

# Public Document Pack

**Argyll and Bute Council**  
**Comhairle Earra-Ghàidheal Agus Bhòid**

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13 November 2020

## SUPPLEMENTARY PACK 1

### **SPECIAL MEETING OF THE AUDIT AND SCRUTINY COMMITTEE - SKYPE on TUESDAY, 17 NOVEMBER 2020 at 11:30 AM**

I enclose herewith **item 3 (EXTERNAL AUDIT ANNUAL AUDIT REPORT, which incorporates agenda item 4 – ISA 260/580) and item 5 (2019-20 ANNUAL ACCOUNTS)** which were marked to follow on the Agenda for the above meeting.

Douglas Hendry  
Executive Director

### **ADDITIONAL ITEM(S) OR ITEM(S) TO FOLLOW**

- 3. EXTERNAL AUDIT ANNUAL AUDIT REPORT (Pages 3 - 54)**  
Report by Audit Scotland
  
- 5. 2019-20 ANNUAL ACCOUNTS (Pages 55 - 312)**  
Report by Interim Head of Financial Services

### **Audit and Scrutiny Committee**

Martin Caldwell (Chair)	Councillor Jim Findlay
Councillor George Freeman	Councillor Sir Jamie McGrigor
Councillor Alan Reid	Councillor Sandy Taylor (Vice-Chair)
Councillor Richard Trail	Councillor Andrew Vennard

Shona Barton, Committee Manager

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# Argyll and Bute Council

**2019/20 Annual Audit Report – PROPOSED**



Prepared for the Members of Argyll and Bute Council and the Controller of Audit  
26 November 2020 (formal date of issue)

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# Key messages

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## 2019/20 annual accounts

- 1** Our audit opinions on the annual accounts of Argyll and Bute Council, its group and the section 106 charities administered by the Council are unqualified and report that the accounts present a true and fair view of the financial position of the Council.
- 2** The financial statements include an explanatory paragraph within Note 4 describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.
- 3** Covid-19 created additional challenges for both council and audit staff. The unaudited accounts were submitted for audit in line with the original timetable but key dates in the financial reporting process were updated to reflect the revised statutory deadlines.

## Financial management

- 4** The Council achieved an underspend of £0.502 million.
- 5** For the third consecutive year, the social work budget has been overspent. A repayment agreement is in place with the Integration Joint Board; however, financial pressures and funding gaps are being reported in the short term and there is a risk that the repayment plan is not achieved.
- 6** The Council has appropriate and effective financial management arrangements in place that allow members and officers to scrutinise financial performance effectively.

## Financial sustainability

- 7** The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 is expected to create significant financial challenges over the next five financial years to 2025/26.
- 8** Increased levels of demand coupled with increasing costs and reductions in government funding will continue to place a strain on the Council's capacity to deliver services at current levels. The Council has established a Budget Working Group to assist in the identification, development and scrutiny of savings options.
- 9** Although a medium-term financial plan is in place it will need to be revised and updated to reflect the longer-term impacts of Covid-19. These changes to the financial plan will need to link with, and support, changes that are being made as a result of service redesign and efficiency plans in light of the current and longer-term impacts of Covid-19.

## Governance and transparency

- 10** The Council has appropriate governance arrangements in place. We recognise that in responding to the COVID-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.
- 11** The Council is open and transparent in the way it conducts its business.

## Best Value

- 12** The Best Value Assurance Report (BVAR) report recognises the progress the Council had made since the previous Best Value audit in 2015. The BVAR also highlighted improvements are still required for the Council to be able to demonstrate it is achieving all aspects of Best Value.
- 13** In response to our BVAR the Council has developed a BVAR improvement plan which was presented to the full Council together with a commitment to provide six monthly updates on progress. We will follow up progress against the improvement plan in our 2020/21 audit.
- 14** The key finding from our BVAR is the opportunity for the Council to make improvements to its performance reporting and to make better use of benchmarking and performance information to drive continuous improvement.

