opening balance	5,244
(5,329)	Settlement or cancellation of accrual made at the end of the preceding year	(5,244)
5,244	Amounts accrued at the end of the current year	5,001
5,244	Closing balance	5,001

Note 13: Property, Plant and Equipment

The Scottish Government on 29 August 2022 issued Local Government Finance Circular 9/2022 providing local authorities with temporary statutory override to the CIPFA/LASAAC Accounting Code of Practice requirements on areas of the accounting and disclosure of infrastructure assets for the 2022/23 and

2023/24 financial years. A permanent solution has not yet been agreed and therefore the statutory override has been extended by a further two years until 31 March 2027 (amended by finance circulars 8/2024 and 6/2025). The following tables reflect that guidance, with Note 39, detailing the accounting policy applied. Gross historic cost and accumulated depreciation have not been disclosed.

Movements in 2024/25		Council Dwellings & Buildings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Total £000
Cost or Valuation									
Opening Balance at 1 April 2024		75,008	265,932	70,602	6,851	3,130	10,280	431,803	52,427
Additions		4,142	5,464	8,700	0	82	5,952	24,340	3,808
Revaluation increases recognised in the Revaluation Reserve		20	(5,374)	3,834	0	(608)	0	(2,128)	3,707
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(2,589)	(6,816)	(173)	0	(305)	0	(9,883)	0
Derecognition – disposals		0	(366)	(2,882)	0	0	0	(3,248)	0
Derecognition – other		(3,652)	(1,030)	(922)	0	0	0	(5,604)	0
Assets reclassified (to)/ from Assets Held for Sale		0	(267)	0	0	(25)	0	(292)	0
Other movements in cost or valuation		3,097	420	1,169	0	(380)	(4,306)	0	0
Closing Balance at 31 March 2025		76,026	257,963	80,328	6,851	1,894	11,926	434,988	59,942
Depreciation and Impairment									
Opening Balance at 1 April 2024		0	(13,075)	(34,671)	0	(143)	0	(47,889)	(1,488)
Depreciation charge		(1,749)	(8,455)	(4,352)	0	(47)	0	(14,603)	(1,488)
Depreciation written out to the Revaluation Reserve		0	14,535	20,698	0	149	0	35,382	2,976
Depreciation written out to the Surplus/ Deficit on the Provision of Services		0	1,504	857	0	9	0	2,370	0
Derecognition – disposals		0	37	2,200	0	0	0	2,237	0
Derecognition – other		0	0	0	0	0	0	0	0
Other movements in depreciation or impairment		2	(13)	0	0	12	0	1	0
Closing Balance at 31 March 2025		(1,747)	(5,467)	(15,268)	0	(20)	0	(22,502)	0
Net Book Value as at 31 March 2025		74,279	252,496	65,060	6,851	1,874	11,926	412,486	59,942
Net Book Value as at 31 March 2024		75,008	252,857	35,931	6,851	2,987	10,280	383,914	50,939

Movements in 2023/24		Council Dwellings & Buildings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Total £000
Cost or Valuation									
Opening Balance at 1 April 2023		62,230	256,121	70,616	13,547	3,088	6,482	412,084	52,351
Additions		5,112	883	3,632	0	35	5,812	15,474	76
Revaluation increases recognised in the Revaluation Reserve		10,350	3,982	0	41	7	0	14,380	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		982	607	0	0	0	0	1,589	0
Derecognition – disposals		0	(363)	(4,319)	0	0	0	(4,682)	0
Derecognition – other		(3,549)	(1,008)	(2)	0	0	(1,846)	(6,405)	0
Assets reclassified (to)/ from Assets Held for Sale								0	
Other movements in cost or valuation		(117)	5,710	675	(6,737)	0	(168)	(637)	0
Closing Balance at 31 March 2024		75,008	265,932	70,602	6,851	3,130	10,280	431,803	52,427
Depreciation and Impairment									
Opening Balance at 1 April 2023		0	(6,684)	(34,321)	0	(98)	0	(41,103)	0
Depreciation charge		(1,451)	(8,281)	(4,428)	(2)	(45)	0	(14,207)	(1,488)
Depreciation written out to the Revaluation Reserve		1,297	1,585	0	0	0	0	2,882	0
Depreciation written out to the Surplus/Deficit on the Provision of Services		154	235	0	0	0	0	389	0
Derecognition – disposals		0	70	3,990	0	0	0	4,060	0
Derecognition – other		0	0	90	0	0	0	90	0
Other movements in depreciation or impairment		0	0	(2)	2	0	0	0	0
Closing Balance at 31 March 2024		0	(13,075)	(34,671)	0	(143)	0	(47,889)	(1,488)
Net Book Value as at 31 March 2024		75,008	252,857	35,931	6,851	2,987	10,280	383,914	50,939
Net Book Value as at 31 March 2023		62,230	249,437	36,295	13,547	2,990	6,482	370,981	52,351

2023/24 £000	Infrastructure Assets	2024/25 £000
107,661	Net Book Value at 1 April	105,400
2,432	Expenditure	1,705
(4,693)	Depreciation charge	(4,769)
105,400	Infrastructure Assets Closing Net Book Value	102,336
383,914	Other PPE Assets (see table above)	412,486
489,314	Total PPE Assets	514,822

Capital Commitments

At 31 March 2025 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years, budgeted to cost £39.5m. Similar commitments at 31 March 2024 were £3.7m. Major projects are detailed in the table below.

Major commitments at 31 March 2025	£m
Fair Isle Ferry	30,334
Knab Site Infrastructure Build	3,932
Brae High School - Pre-Construction	2,423
Terminal Life Extension Works	1,791
3G Synthetic Turf Pitch	1,440

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations in the year were carried out by Ryden. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Surplus Assets were valued using fair value in accordance with the CIPFA Code of Practice. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- the valuations are based on existing records, the accuracy of which could not be guaranteed and no inspection was undertaken. No liability can be held for any inaccuracies/errors arising as a result;

- where not part of a leasing arrangement, the property is feuhold and owned outright by the Council, with no burdens or encumbrances on the title;
- that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material was used in the construction of the properties, and that none has been subsequently incorporated;
- that the property is not subject to any unusual or especially onerous restrictions, encumbrances, or outgoing and that good title can be demonstrated;
- that the property and its values are unaffected by any matters which would be revealed by a local search or inspection of any register and the use and occupation are both lawful;
- that inspection of those parts which have not been inspected would not cause the valuation to be altered;
- that the land and properties are not contaminated;
- that no statutory or other grants are available to carry out any improvements or repairs;
- that there are no outstanding Statutory Notices affecting any of the properties;
- that no account has been made of any debt liability held against the property valued;
- that no structural surveys of the properties have been made nor have the service installations been tested;
- that the value of plant and machinery has not been included in the valuation except to the extent that it forms part of the building services installations;
- the valuations are exclusive of VAT and any other tax, which may arise on disposal; and
- that where a lease or sub-lease arrangement exists it would continue to the end date specified.

The following table shows useful lives which have been used in the calculation of depreciation and also details of revaluation programmes. The basis of valuation is set out in Note 39: Accounting Policies.

Category of Asset	Useful Life	Average Useful Life	Valuer	Basis of Valuation	Date of last full valuation
Council Dwellings	30 years	30 years	Asset Services Manager	Existing Use Value for Social Housing	31 March 2024
Other Land and Buildings (including PFI Assets)	2-88 years	23 years	Asset Services Manager	Existing Use Value or Depreciated Replacement Cost (for specialised operational properties)	31 March 2024-28 across 5 Year Rolling Programme
Vehicles, Furniture, Plant & Equipment	1-40 years	8years	Operational Manager	Existing Use Value	31 March 2021
Infrastructure Assets	5-60 years	28 years	n/a	Depreciated Historical Cost	n/a
Community Assets	Indefinite life	Indefinite life	n/a	Historical Cost	n/a
Surplus Assets	10-40 years	22 years	Asset Services Manager	Fair Value (estimated at highest and best use)	31 March 2024-28 across 5 Year Rolling Programme
Assets Under Construction	n/a	n/a	n/a	Historical Cost	n/a

Note 14: Investment Properties

During 2019/20 the Council purchased property interests in the Greenhead Base in Lerwick which are held under operating leases and are classified and accounted for as investment property. The property is considered an investment property as there is no specific service need for the Council to occupy it and is rented in for re-let for investment purposes.

