

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (Continued)****DEBTORS (Continued)**

The council reviewed all debtors' balances at 31 March 2024 and determined that a total allowance for doubtful debts of £25.1 million was appropriate. This is based on historic assessment of recoverability, review of individual balances, correspondence with third parties, professional assessments of likely recovery and ageing analysis of debt at year end.

The provision for doubtful debts consists of Accounts Receivable £0.6 million, Council Tax £18.7 million and Housing Rent and Homeless Debtors of £5.8 million. This results in an increase in outstanding debt not provided for of £2.8 million, increasing from £8.1 million in 2022/23 to £10.9 million in 2023/24, primarily as a result of the reduction in the provision for bad debt for council tax reducing from 2.25% to 2% to reflect collection rates.

It is recognised that in the current economic climate and taking into consideration the ongoing impact of the cost of living crisis there remains an increased uncertainty around the recoverability of these debtor balances. The council continues to review all material outstanding balances and has based the amended provisions for doubtful debts to reflect current collection rates and values of outstanding debt.

**Effect if actual results differ from assumptions:** If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £2.1 million to be set aside as an allowance. Given the uncertainty around the ongoing financial environment the council is unable to fully assess the likelihood of such an increase occurring.

**VALUATION OF PROPERTY**

**Uncertainties:** The valuation of the council's property, plant and equipment which are subject to revaluation are subject to significant estimation due to a number of factors, such as ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards, the remaining useful economic lives of the assets. Given the material nature of the council's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the council's assets at 31 March 2024 is outlined and broken down by asset category at note 14.1.

In particular, additional consideration continues to be given to the effects of the current economic climate on the council's property assets and their associated values. In order to take an informed view and to gauge the position of the wider valuation profession on this matter, consultation has taken place with colleagues from a wide range of Scottish local authorities, private practice surveyors, the District Valuers Office, the Association of Chief Estate Surveyors (ACES) and the Royal Institute of Chartered Surveyors (RICS).

**2023/24 revaluations**

In 2023/24, valuations were undertaken for the council's cemetery land, grass pitches, non-grass pitches, golf courses, bowling greens, running tracks, tennis courts, pavilions, OAP pavilions, landfill sites and civic amenity sites. The asset valuations were based on a depreciated replacement cost (DRC) basis and resulted in a net upwards revaluation of assets of £21.1 million (10.7% from previous revaluation).

A valuation movement of £17.7 million was charged to the Comprehensive Income and Expenditure Account and £38.8 million credited to the Revaluation Reserve, resulting in the net upward revaluation of £21.1 million.

The changes in valuation in assets in 2023/24, compared to 2022/23, represent updated information around the assets since the most recent full valuation.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £2.6 million for every year that useful lives reduced.

**Ongoing assessment of asset valuation**

In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.

The council's Property Services Manager has determined in his professional opinion that, at 31 March 2024, there has been no material change in the assets not subject to revaluation in the year that would require an earlier revaluation.

As a result of this process no additional assets in the council's portfolio were subject to early revaluation. The council has also continued to assess the valuation of its asset base subsequent to the financial year end to ensure new information does not indicate a change in valuation at the balance sheet date.

**Effect if actual results differ from assumptions:** The value of all council property, plant and equipment subject to revaluation through the 5 year revaluation cycle is £2 billion.

Assets revalued in 2023/24, totalled £196.7 million before revaluation. The impact of a 5% change in valuation would be a total of £9.8 million. This would either result in an increase or decrease in the council's revaluation reserve or an additional impairment charge. There would be no impact on the council's general fund.

Given the wide ranging nature of the assets under revaluation, as well as the differing and overlapping estimates involved in the valuations, it is not possible for management to provide an expected range of estimate outcomes going forward. However, given the experience in past years and materiality of the asset values, it is expected that these balances will continue to be subject to change as estimates are updated annually.