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# Introduction

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1. This report summarises the findings arising from the 2019/20 audit of Argyll and Bute Council (the Council) and its group. The scope of the audit was set out in our 2019/20 Annual Audit Plan presented the Audit and Scrutiny Committee meeting on 17 March 2020.

2. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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3. The main elements of our audit work in 2019/20 have been:

- an audit of the Council and its group 2019/20 annual accounts and the statement of accounts of the eight section 106 charities administered by the Council and the issue of independent auditor's reports setting out our opinions
- a review of the Council's key financial systems
- audit work covering the Council's arrangements for securing Best Value. This resulted in the issue of a [best value assurance report](#) to Argyll and Bute Council on 21 May 2020
- consideration of the four audit dimensions.

4. After the publication of the Annual Audit Plan, in common with all public bodies, the Council has had to respond to the global coronavirus pandemic. The impact of the global coronavirus pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services including the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

5. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland](#) is responding, setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

## Adding value through the audit

6. We add value to the council through the audit by:

- early work with the s95 Officer to achieve a mutual understanding of the implications of the Council's loans fund reprofiling project from a financial planning, accounting and governance perspective. We shared insights from our work with other councils undertaking similar reviews to help inform the approach being taken at Argyll and Bute;
- regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Audit and Scrutiny Committee on key challenges in the Covid environment;
- shared learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised accounts and audit timetable;
- making use of remote working to meet the revised 17 November 2020 audited annual accounts deadline ahead of the new statutory deadline of 30 November 2020
- ongoing conversations with Strategic Management Team to understand the Council's response to the Best Value Report (published in May 2020) acting as a critical friend and offering appropriate and constructive challenge to the actions being taken to address the recommendations contained in the report;
- reporting our findings and conclusions in public and sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides.

7. Taking these together, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

8. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

9. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

**10.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the Council's performance management arrangements;
- the suitability and effectiveness of corporate governance arrangements, and financial position;
- the arrangements for securing financial sustainability; and
- Best Value arrangements.

**11.** In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**12.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**13.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

## Auditor Independence

**14.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**15.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £263,220 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**16.** This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**17.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

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# Part 1

## Audit of 2019/20 annual accounts

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### Main judgements

Our audit opinions on the annual accounts of Argyll and Bute Council, its group and the section 106 charities administered by the Council are unqualified and report that the accounts present a true and fair view of the financial position of the Council.

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The financial statements include an explanatory paragraph within Note 4 describing the effect of material uncertainties, caused by Covid-19 as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.

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Covid-19 created additional challenges for both council and audit staff. The unaudited accounts were submitted for audit in line with the original timetable but key dates in the financial reporting process were updated to reflect the revised statutory deadlines.

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The annual accounts are the principal means of accounting for the stewardship of resources and performance.

### Our audit opinions on the annual accounts are unmodified

**18.** The accounts for Argyll and Bute Council and its group for the year ended 31 March 2020 were approved by the Audit and Scrutiny Committee on 17 November 2020. As reported in the independent auditor's report;

- the financial statements give a true and fair view of the financial position of the Council and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

### The Council highlighted an uncertainty in property valuations due to Covid-19

**19.** The 'Emphasis of Matter' section in our Independent Auditor's Report refers to the disclosures in note 4 of the financial statements which identifies a material valuation uncertainty in respect of property valuations caused by the Covid-19 pandemic. Emphasis of Matter paragraphs are added to auditor's reports where the auditor considers it necessary to draw user's attention to matters which are fundamental to the understanding of the financial statements. Further information is contained in [Exhibit 3](#) below. The audit opinion is not modified in respect of this matter.

## The annual accounts were signed off in line with revised statutory timescales

**20.** The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the Annual Accounts. The Council did not need to use the powers in the 2020 Act to postpone the publication of the unaudited accounts, and these were submitted to us for audit on 29 June 2020 in line with the original timetable.

**21.** Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with council staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges we were able to deliver the audit in line with the new statutory deadline.

## Our audit opinions on the eight Section 106 charities were unmodified

**22.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Argyll and Bute Council are sole trustees, irrespective of the size of the charity.