The following items of income and expense relating to the Greenhead Base have been accounted for in the financing and investment income and expenditure line in the CIES:

2023/24 £000		2024/25 £000
(363)	Rental income from investment property	(363)
105	Direct operating expenses arising from investment property	93
(258)	Net Gain	(270)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment property over the year:

2023/24 £000		2024/25 £000
1,515	Opening balance at 1 April	1,515
0	Net gains/(losses) from fair value adjustments	(120)
1,515	Closing balance at 31 March	1,395

Fair Value Hierarchy

Detail of the Council's investment properties and information about the fair value hierarchy as at 31 March 2025 are as follows:

Recurring fair value measurements using:	Other Significant observable inputs (Level 3)	
	2023/24 £000	2024/25 £000
Commercial Units	1,515	1,395
Total	1,515	1,395

Valuation techniques used to determine Level 3 fair values for investment properties

The fair value of the Council's investment property is measured annually at 31st March based on rental incomes. The rental incomes relate to commercial properties which are bound into lease agreements and index linked, not driven by market forces at review. The industry sector using this property is stable providing logistics and downstream services to the oil, gas, exploration, fishing and aquaculture sectors. Therefore the Council's investment property are categorised as Level 3 in the fair value hierarchy as the level of unobservable inputs are significant.

All valuations are carried out by Ryden LLP, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Note 15: Heritage Assets

Net Value 2024/25	Historic Buildings £000	Museum Collection £000	Total Assets £000
Opening Balance at 1 April 2024	1,333	3,058	4,391
Revaluation Increases / (Decreases)	0	0	0
Depreciation	(11)	0	(11)
Closing Balance at 31 March 2025	1,322	3,058	4,380

Net Value 2023/24	Historic Buildings £000	Museum Collection £000	Total Assets £000
Opening Balance at 1 April 2023	1,343	3,058	4,401
Revaluation Increases / (Decreases)	0	0	0
Depreciation	(10)	0	(10)
Closing Balance at 31 March 2024	1,333	3,058	4,391

There were no additions, disposals or impairments during 2024/25.

Historic Buildings

The two historic buildings classified as heritage assets are the Dunrossness Crofthouse Museum and the Bod of Gremista.

The Dunrossness Crofthouse Museum is a restored 19th century crofthouse with thatched roof, outbuildings and a watermill. The property is open for public viewing during the months of May to September.

The Bod of Gremista is a two storey rectangular house built around 1790 to provide family accommodation and a store for fishing and fish curing activities. The property houses the Shetland Textile Museum and is open to the public from May to September.

The useful economic life of the Crofthouse Museum and the Bod of Gremista is 110 years.

Museum Collection

The Council's museum collections are on display at the Shetland Museum and Archives, open to the public all year. They are managed and curated by the Shetland Amenity Trust and any additions to the collection are treated as donated assets to the Council.

Note 16: Intangible Assets

The intangible assets disclosed on the Balance Sheet include fishing quota, fishing licences and software.

A fishing quota is the right to fish species over a defined period, usually one year. Quotas are held by Government and distributed to the fishing industry through Producer Organisations. The Fishing Quota was originally purchased by the Shetland Development Trust to enable long-term access to a strategically important resource. The quota was transferred to the Council on 31 December 2014 as part of the wind-up of the Shetland Development Trust. The market value at 31 March 2025 is £43.0m (£47.9m in 2023/24). This is amortised on a straight-line basis over a 20 year period. The carrying amount that would have been recognised had the fishing quota been measured after recognition using the cost model would be £11.4m, (£12.0m in 2023/24).

Software is accounted for to the extent that it is not an integral part of a particular IT system, rather part of the hardware item of property, plant and equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £2.6m was charged directly to the Net Cost of Services in the CIES for 2024/25 (£2.5m in 2023/24).

There are no items of capitalised software that are individually material to the financial statements and there are no outstanding contractual commitments for the acquisition of intangible assets.

As at 31 March 2024 £000		As at 31 March 2025 £000
	Cost or Valuation	
49,580	Opening Balance	50,369
108	Additions	84
1,050	Revaluation increases recognised in the Revaluation Reserve	(4,680)
(369)	Derecognition - disposals	(420)
50,369	Closing Balance	45,353
	Depreciation and Impairment	
(2,096)	Opening Balance	(1,867)
(2,487)	Amortisation charge	(2,575)
2,347	Amortisation written out to the Revaluation Reserve	2,397
369	Derecognition - disposals	378
(1,867)	Closing Balance	(1,667)
48,502	Net Book Value	43,686

Note 17: Private Finance Initiatives and Similar Contracts

Anderson High School contract

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school.

The buildings and any plant and equipment installed in them at the end of the contract will be transferred to Shetland Islands Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment

The assets used to provide services at the school are recognised on the Council's Balance Sheet.

Movements in their value over the year are detailed in Note 13: Property, Plant and Equipment.

With effect from 1 April 2024, IFRS 16 relating to Leases also applies to service concession arrangements i.e. Private Finance Initiatives (PFI) and similar schemes. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

The effect of this has been to increase the PPE asset and lease liability by £3.808m. An addition to the PPE balance is an increase in the historical cost of the asset. PFI assets are treated in the same way as other PPE assets and are held at current value and subject to regular valuation. Given the change in historic cost of the asset, a valuation was sought, resulting in an increase to the asset of £6.68m.

Payments

The Council makes an agreed payment each year, which is adjusted each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the contract at 31 March 2025 are as follows:

	Payment for Services £000	Reimbursement of Capital £000	Interest £000	Total £000
Payable in 2025/26	397	1,652	2,007	4,056
Payable within 2 to 5 years	2,173	6,855	7,198	16,226
Payable within 6 to 10 years	2,429	11,140	6,713	20,282
Payable within 11 to 15 years	3,988	12,548	3,747	20,283
Payable within 16 to 20 years	1,499	7,863	523	9,885
Total	10,486	40,058	20,188	70,732

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2023/24 £000	2024/25 £000
Opening balance	39,219	37,746
Other movements	0	3,808
Capital payments incurred in the year	(1,473)	(1,496)
Closing balance	37,746	40,058

The long-term liability reported in the Balance Sheet of £38.406m, with the short term element of £1.652m included as part of Short-term Creditors on the Balance Sheet, totals the Closing balance of £40.058m included in the table above.

Note 18: Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Investments				Debtors				As at 31 March 2025
	As at 31 March 2024		As at 31 March 2025		As at 31 March 2024		As at 31 March 2025		
	Long-Term £000	Current £000	Long-Term £000	Current £000	Long-Term £000	Current £000	Long-Term £000	Current £000	Total £000
Fair value through profit or loss	386,864	0	371,643	(657)	0	0	0	0	370,986
Amortised cost	0	0	0	0	614	121	562	132	694
Total Financial Assets	386,864	0	371,643	(657)	614	121	562	132	371,680

The (£657k) Current Investments balance is in relation to an overdrawn cash balance position within Blackrock investments, due to an administration error by Blackrock.