**23.** A review of the trust funds arrangements has been undertaken by officers to provide clarity around the current arrangements. Consideration has been given to streamlining the approach which would categorise trust funds based on their distribution and allocation methods. Plans are being progressed to revise the approach to the trust funds.

**24.** We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements give a true and fair view of the section 106 charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

**25.** These were considered by the Audit and Scrutiny Committee on 17 November, approved by the Council on 26 November and signed by the statutory deadline of 30 November.

## No objections were received on the annual accounts

**26.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2019/20 accounts.

## Whole of Government Accounts

**27.** In accordance with the WGA guidance we intend to complete the required assurance statement and submit it to the National Audit Office by the extended deadline of 4 December 2020.



## Overall materiality is £6.062 million

**28.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual accounts. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

**29.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

**30.** On receipt of the unaudited annual accounts we reviewed and re-assessed our materiality as summarised in [Exhibit 2](#). This resulted in minor changes to our materiality thresholds but did not impact on our planned audit approach.

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## Exhibit 2 Materiality values

Overall materiality	£6.062 million
Performance materiality	£3.637 million
Reporting threshold	£0.100 million

Source: Audit Scotland

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## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

**31.** [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

**32.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan. However, we have reported wider dimension risks around financial sustainability and the development of medium-term savings plans within the action plan at [Appendix 1](#).

## Significant findings to report on the annual accounts

**33.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

**34.** The significant findings from our work are summarised in [Exhibit 3](#) and we have no matters to report around the qualitative aspects of the councils accounting practices. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.



## Exhibit 3

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Property valuations and Covid-19 uncertainty</b></p> <p>The Balance Sheet includes property, plant and equipment with a total value of £637.104 million. The Council has a five-year rolling valuation programme as detailed in Note 14.2. The asset valuer has included a material uncertainty disclosure within the valuation report, which covers specific asset categories, in accordance with the rolling programme and was conducted in March 2020. We believe that, due to the impact of Covid-19 from mid-March 2020, there is a wider material uncertainty within the property valuation provided.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The conclusion of the valuer on the rolling programme of valuation work have contributed to the view that less certainty can be attached to the valuation than would otherwise be the case.</p> <p><b>Conclusion:</b> The accounts disclose this increased uncertainty at Note 4, and we have included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to the matter.</p>
<p><b>2. Non-current asset classifications</b></p> <p>On review of the non-current asset disclosures and underlying documents we identified £9.575 million of assets under construction relating to Campbeltown Grammar and Dunoon Primary School. These assets became operational during 2019/20 and should have been transferred out of assets under construction.</p> <p>Our review of the asset disclosures we noted community asset additions in year of £2.133m. The council did not recognise these community assets as assets under construction in 2017/18 and 2018/19.</p> <p>The asset register and Balance Sheet recognised Hermitage Park Depot as assets held for sale with a value of £0.900 million. However, the valuers report noted that the depot had been sold in March 2020.</p>	<p>Adjustments to non-current asset disclosures have been processed.</p>

Source: Audit Scotland

## Other findings

**35.** In January 2017 an Employment Tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case. On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.

**36.** In 2018/19 the Council instructed the actuary to the Strathclyde Pension Fund to quantify the impact on the Council's pension fund liability. This was reflected within the 2018/19 financial statements. No adjustment has been made to the 2019/20 accounts to reflect the consultation document of 16 July 2020 as the amount was not material.

**37.** Our audit also identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts. This is normal audit practice and none of the presentational changes have any impact on the council's outturn for the year.

**Reasonable progress has been made in implementing prior year audit recommendations**

**38.** The Council has made reasonable progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

# Part 2

## Financial management



### Main judgements

The Council achieved an underspend of £0.502 million in 2019/20.

For the third consecutive year, the social work budget has been overspent. A repayment agreement is in place with the Integration Joint Board; however, financial pressures and funding gaps are being reported in the short term and there is a risk that the repayment plan is not achieved.

The Council has appropriate and effective financial management arrangements in place that allow members and officers to scrutinise financial performance effectively.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

### The Council operated within budget in 2019/20 with an overall underspend of £0.502 million

39. The Council achieved an underspend of £0.502 million in financial year 2019/20 despite additional costs as a result of Covid-19. The section 95 officer provided the year-end outturn report against budget to the 25 June 2020 meeting of the Business Continuity Committee. This report highlighted areas of significant over and underspends against the budget.

### Budget process was appropriate

40. The Council's budget and savings plans are aligned to Council priorities as set out in its Corporate Plan. The Council have made efforts in recent years to engage with the public during the budget setting process. Members of the public are able to submit their own priorities for the budget, along with suggestions for savings and income generation.

41. Detailed scrutiny of financial performance is delegated to the Policy and Resources Committee which receives bi-monthly revenue and capital monitoring reports.

42. The Council made significant savings (£2.367 million) in-year due to a review of the loans fund, as approved by the Council in February 2020. The main area of overspend was social services which is managed by the Integration Joint Board (IJB). These services overspent by £1.141million and the Council provided additional funding to meet the overspend.

43. The overspend against 2019/20 social services budget increased the total overspend against this budget to £5.348 million since 2017/18. This adverse position is due to a combination of forecast slippage on the delivery of agreed savings and the high demand for services.

44. The IJB are required to repay the additional funds provided by the Council to address these overspends. An indicative timetable for repayments was presented to

the Argyll and Bute Health and Social Care Partnership (HSCP) meeting in August 2020. It is intended that the money due to the Council will be recovered through reductions in future IJB funding. Whilst a repayment agreement is in place, current IJB financial projections are forecasting an overspend in 2020/21 due to costs arising from the impact of Covid-19. Funding gaps are also projected in both 2021/22 and 2022/23. There is a risk that the IJB may be unable to repay the funding received from the Council in line with the agreed timetable. The Council has appropriate and effective financial management arrangements in place that allow members and officers to scrutinise financial performance effectively

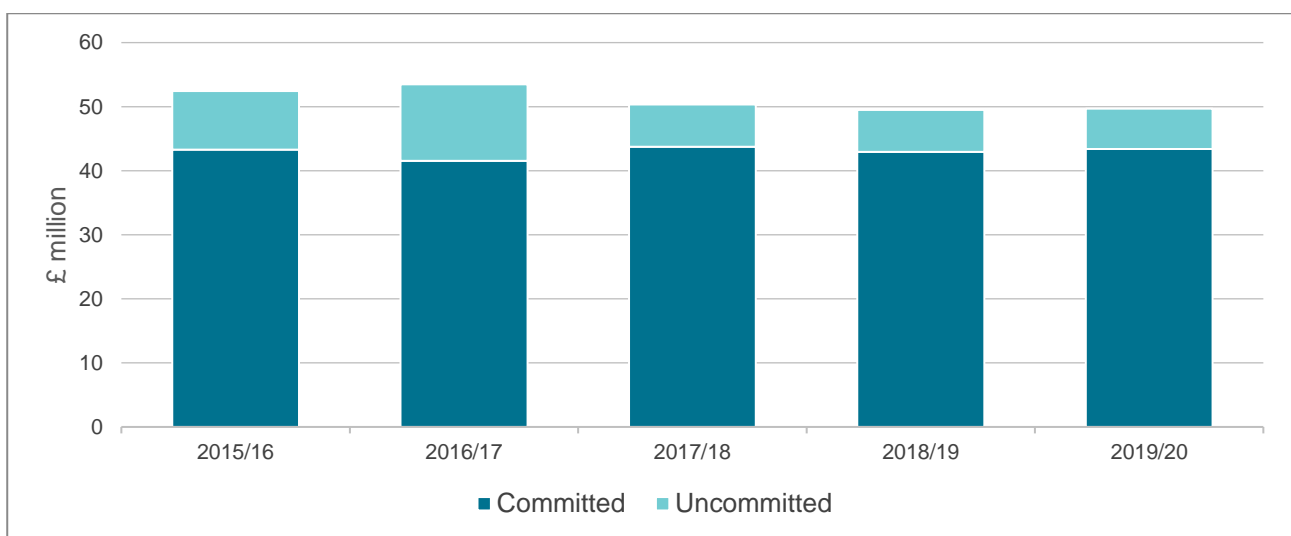
**45.** Senior management and members receive regular and accurate financial information on the Council's financial position. These reports allow members and officers to scrutinise financial performance effectively throughout the year. Our BVAR concluded that these reports were of a high quality and clearly explain the Council's financial position.