	Borrowings / Other Long Term Liabilities				Creditors				As at 31 March 2025
	As at 31 March 2024		As at 31 March 2025		As at 31 March 2024		As at 31 March 2025		
	Long-Term £000	Current £000	Long-Term £000	Current £000	Long-Term £000	Current £000	Long-Term £000	Current £000	Total £000
Amortised cost	(85,391)	(1,404)	(87,415)	(1,671)	(911)	(62)	(4,121)	(653)	(93,860)
Total Financial	(85,391)	(1,404)	(87,415)	(1,671)	(911)	(62)	(4,121)	(653)	(93,860)

Income, expense, gains and losses

	2023/24	2024/25
	Surplus or Deficit on the Provision of Services Restated £000	Surplus or Deficit on the Provision of Services £000
Net (gains)/losses on:		
Financial assets measured at fair value through profit or loss	(36,037)	(306)
Total net gains/losses	(36,037)	(306)
Interest revenue:		
Financial asset measured at fair value through profit or loss	(12,220)	(11,125)
Financial assets measured at amortised cost	(20)	(20)
Total interest revenue	(12,240)	(11,145)
Interest expense	3,984	4,081
Impairment Loss	27	337
Total interest expense	4,011	4,418
Fee expense:		
Financial assets at fair value through profit or loss - Fee Expense	1,276	2,083
Financial assets measured at amortised cost	130	130
Total fee expense	1,406	2,213

There were gains on available-for-sale financial assets on revaluation of £0.3m as at 31 March 2025 (gains of £36.0m at 31 March 2024).

Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans, receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

In terms of the fair value measurement hierarchy, financial instruments measured at fair value are considered to be Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

The Fair Value calculations have been made using the following assumptions and are shown in the table below:

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

As at 31 March 2024			As at 31 March 2025	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
735	735	Loans and receivables	694	694
(87,768)	(86,105)	Financial liabilities at amortised cost	(93,860)	(90,429)

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Available for Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classed as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available, for example, where an

instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value based on observable market data.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

As at 31 March 2024	Hierarchy Level	As at 31 March 2025
£000		£000
0	Level 1	(657)
320,067	Level 2	355,329
66,797	Level 3	16,314
386,864	Net Investment assets	370,986

Description of Asset	Valuation hierarchy	Basis of valuation	Observable / unobservable inputs	Key sensitivities affecting valuations
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Unquoted pooled fund investments, overseas unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published.	Net Asset Value (NAV) based pricing set on a forward pricing basis	Not required
Unquoted equity, private debt / infrastructure	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special valuation guidance (March 2020)	Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) multiple-Revenue multiple-Discount for lack of marketability-Control premium	Valuations could be affected by material events occurring between the date of the financial statements and the Funds's own reporting date, by changes to expected cash flows and any differences between audited and unaudited accounts
Strategic Alternative Income Fund	Level 3	Closing NAV supplied by fund manager	Net Asset Value (NAV) based pricing set on a forward pricing basis, cash flow modelling and discount rates	Changes in cash flow modelling and assumptions used

Note 19: Nature and Extent of Risks arising from Financial Instruments

The Council's investments and financial 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; and
- Foreign Exchange risk – the possibility that financial loss might arise as a result of currency movements on overseas investments.

The Council's overall risk management 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 the Treasury Section, under policies approved by the Council in the Annual Investment and Treasury Strategy Statement.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's credit risk management practices are set out and minimised through the Treasury Management Strategy & Annual Investment Strategy report.

Credit Risk Management Practices

The Council has a policy of lending to local businesses to maximise the benefit to the Shetland economy. Lending assists in sustainable economic growth with good employment opportunities, making Shetland a good place to live and work. In pursuing this policy, the Shetland Investment Fund was established on 18 April 2016 to provide a sustainable lending service of up to £15.0m. Due underutilisation of the loan facility, the funds have been returned to the debt repayment reserve.

As at 31 March 2025, £0.3m was loaned to local businesses.

As at 31 March 2024 £000	Shetland Investment Fund	As at 31 March 2025 £000
119	Less than 1 year	131
211	2-5 years	120
17	6-10 years	57
347	Total	308

The majority of Shetland Investment Fund lending is secured against assets, minimising the risk of default.

Trade Receivables

A simplified approach as per IFRS 9 has been used to determine the impairment loss based on lifetime expected credit losses. A provision matrix has been used to calculate the impairment based on the number of days the receivable is past due, assessed on the basis of historical experience adjusted to reflect current conditions and forecasts of future conditions.

Amounts Arising from Expected Credit Losses

The changes in the loss allowance for Trade Receivables during the year are as follows:

Lifetime expected credit losses simplified approach	2023/24 £000	2024/25 £000
Balance at 1 April	(695)	(709)
Other Changes	(43)	(312)
Amounts written off	29	181
Balance at 31 March	(709)	(840)

Liquidity Risk

The Council has external investments with Fund Managers amounting to £371m at 31 March 2025 (£387m for 2023/24). The Council has ready access to these funds to ensure that cash is available as needed, so there is no significant risk that it will be unable to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to sell external investments at a time of unfavourable market conditions.

The Council has ready access to borrowings from the money markets and the Public Works Loan Board. At 31 March 2025 the Council had fixed rate borrowings amounting to £49m from the Public Works Loans Board. The balance of £0.029m external borrowing is 0% finance for energy efficiency improvement

projects. Note £3m of PWLB borrowing was repaid in April 2025.

The maturity analysis of the sums borrowed is as follows:

As at 31 March 2024 £000	Borrowing	As at 31 March 2025 £000
30,048	Less than 10 years	37,029
7,000	10-20 years	7,000
7,000	20-30 years	0
5,000	Over 40 years	5,000
49,048	Total	49,029

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

The Council's investment strategy aims to manage interest rate risk within the Council's investments by having various investment portfolios managed by external Fund Managers.

The investment portfolios are also separated into different asset classes to minimise the overall exposure to interest rate movements. The entire investment portfolio is held in unitised funds which increases diversification.

As at 31 March 2025 the composition of these funds was diversified between the following asset classes:

- UK Equities;
- Overseas Equities;
- Diversified Growth Fund;
- Emerging Market Equities;
- Direct Lending; and
- Cash.

Not all of the General Fund reserves are held in a way that can be quickly converted to cash. There is no short-term risk associated with how the money is held but if the Council has a need to make a significant and unplanned draw on reserves, it may need to borrow to secure the cash required. This issue will be addressed in detail in the financial planning process.

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The largest investment exposure is to Global Equities, and a risk assessment of a general shift of +/-1% in Global Equities would have resulted in a gain or loss in the region of £2.3m for 2024/25 (£2.0m for 2023/24). This sensitivity was compiled using figures from Fund Managers' quarterly figures, consistent with Note 18: Financial Instruments.

At 31 March 2025, the Council had external fixed rate borrowing amounting to £49.0m and no variable rate borrowing. Borrowings are not valued at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council uses the services of Link Asset Services to advise on any borrowing requirements, including associated interest rate risks.

Price Risk

The Council had £371m of investments as at 31 March 2025 (£387m for 2023/24) in the form of equity, diversified growth fund, direct loans and cash held within unitised products. The Council is consequently exposed to losses arising from movement in the price of these investment categories.

The Council's investment strategy reduces its exposure to price movements by diversifying its investment portfolio through the use of external Fund Managers, asset classes, investment guidelines and benchmarks. The Council's external investments are all classified as 'available for sale' meaning that all movements in price will impact on gains and losses recognised in the CIES. A general shift of 5% in the general price of shares (positive or negative) would have resulted in a £14.8m gain or loss being recognised in the CIES for 2024/25 (£13.0m for 2023/24).

Foreign Exchange Risk

The Council has £257m (£220m for 2023/24) invested in overseas equities held within unitised products which are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates is greatly reduced through the use of currency hedging strategies to specifically negate any currency movement impact.

Note 20: Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

As at 31 March 2024 £000		As at 31 March 2025 £000
52	Cash held by the Council	42
8,043	Bank current accounts	15,254
0	Cash equivalents	(657)
8,095	Total	14,639

The (£657k) cash equivalents balance is in relation to an overdrawn cash balance position within Blackrock investments, due to an administration error by Blackrock.