### The level of General Fund reserves has remained stable

**46.** One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the Council increased from £55.528 million in 2018/19 to £55.892 million in 2019/20. The general fund reserve accounts for £49.67 million of the total usable reserves, although a substantial proportion are committed. The remainder of the usable reserve balance consists of the repairs and renewal fund and capital fund which have year end balances of £1.843 million and £4.379 million respectively.

**47.** [Exhibit 4](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. The exhibit illustrates the relatively stable general fund reserve position the Council has maintained with the balance reducing by £2.747 million over this period. Whilst this is in line with the approved strategy, the impact of any service overspends, will reduce uncommitted reserves further, meaning that the Council will be at risk of breaching its reserves policy.

## Exhibit 4 Analysis of general fund balance



Source: Argyll and Bute Council Annual Report and Accounts 2015/16 to 2019/20

## **Planned efficiency savings were not fully realised but departmental underspends met the shortfall**

**48.** The Council has established savings plans to drive efficiencies and address any budget gap. Annual savings plans are created for the following year and are considered by the Policy and Resources Committee with the final savings plan approved by the Council as part of the annual budget proposal.

**49.** In 2019/20, the Council planned to achieve efficiency savings of £5.138 million from 67 identified savings options. This included saving options agreed in 2017/18, 2018/19 and 2019/20. The Council achieved actual savings of £4.357 million (84.8% of this total). The shortfall of savings achieved (£0.781 million) was met by departmental underspends.

**50.** The BVAR highlighted that whilst the Council has achieved a balanced budget and generated savings and efficiencies through a focus on cost reduction this approach will not address future budget gaps and support the transformational change required to achieve the Council's vision.

**51.** The Council is currently undertaking a themed review to identify alternative ways to deliver services in a more efficient manner and to reflect on corporate learning in responding to Covid-19 and the resulting changes to working practices.

## **There has been substantial slippage in the approved capital programme in 2019/20**

**52.** The Council approved the 2019/20 capital plan with a budget of £36.036 million in February 2019. Throughout the year the Policy and Resources Committee receive regular reports on the capital plan. The reports outline progress against the plan and any changes to the agreed budget due to slippage, acceleration or virements.

**53.** The capital plan consists of 149 projects, with 131 of these either complete or on track. Total capital expenditure in 2019/20 was £19.321 million. As outlined within the Council's capital year end outturn report, previously agreed changes to the 2019/20 capital budget totalled £17.498 million. The changes to the capital plan relate to slippage in timescales for tender exercises, retentions, planning permission and the impact of Covid-19 on contractors. The most significant capital project delay relates to the Rothesay Pavilion project which was due to complete in June 2020. Delays were created after the identification of a need for asbestos removal work. At the Council meeting in February 2020, a proportion of the loans fund one-off gain was set aside to support strategic change projects, including Rothesay Pavilion.

**54.** Further delays have arisen after the contractor for the project entered administration and the Council will now need to appoint a new contractor to complete the work. The capital reports have identified a risk that the project may overspend as a consequence of these issues.

## **Borrowing levels have reduced**

**55.** The Council's external borrowing as at 31 March 2020 decreased by £10 million on the previous year to £173.6 million. New loans of £7 million were taken out and £17 million of PWLB loans were repaid during the year.

**56.** Due to the slippage on capital projects, the Council borrowed in excess of its requirements at the year-end by £1.9 million. The situation is expected to be corrected during 2020/21 as the Council looks to address and resolve the capital slippage.

## **Financial systems of internal control have been designed appropriately**

**57.** As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**58.** Our planned work on internal controls had to be reduced due to the impact of Covid-19. We did review the design of internal controls and test these by means of walk through tests. Consequently, we were able to conclude that the controls in the Council's main financial systems were appropriately designed and we were able to take assurance from internal work on financial systems as described at paragraph 91 below.