Note 21: Assets Held for Sale

2023/24 £000		2024/25 £000
83	Opening balance	62
	Assets newly classified as held for sale:	
0	Property, plant and equipment	292
(21)	Assets sold	(10)
62	Closing balance	344

Note 22: Long-term Debtors

As at 31 March 2024 £000		As at 31 March 2025 £000
386	Sub Debt Investment	385
228	Development loans	177
110	Other long-term debtors	82
724	Total	644

Note 23a: Short-term Debtors

As at 31 March 2024 £000		As at 31 March 2025 £000
13,051	Central Government Bodies	7,124
420	Other Local Authorities	263
304	NHS Bodies	455
1,175	Public Corporations and Trading Funds	1,206
11,329	Other Entities and Individuals	13,980
26,279	Total	23,028

Note 23b: Debtors for Local Taxation

Council Tax

As at 31 March 2024 £000		As at 31 March 2025 £000
396	1 year	469
693	2 to 5 years	666
258	More than 5 years	287
1,347	Total	1,422

NDR

As at 31 March 2024 £000		As at 31 March 2025 £000
472	1 year	412
290	2 to 5 years	553
56	More than 5 years	53
818	Total	1,018

Movements in impairment allowance

The Council has made an allowance for bad and doubtful debts. Debtor figures in the Balance Sheet are shown net of this allowance. The movement of the expected credit loss on the Council's Trade Receivables is shown in Note 19: Nature and Extent of Risks arising from Financial Instruments.

Note 24: Short-term Creditors

As at 31 March 2024 £000		As at 31 March 2025 £000
(4,764)	Central Government Bodies	(4,494)
(1,272)	Other Local Authorities	(1,167)
(404)	NHS Bodies	(443)
(830)	Public Corporations and Trading Funds	(856)
(18,304)	Other Entities and Individuals	(21,280)
(25,574)	Total	(28,240)

Note 25: Inventories

	Ports & Harbours		Infrastructure		ICT Equipment		Total	
	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000
Balance at 1 April	3,259	3,503	2,088	2,137	224	261	5,571	5,901
Purchases	863	920	3,658	3,931	425	453	4,946	5,304
Recognised as an expense in the year	(595)	(769)	(3,556)	(3,641)	(388)	(406)	(4,539)	(4,816)
Balances written off	(24)	(11)	(53)	(36)	0	0	(77)	(47)
Balance at 31 March	3,503	3,643	2,137	2,391	261	308	5,901	6,342

Inventories include consumable stores, maintenance materials, building services (work-in-progress, property acquired or constructed for sale) and items of ICT equipment.

Note 26: Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

There are two classes of provision – short and long term.

The Council recognises one long-term provision – asset decommissioning. Provisions for asset decommissioning costs reflect the Council's liability for restoration and ongoing maintenance in respect of the landfill site operated by the Council. These have been provided for based on the net present value of estimated future costs, which is expected to be incurred between 2025 and 2028.

Long-term Provisions	Decommissioning £000	Total £000
Balance at 1 April 2024	(836)	(836)
Unwinding of discounting	(18)	(18)
Unused amounts reversed	36	36
Balance at 31 March 2025	(818)	(818)

The Council has made a provision of £0.107m to address a potential compensation event.

Shetland Islands Council is required to respond to legal claims raised against it. The potential liabilities that arise from this consist of an estimate of legal fees and an estimate of the settlement of any actions. The provision of £0.03m is based on information available at 31 March 2025.

Short-term Provisions	Other Provisions £000	Total £000
Balance at 1 April 2024	(232)	(232)
Additional provisions made	(107)	(107)
Amounts used	202	202
Balance at 31 March 2025	(137)	(137)

Note 27: Leases

The Council as a Lessee

Right-of-use assets

In 2024/25, the Council applied IFRS 16 Leases as required by the Code. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (ie without recognising the leased plant, equipment, property and land as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value (below £10k) and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the PWLB interest rates at that date;
- the weighted average of the incremental borrowing rates used to discount liabilities was 5.14%;
- right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded;
- 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.

The Code requires the right-of-use asset acquired under a lease that does not have commercial payment terms to be accounted for as a donated asset. These

circumstances arise where rents are set at a peppercorn or nominal lease payments, or there is nil consideration.

The main category of donated assets which the Council has recognised as right-of-use assets are the care homes owned by the Shetland Charitable Trust.

Adoption of IFRS 16 Leases has resulted in the following additions to the Balance Sheet:

- £13.68m Property, plant and equipment (right-of-use assets)
- £0.08m Current debtors (adjusted prepaid lease payments)
- £3.77m Non-current creditors (lease liabilities)
- £0.49m Current creditors (lease liabilities)
- £2.93m Unusable reserves (revaluation reserve)
- £6.41m Unusable reserves (donated assets)

The newly recognised lease liabilities of £4.26m compare with the operating lease commitments of £4.10m at 31 March 2024 (restated). When these are discounted to their present value of £1.97m (using the PWLB interest rate at 1 April 2024), there is a difference of £2.29m from the newly recognised lease liabilities. This movement is mainly due to the reassessment of lease periods for leases on tacit, which have been increased from one year to 20 years, resulting in an increase to the lease liability.

As a lessee, the Council has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases.

The Council has decided not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and lease of low value assets (below £10k). The Council recognises the lease payments associated with these leases as an expense.

The Council's lease contracts comprise leases of operational land and buildings, plant, equipment and vehicles. Most are individually immaterial; however, material leases include:

- The lease for the care homes owned by the Shetland Charitable Trust. The value of these right-of-use assets as at 31 March 2025 is £6.06m; and
- The leases for seabed rentals from the Crown Estate. The value of these right-of-use assets as at 31 March 2025 is £4.03m.

This table shows the change in the value of right-of-use assets held under leases by the Council:

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Opening Balance at 1 April 2024	0	0	0
IFRS 16 Transition Additions	10,690	53	10,743
IFRS 16 Transition Valuations	2,932	0	2,932
Revised Opening Balance at 1 April 2024	13,622	53	13,675
Additions	117	68	185
Revaluations	0	0	0
Depreciation & Amortisation	(1,073)	(18)	(1,091)
Disposals	0	0	0
Balance at 31 March 2025	12,666	103	12,769

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

As at 31 March 2024 £000		As at 31 March 2025 £000
	Comprehensive income and expenditure statement	
0	Interest expense on lease liabilities	256
0	Expense relating to short-term leases	219
0	Expense relating to exempt leases of low-value items	94
	Cashflow statement	
0	Minimum lease payments	1,247

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

As at 31 March 2024 £000		As at 31 March 2025 £000
0	Less than one year	863
0	One to five years	1,584
0	More than five years	5,604
0	Total undiscounted liabilities	8,051

The Council as a lessor

Operating Leases

The Council leases out land and property under operating leases for economic development purposes to provide suitable affordable land and property for local businesses.

The Council received the following income as a lessor during the year:

As at 31 March 2024 £000		As at 31 March 2025 £000
(3,201)	Lease income	(3,115)
(3,201)	Total	(3,115)

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

As at 31 March 2024 £000		As at 31 March 2025 £000
(3,134)	Less than one year	(2,950)
(11,039)	One to five years	(10,688)
(24,136)	More than 5 years	(22,111)
(38,309)	Total	(35,749)

Note 28: Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Shetland Islands Council. It is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

From April 2015 the pensions accrual rate guarantees a pension based on 1/49th of pensionable pay. From 1

April 2009 to April 2015 the pension accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

There is no automatic entitlement to a lump sum in respect of post-2009 service. Members may however opt to give up (commute) up to 25% of their pension for a lump sum per the Finance Act 2004. The Scheme's Normal Retirement Age is now linked to the member's State Pension Age (the minimum age being 65). Pensions are increased annually in line with changes to the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made but there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Shetland Islands Council Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pension Fund Committee and Pension Board. The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administrating authority for the Shetland Islands Council Pension Fund.

The Pension Fund Committee is made up of the councillors who currently sit on the Policy & Resources Committee.

The Pension Board comprises elected members of Shetland Islands Council along with employee and employer representatives and a pension / deferred member representative.

Policy is determined in accordance with the Pension Fund Regulations. Management of the Fund's investments is carried out by the Council which receives recommendations from the Pension Fund Committee and Pension Board. The Council selects and appoints a number of external investment managers / partners and monitors their investment performance.

Under the regulations, employers fall into three categories: scheme employers (also known as scheduled bodies), community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended; however, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

The principal risks to the Council of the Scheme are the longevity assumptions, statutory changes to the Scheme, structural changes or curtailments to the Scheme (i.e. large-scale withdrawals from the Scheme, including employers ceasing to participate in the Scheme), changes to inflation, bond yields, and the performance of the equity investments held by the Scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the Note 39: Accounting Policies.

The McCloud Judgement

Benefits accrued by certain members between 2015 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2015 for older members were discriminatory. Hymans made an allowance for the cost of these potential improvements based on the guidance issued by the Scottish Public Pensions Agency on 28 April 2023, when compiling the 2023 Pension Fund Valuation Report.

No further adjustments to the financial statements have been made in 2024/25.

The Goodwin Case

Following a High Court ruling from October 2016, all defined benefit pension schemes must equalise guaranteed minimum pension (GMP) for men and women. Further guidance is still awaited on how to deal with the sex inequalities which will persist for a minority of LGPS scheme members. As calculations still require to be performed, there is insufficient data available to estimate reliably the impact this will have on scheme liabilities however the impact is thought to be minimal.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The following transactions have been made in the CIES and the General Fund via the Movement in Reserves Statement during the year. The amount included in the Balance Sheet arising from the Council's obligation in respect of the Pension Fund is detailed in the table below.

For the current financial year, the overall pension asset of £171.7m as per the actuarial valuation, has been disaggregated to distinguish between funded and unfunded obligations. The net asset position relating to funded obligations of £190.8m has been adjusted for the asset ceiling calculation required by IAS19 / IFRIC14 which limits the measurement of a net defined benefit scheme. There are no unconditional rights to reduced contributions or refunds from the scheme, therefore an asset ceiling has been calculated to bring the net value to £0. The net liability position reflected in the table below relates to the unfunded obligations of £19.1m.

2023/24 £000		2024/25 £000
(559,618)	Present value of the defined benefit obligation	(493,942)
650,428	Fair value of assets in the Local Government Pension Scheme	665,662
(112,748)	Asset ceiling calculation	(190,812)
(21,938)	Net liability arising from Defined Benefit Obligation	(19,092)
112,748	Local Government Pension Scheme	190,812
(112,748)	Remeasurement of Net Defined Benefit Asset	(190,812)
(10,488)	Unfunded liabilities for Pension Fund	(9,165)
(11,450)	Unfunded liabilities for Teachers	(9,927)
(21,938)	Total	(19,092)

Assets and Liabilities in relation to Post-Employment Benefits

2023/24 £000	Local Government Pension Scheme	2024/25 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services	
16,473	Current service cost	17,035
0	Past service cost (including curtailments)	29
	Financing and Investment Income and Expenditure:	
1,003	Net interest expense	1,067
17,476	Total pension benefit charged to the Surplus/Deficit on the Provision of Services	18,131
	Other pension benefit charged to the CIES	
60,081	Return on plan assets (excluding the amount included in the net interest expense)	(18,804)
(4,319)	Actuarial (gains) and losses arising from changes in demographic assumptions	916
33,957	Actuarial (gains) and losses arising on changes in financial assumptions	88,525
(75,345)	Actuarial (gains) and losses arising from other experience	5,851
(15,056)	Remeasurement of Net Defined Benefit Asset	(72,596)
16,794	Total pension benefit charged to the CIES	22,023
	Movement in Reserves Statement	
1,023	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for pension benefits in accordance with the Code	(1,046)
18,499	Employer's contributions and direct payments to pensioners payable in the year	17,085

Reconciliation of fair value of the Scheme assets:

2023/24 £000		2024/25 £000
586,063	Opening balance	650,428
27,977	Interest income	31,582
	Re-measurement gains and (losses):	
60,081	Return on assets excluding amounts included in net interest	(18,804)
(27,109)	Other Experience	0
18,499	Employer contributions	17,085
4,705	Contributions by scheme participants	4,947
(19,788)	Benefits paid	(19,576)
650,428	Closing balance	665,662

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

2023/24 £000		2024/25 £000
515,080	Opening balance	559,618
16,473	Current service cost	17,035
0	Past Service cost	29
24,550	Interest cost	27,181
4,705	Contributions by scheme participants	4,947
	Remeasurement (gains) and losses:	
4,319	Actuarial (gains) and losses from changes in demographic assumptions	(916)
(33,957)	Actuarial (gains) and losses from changes in financial assumptions	(88,525)
48,236	Actuarial (gains) and losses from other experience	(5,851)
(19,788)	Benefits paid	(19,576)
559,618	Closing balance	493,942

Analysis of Pension Fund Assets

Shetland Islands Council's share of the Pension Fund assets at 31 March 2025 comprised:

2023/24 £000	Quoted Prices not in Active Markets	2024/25 £000
5,887	Cash and cash equivalents	8,504
	Property:	
50,085	UK property	46,196
3	Overseas property	0
50,088	Sub-total Property	46,196
	Investment Funds and Unit Trusts:	
508,480	Equities	516,757
0	Bonds	0
56,967	Other	58,661
565,447	Sub-total Investment Funds and Unit Trusts	575,418
	Debt Securities:	
29,006	Other	35,544
650,428	Total Assets	665,662

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed both the Local Government Pension Scheme and Discretionary Benefits liabilities.

Estimates for the Shetland Islands Council's Pension Fund are based on the latest full valuation of the Scheme as at 31 March 2025.

Shetland Islands Council does not have an asset and liability matching strategy.

The principal assumptions used by the actuary have been:

2023/24		2024/25
	Long-term expected rate of return on assets in the Scheme:	
4.3%	Investment Funds and Unit Trusts	4.7%
	Mortality Assumptions:	
	<i>Longevity at 65 for current pensioners (in years):</i>	
20.8	Men	20.7
23.3	Women	23.3
	<i>Longevity at 65 for future pensioners (in years):</i>	
22.0	Men	21.9
25.2	Women	25.2
3.1%	Rate of inflation	3.1%
2.8%	Rate of increase in salaries	2.8%
2.8%	Rate of increase in pensions	2.8%
4.9%	Rate for discounting scheme liabilities	5.8%
50.0%	Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the financial year and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The principal demographic assumption is the longevity assumption (i.e. member life expectancy).

For sensitivity purposes, it is estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). Please note the figures in the table below have been derived based on the membership profile of the employer as at the date of the most recent actuarial valuation. The estimations in the sensitivity analysis have followed the accounting policies for the Scheme, i.e. on an actuarial basis using the projected unit credit method.

Impact of changes in assumptions	2024/25	
	%	£000
0.1% decrease in real discount rate	2.0%	8,922
0.1% increase in the salary increase rate	0.0%	580
0.1% increase in the pension increase rate	2.0%	8,590

Impact on the Council's Cash flows

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

The Pension Fund was subject to a formal statutory valuation during as at 31 March 2023. The valuation revealed that the Fund had £660m of assets and £550m of liabilities at 31 March 2023, leaving an overall pension surplus of £110m. The reported funding level of the Fund is 120%. This compares positively to the previous valuation undertaken in 2020, when the Fund had a deficit of £37m and reported funding level of 92%.

The improved funding position is due to a combination of different factors. In summary, the Fund's assets have increased from £461m to £660m and liabilities have increased from £498m to £550m since 2020. The

valuation uses a variety of assumptions and different factors affect the Fund's assets and liabilities in different ways. Investment performance in the last 3 years has exceeded Pension Fund's expectations.

Each participating employer's contribution requirements have been determined following the valuation, with the aim of each employer achieving fully funded position within agreed parameters in terms of time horizon and probability. The methodology and assumptions used to derive employer contributions are set out in the [Pension Fund's Funding Strategy Statement \(FSS\)](#) (appendix 2).

The objectives of the Scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the Scheme's actuary to achieve a funding level of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Shetland Islands Council pool rate was set at 26.3% for 2024/25. The three years set out in the latest triennial valuation as at 31 March 2023 are as follows:

- 2024/25 19.0%
- 2025/26 19.0%
- 2026/27 19.0%

Further detail, including the employer contribution rates for other participating employers is contained in the [Actuarial Valuation Report](#) (appendix 1), which was approved by the Pension Fund Committee on 12 March 2024.

The actuary has estimated the total amount of contributions expected to be made by the Council to the Pension Fund in the year to 31 March 2026 at £15.340m.

The assumed weighted average duration of the defined benefit obligation is 18 years.

Further Information

The Council is the administering authority for the Shetland Islands Council Local Government Pension Scheme, which has a statutory requirement to prepare a separate annual report and accounts. The [Pension Fund's Unaudited Annual Report and Accounts for 2024/25](#) was presented to the Pension Fund Committee and Pension Board on 23 June 2025.

Note 29: Pension Schemes Accounted for as Defined Contribution Schemes

IAS 19 – Employee Benefits para 148 – Multi-employer plans

- (a) The Shetland Islands 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 2016 valuation set employer contribution rates at 23.0% from 1 September 2019 until 31 March 2023, although the UK Government has since stated that the rates would continue until 31 March 2024. Member contributions continued at the same rates within a range of 7.2% to 11.9% and are anticipated to deliver a yield of 9.4%.
- (b) The Shetland Islands 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.
- (i) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Shetland Islands Council is unable to identify its share of the underlying assets and liabilities of the scheme.
- (ii) The employer contribution rate for the period from 1 April 2024 is 26% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iii) The latest funding valuation has recently concluded and was based on scheme data as at March 2020. The valuation has set the rate for the period 1 April 2024 to 31 March 2027 and that rate is 26%. In addition, the valuation also measured the movement in employer cost cap. The employer cost cap was not breached, so there is no requirement for adjustments to be made to scheme benefits. Under existing legislation, the next valuation will be based on scheme data as at 31 March 2024 and will set the employer contribution rate for the period 1 April 2027 to 31 March 2031.

(iv) Shetland Islands Council’s level of participation in the scheme is 0.64% based on the proportion of employer contributions paid in 2024-25.

In 2024/25, the Council paid £5.1m to the SPPA in respect of teachers’ pension costs, representing 26% of pensionable pay for 2024/25 (£4.5m and 23% for 2023/24). There were no contributions remaining payable at the year-end.

The estimated contribution for 2025/26 is £5m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers’ Pension Scheme. In 2024/25 these amounted to £1.0m, representing 4.92% of teachers’ pensionable pay (£0.9m and 4.63% for 2023/24). These costs are accounted for on a defined benefit basis. The Council is not liable to the Scheme for any other entities’ obligations.

Note 30: External Audit Costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland’s Code of Audit Practice were as follows:

2023/24 £000		2024/25 £000
268	Fees payable with regard to external audit services carried out by the appointed auditor for the year	274
268	Total	274

Note 31: Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2024/25 the Council collected £27.5m (£26.7m 2023/24) and received £27.3m (£24.3m 2022/23) contribution from the National Non-Domestic Rates pool.

The Council is required by legislation to provide a collection service for Scottish Water, involving the collection of £4.1m (£3.7m 2023/24) of Scottish Water charges. The legislation stipulates a minimum amount that Scottish Water must pay in commission for this service. The Council received £0.1m in 2024/25 for providing this service (£0.1m in 2023/24).

Note 32: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions sets out the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party’s ability to bargain freely with the Council.

Central Government and Other Public Bodies

The Scottish Government has significant influence over the general operations of the Council because it:

- is responsible for providing the statutory framework within which the Council operates,
- provides the majority of its funding in the form of grants, and ,
- prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax, housing benefits).

Details of all grants received from the Scottish Government, Central Government and other public bodies can be found in Note 11: Grant Income.

Elected Members

Elected Members of the Council have direct control over the Council’s financial and operating policies. The Council holds a Register of Members’ Interests, which is open to public inspection at the Office

Headquarters, 8 North Ness, Lerwick, during office hours. It is also available to view on the Council's website at www.shetland.gov.uk. The Register contains details of external bodies which are represented by Elected Members and/or for which they have declared an interest. The Council made payments totalling £1.9m in 2024/25 (£4.0m in 2023/24) to these bodies. At 31 March 2025 £200k was outstanding (£68k outstanding at 31 March 2024).

Officers

There were no material related party transactions in 2024/25 (nil in 2023/24).

Local Government Pension Scheme

The Council is the administering authority for the Shetland Islands Council Pension Fund, for which the Council charged the Pension Fund £0.5m for this service (£0.5m in 2023/24).

During the year, the Council paid £17.0m of employer contributions for current and former employees to the Pension Fund as detailed in Note 28: Defined Benefit Pension Schemes (£18.5m in 2023/24).

Group Entities

The Council is deemed to have significant influence or control over the following Joint Boards and Regional Transport Partnership:

- The IJB is responsible for the strategic planning of the functions delegated to it by the Council and the Shetland Health Board; it is a Joint Venture between the two bodies;
- OSVJB provides the valuation service for Orkney and Shetland and is funded by both Councils;
- ZetTrans is a Regional Transport Partnership set up to deliver transport services for Shetland. It is an associate of the Council, who provides deficit funding as the sole funding member of the partnership.

The following table shows the financial transactions with these entities.

For details of members' influence on these entities and the transactions between them and the Council, please refer to Note 38: Group Interests.

	2023/24			2024/25		
	Receipts £000	Payments £000	Debtor / (Creditor) £000	Receipts £000	Payments £000	Debtor / (Creditor) £000
Shetland Islands Integration Joint Board	0	37,584	(902)	0	38,239	(767)
Orkney & Shetland Valuation Joint Board	(11)	526	0	0	484	11
Zetland Transport Partnership	0	4,723	66	0	4,656	(55)

Note 33: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the CFR, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2023/24 £000		2024/25 £000
90,780	Opening Capital Financing Requirement	87,108
0	Adjustment on transition to new accounting arrangements for leases	4,330
90,780	Revised Opening Capital Financing requirement	91,438
	Capital investment:	
17,699	Property, plant and equipment	26,231
0	Intangible assets	84
	Sources of finance:	
(482)	Capital receipts	(1,808)
(7,782)	Government grants and other contributions	(7,409)
(1,623)	Funding from reserves	(3,452)
	Sums set aside from revenue:	
(7,540)	Direct revenue contributions	(9,652)
(50)	Internal borrowing principal repayment	(50)
(2,362)	Loans fund principal repayments	(2,354)
(60)	Lease principal repayments	(62)
	Right of Use Lease principal repayments	(578)
(1,472)	PFI contract principal repayments	(1,496)
87,108	Closing Capital Financing Requirement	90,892
	Explanation of movements in year:	
(2,412)	Increase/(decrease) in underlying need to borrow	(2,404)
(60)	Assets acquired under finance leases	(62)
(1,472)	Assets acquired under PFI contracts	2,312
70	Assets acquired under Decommissioning Obligations	0
202	Assets acquired under Contract Liability	0
	Assets acquired under Right of Use leases	(392)
(3,672)	Decrease in Capital Financing Requirement	(546)

Note 34: Contingent Assets

There is a current legal claim which is likely to result in the recovery of sums awarded to the Council following court action. There is a high degree of certainty that recovery will be successful, with a value of £120,000 attributed to the claim.

The Council has Section 96 agreements in place with Viking Energy whereby, subject to certain applicable assessment criteria, they will meet extraordinary expenses in repairing certain prescribed parts of Shetland's road network damaged or affected to a defined degree by heavy vehicles used in connection with the wind farm's construction. The work required to calculate the relevant deterioration in road

condition and the value to be recovered by the Council will be done in financial year 2025/26.

Note 35: Contingent Liabilities

The Council has an Insurance Fund to manage insurable risks. Where the actual cost and timing of any claims cannot be estimated with reasonable accuracy, no specific provision has been made in the financial statements in respect of such claims.

The Council is undertaking a process to identify possible compensation due to a group of staff. No value has been disclosed in the accounts, as this may prejudice the process.

Note 36: Trust Funds administered by the Council

The Council administers, as sole trustee, five trust funds related to specific services. These are varied in nature and relate principally to legacies left by individuals over many years. Funds are held in deposit accounts with local banks and in bond and equity investments. The bond and equity investments are valued at market value. The funds do not represent assets of the Council and are not included in the Balance Sheet.

The Bare Trust was set up following the cessation of the Shetland Development Trust to hold a number of loans and equity investments, which were not considered cost effective to transfer to the Council. All assets and income arising from the Bare Trust are paid or delivered to the Council. The Council, as Trustee, has full management powers as if they were absolute owners and not trustees. As at 31 March 2025, the

As at 31 March 2024 £000		Deposit accounts £000	Bond £000	Equity £000	As at 31 March 2025 £000
(563)	Bare Trust	0	0	(551)	(551)
(635)	Zetland Educational Trust	(31)	(624)	0	(655)
(3)	Others	(3)	0	0	(3)
(1,201)	Total	(34)	(624)	(551)	(1,209)

Note 37: Events after the Balance Sheet Date

The annual accounts were authorised for issue on 10 December 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes to the accounts have been adjusted in all material respects to reflect the impact of this information.

Note 38: Group Interests Introduction

The Code requires the Council to prepare group accounts where the Council has interests in subsidiaries, associates and/or jointly controlled

remaining assets held by the Bare Trust are equity investments.

The Zetland Educational Trust (ZET), pays bursaries to university students, aids apprentices and supports educational trips. In 2024/25, the ZET received receipts of £0.04m (£0.03m 2023/24) and made payments of £0.02m (£0.02m 2023/24).

The other trusts are essentially dormant due to their low annual income. The accounts of ZET can be found on the Council's website at:

https://www.shetland.gov.uk/about_finances/.

The financial position of the trust funds administered by the Council is shown below:

entities, subject to the consideration of materiality. The Council has assessed that it has no material group entities, therefore no Group Accounts have been prepared. This assessment is based on the following considerations.

Group Boundary

Shetland Islands Council has considered all entities in which it has an interest for consolidation into the group accounts. To determine whether an entity should be included in the Council's group accounts, the factors of control, significant influence and materiality are considered.

Subsidiaries

The Code defines a subsidiary as an entity that is controlled by another entity. The Zetland Educational Trust (ZET) meets the definition of a subsidiary.

Zetland Educational Trust

The ZET comprises a number of endowments as specified in the ZET schemes 1961 and 1965, which are vested in Shetland Islands Council as the governing body and statutory successors to the County Council for the County of Zetland. The purpose of the Trust is the advancement of education of people belonging to Shetland. The following table details the financial results for the year and is considered not material for consolidation in group accounts:

2023/24 £000	Zetland Educational Trust	2024/25 £000
(30)	Gross Income	(38)
20	Gross Expenditure	24
(10)	Net Deficit/(Surplus)	(14)
18	Current Assets	31
617	Investments	624
635	Net Assets	655

Joint Ventures

The Code defines joint venture as a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangements. The IJB meets the definition of a joint venture.

Integration Joint Board

The IJB was formally constituted on 27 June 2015 and is responsible for the strategic planning of the functions delegated to it by the Council and the Shetland Health Board. It represents a Joint Venture between these two bodies.

The Council contributed 47.6% of the Board's operating costs in 2024/25 (45.6% in 2023/24). It has three out of six voting members on the board.

The Council's share of the net surplus of the IJB was £0.4m as at 31 March 2025 (£0.5m at 31 March 2024), which is considered not material for consolidation in group accounts.

The following table details Shetland Islands Council's share of the IJB's financial results for the year:

2023/24 £000	Integration Joint Board	2024/25 £000
(36,863)	Gross Income	(38,794)
37,141	Gross Expenditure	38,824
278	Net Deficit/(Surplus)	30
474	Current Assets	444
0	Current Liabilities	0
474	Net Assets	444

Associates

The Code defines an associate as an entity for which the Council is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity. The Council has identified two entities that meet the definition of an associate. These are:

- Orkney and Shetland Valuation Joint Board; and
- Zetland Transport Partnership (ZetTrans).

Orkney & Shetland Valuation Joint Board (O&SVJB)

The OSVJB provides the valuation service for Orkney and Shetland and is funded by both Councils. In 2024/25, the Council held five Board places out of ten and contributed 49.3% of the Board's operating costs (49.3% in 2023/24).

The Council's share of the year-end net liability is £0.16m as at 31 March 2025 (£0.17m at 31 March 2024), which is considered not material for consolidation in group accounts.

The following table details Shetland Islands Council's share of the OSVJB's financial results for the year:

2023/24 £000	Orkney and Shetland Valuation Joint Board	2024/25 £000
(529)	Gross Income	(544)
492	Gross Expenditure	542
(37)	Net Deficit/(Surplus)	(2)
0	Non-current Assets	7
24	Current Assets	24
(40)	Current Liabilities	(48)
(155)	Non-current Liabilities	169
171	Capital and Reserves	(152)
0	Net Assets	0

Zetland Transport Partnership

Zetland Transport Partnership, known as ZetTrans, was formed in 2006/07 by the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005, made under the Transport (Scotland) Act 2005.

The Council contributed 96% of the Partnership's operating costs in 2024/25 (85% in 2023/24) and holds four out of six seats on the Partnership. The Council's share of the net asset is £0.07m at 31 March 2025 (£0.05m at 31 March 2024) and is therefore considered immaterial for consolidation in group accounts.

The table below details Shetland Islands Council's share of ZetTrans financial results for the year:

2023/24 £000	Zetland Transport Partnership	2024/25 £000
(3,864)	Gross Income	(3,853)
3,869	Gross Expenditure	3,896
5	Net Deficit/(Surplus)	43
42	Non-current Assets	73
250	Current Assets	175
(250)	Current Liabilities	(175)
(42)	Capital and Reserves	(73)
0	Net Assets	0

Note 39: Accounting Policies

A General Principles

The accounts summarise the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices.

These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments, which are consequently measured at fair

value. The accounts have been prepared on a going concern basis.

The Council will disclose material accounting policy information to aid reader's understanding and interpretation of the information presented in the financial statements. Information is considered to be material if it might influence the decisions users make based on financial information about the Council. If immaterial items are included, they can interfere with decision making, because excessive detail may obscure the relevant information. Some items may qualify as material by nature or context regardless of their size.

B Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

C Accruals of Income and Expenditure

- Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed, but where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

D Cash and 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

E Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation or impairment losses, or amortisation. However, it is required to make an annual contribution from revenue towards the

reduction in its overall borrowing requirement equal to the Statutory Repayment of Loans Fund Advances.

The General Fund is balanced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two sums.

F Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be fully settled within 12 months of the year-end, such as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense for services in the year incurred.

An accrual is made for the cost of leave entitlements earned by employees, but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement arises.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service line in the CIES, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in

Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council may be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Scottish Government; or
- The Local Government Pension Scheme, administered by Shetland Islands Council.

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

The arrangements for the teachers' Scheme mean that liabilities for these benefits cannot be identified specifically to the Council. It is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the CIES is charged with the employer's contributions payable in respect of teachers' pensions in the year.

The Local Government Pension Scheme

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

The liabilities of Shetland Islands Council's pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, projections of earnings for current employees, etc.

Liabilities are discounted to their value at current prices using a discount rate derived from a corporate bond yield curve constructed from yields on high quality bonds and recognising the weighted average duration of the benefit obligation determined at the most recent actuarial valuation.

The pension fund assets attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate; and
- unitised securities – current bid price.

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

- **current service cost** – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the CIES;
- **net interest cost on the defined benefit liability** – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;
- **return on scheme assets** – excluding amounts included in net interest on the net defined benefit liability which are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, which is charged to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the CIES; and
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities which are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount

calculated according to the relevant accounting standards in the CIES.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Discretionary benefits

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

G Financial Instruments

Financial liabilities

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

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial guarantees are measured at fair value and are estimated by considering the probability of the guarantee being called.

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 measure at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

Amortised Cost

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

A soft loan is one granted at less than market rates. When a soft loan is made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the borrowing organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year, the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financial and Investment Income and Expenditure line in the CIES.

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

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. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Fair Value through Profit or Loss (FVPL)

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 measure at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

Fair Value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

three levels:

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

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

The Council invests through three Fund Managers, Baillie Gifford, Blackrock and Partners. These Fund Managers all invest on behalf of the Council into unitised products. They record income and account for transactions relating to these units as follows:

- Both Baillie Gifford and Blackrock's equity investments receive and record income, which is reinvested into their unitised funds.
- Income from Partners is paid back to the Council apart from that which is used to cover their management fees.
- Income from Blackrock's non-equity investments is transferred to their equity unitised funds, apart from any income which is used to cover their management fees.

H Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

I Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Council and credited to the CIES when there is reasonable assurance that the Council will comply with any conditions attached to payment of the grants and that the grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CIES.

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

J Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical significance. Heritage assets include historical buildings and the museum collection.

Heritage assets are recognised on the Balance Sheet where the Council has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items will be accounted for in accordance with Council's provisions relating to the disposal of property, plant and equipment.

Historical buildings

These are held on the Balance Sheet at fair value, determined as the amount that would be paid for the asset in its existing use value but, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. They are

depreciated on a straight-line basis over their remaining useful life.

Museum collection

The Council's museum collection is reported in the Balance Sheet at valuations based on specialist judgement. Assets are valued in the year of acquisition and reviewed periodically.

K 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 measured initially at cost. Amounts are revalued where the fair value of the assets held by the Council can be determined by reference to an active market. Fishing quota and fishing licences meets this criterion. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis to the relevant service lines in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired; any losses recognised are posted to the relevant service lines in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

L Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula, except for fuel which is calculated on a first in first out (FIFO) basis.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of

Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

M Investment Property

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

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

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

N Leases

The Council as lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

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

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

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

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

Subsequent measurement

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

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

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

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

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

- There is a change in future lease payments arising from a change in index or rate;
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option; or
- There is a revised in-substance fixed lease payment.

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

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

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

Lease expenditure

Expenditure in the CIES includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current is fully provided

for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The Council as lessor

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

Finance leases

The Council does not have any finance leases as lessor.

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

O Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure assets are held at depreciated historical cost;
- community assets and assets under construction are held at historical cost;
- surplus assets are held at fair value, estimated at highest and best use from a market participant's perspective;
- council dwellings are held at current value, determined using the basis of existing use value for social housing; and
- all other assets are held at current value, determined as the amount that would be paid for the asset in its existing use value.

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

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

Assets included in the Balance Sheet at current value are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Unrealised gains arise from notional changes in value that have not been converted into cash.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES.

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the CIES; and
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community and heritage assets) and assets that are under construction.

The following useful lives and depreciation rates have been used in the calculation of depreciation (straight-line method):

- council dwellings: 30 years
- other land and buildings: 1 - 105 years

- vehicles, plant, furniture and equipment: 1 - 40 years
- infrastructure: 5 - 60 years

Surplus assets are depreciated on a straight-line basis over their useful economic life. The relevant economic life for surplus assets is in line with those stated above for each category of asset.

Where an item of property, plant and equipment has major components 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 based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

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

If an asset no longer meets the criteria to be classified as an asset held for sale, it is reclassified back to a non-current asset. It is valued at the lower of its carrying amount before the asset was classified as held for sale, adjusted for depreciation, amortisations or revaluations that would have been recognised if the asset had not been classified as an asset held for sale, and its recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating

Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

P Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and investment properties and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset or liability; or, in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of the asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring fair value, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's accounts are categorised within the fair value hierarchy, as follows:

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

Q Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Anderson High School contract, there was no initial capital contribution by Shetland Islands Council.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

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

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – proportion of the amount payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are carried out.

R Provisions, Contingent Assets and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that will likely require settlement by a transfer of economic benefits and a reliable estimate can be made of the obligation's value.

Provisions are charged as an expense to the appropriate service lines in the CIES when the obligation arises 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 in the Balance Sheet. Estimated values are reviewed at the end of each financial year. Where it becomes less likely 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.

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

Contingent Assets

A contingent asset is disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential not recognised in the Balance Sheet when an event has taken place that gives the Council a possible asset 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

Contingent liabilities are disclosed in the accounts but not recognised in the Balance Sheet, in circumstances where:

- an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council; or

- 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.

S Reserves

Reserves are created by transferring amounts from the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the CIES. The value is then transferred to the General Fund so that there is no net charge against Council Tax.

The Council also operates a Harbour Reserve Fund, as permitted under statute by the Zetland County Council Act 1974. Only surpluses from the Harbour Account can be credited to this reserve.

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

T Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.



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Date: 10 December 2025

Dear Rachel

Shetland Islands Council

Annual accounts 2024/25

1. This representation letter is provided in connection with your audit of the annual accounts of Shetland Islands Council for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared, and for expressing other opinions on the Remuneration Report, Management Commentary, and Annual Governance Statement.

2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Shetland Islands Council's annual accounts for the year ended 31 March 2025.

General

3. I have fulfilled my responsibilities for the preparation of the 2024/25 annual accounts as set out in your 2024/25 Annual Audit Plan. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Shetland Islands Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. As you have reported, I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (2024/25 Code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and the Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, I have ensured that the financial statements give a true and fair view of the financial position of Shetland Islands Council at 31 March 2025 and the transactions for 2024/25.

Accounting Policies and Estimates

7. All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2024/25 Code, where applicable. Where the 2024/25 Code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Shetland Islands Council's circumstances and have been consistently applied.

8. The methodology, significant assumptions, and data used in making accounting estimates are reasonable, and have been properly reflected and disclosed in the financial statements in accordance with the 2024/25 Code. Judgements made in making estimates have been based on the latest available and reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Shetland Islands Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Shetland Islands Council's ability to continue to adopt the going concern basis of accounting.

Assets

10. All assets at 31 March 2025 of which I am aware have been reported in the financial statements.

11. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2025 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

12. I carried out an assessment at 31 March 2025 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified in the financial statements.

13. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2025.

14. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised in the financial statements.

15. Owned assets are free from any lien, encumbrance, or charge, except as disclosed in the financial statements.

Liabilities

16. All liabilities at 31 March 2025 of which I am aware have been reported in the financial statements.

17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2025 of which I am aware where the conditions specified in IAS 37, as adapted by the 2024/25 Code, have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation

at 31 March 2025. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

18. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2025, or to reflect material changes in the assumptions underlying the calculations of the provisions.

19. The accrual recognised in the financial statements for annual leave untaken by 31 March 2025 has been estimated on a reasonable basis.

20. The pension assumptions made by the actuary in the IAS 19 report for Shetland Islands Council have been reviewed and I confirm that they are consistent with management's own view.

21. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent Liabilities

22. There are no significant contingent liabilities, other than those disclosed in Notes 34 and 35 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the financial statements. All known contingent liabilities have been fully and properly disclosed in accordance with IAS 37, as adopted by the 2024/25 Code.

Litigation and Claims

23. All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2024/25 Code.

Fraud

24. I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

25. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud,
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

26. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

27. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2024/25 Code. I have made available to you the identity of all of Shetland Islands Council's related parties and all the related party transactions of which I am aware.

Remuneration Report

28. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management Commentary

29. I confirm that the Management Commentary has been prepared in accordance with statutory guidance, and the information is consistent with the financial statements.

Corporate Governance

30. I confirm Shetland Islands Council has undertaken a review of the system of internal control during 2024/25 to establish the extent to which it complies with proper practices set out in *Delivering Good Governance in Local Government: Framework 2016*. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

31. I confirm that the Annual Governance Statement has been prepared in accordance with the *Delivering Good Governance in Local Government: Framework 2016* and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements, or issues identified, since 31 March 2025 which require to be reflected in the Annual Governance Statement or annual accounts.

Events Subsequent to the Date of the Balance Sheet

32. All events subsequent to 31 March 2025 for which IAS 10, as adopted by the 2024/25 Code, requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Paul Fraser

Paul Fraser

Executive Manager – Finance