**59.** Through a combination of walkthrough tests, prior years external audit work, using the work of internal audit and substantive testing of financial transactions we concluded that there were no significant weaknesses in the Council's accounting systems used to record and process transactions.

**60.** Our conclusion is based on findings during the course of our normal audit work and these do not necessarily cover all the risks that may exist. It remains management's responsibility to determine the extent of the internal control system within the Council.

# Part 3

## Financial sustainability



### Main judgements

**The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 is expected to create significant financial challenges over the next five financial years to 2025/26.**

**Increased levels of demand coupled with increasing costs and reductions in government funding will continue to place a strain on the Council's capacity to deliver services at current levels. The Council has established a Budget Working Group to assist in the identification, development and scrutiny of savings options.**

**Although a medium-term financial plan is in place it will need to be revised and updated to reflect the longer-term impacts of Covid-19. These changes to the financial plan will need to link with, and support, changes that are being made as a result of service redesign and efficiency plans in light of the current and longer-term impacts of Covid-19.**

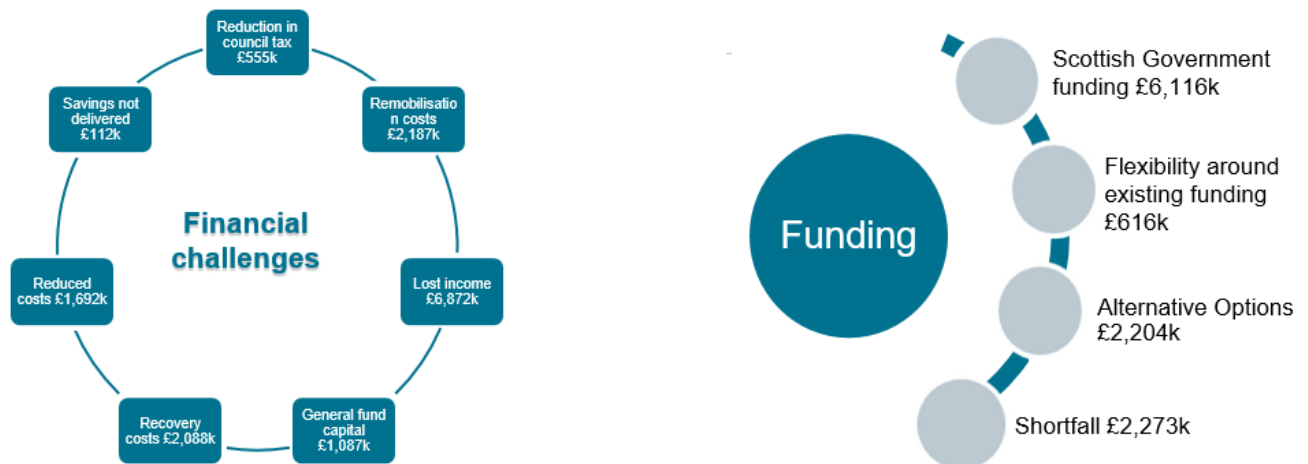
Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

### The financial impact of the COVID-19 pandemic will be significant

**61.** The Council approved the 2020/21 budget in February 2020. In May 2020 the Business Continuity Committee received a report on the estimated impact of the Covid-19 pandemic. This report focussed on the first quarter of 2020/21 and estimated the costs to be £4.130 million. A further update was provided to committee in August 2020 which quantified the likely full year financial impact. In quantifying these costs, a number of assumptions have been made in relation to additional costs, lost income and the pace of service recovery. The report estimated a full year cost of £12.176 million arising from the pandemic.

**62.** [Exhibit 5](#) highlights the financial challenges identified by the Council arising from the Covid-19 pandemic as well as the funding sources and resulting shortfall. A cross party working group has been established and is considering options. Further details around the lost income scheme and possible financial flexibilities are being obtained to inform the group. Further details of the significant elements of the financial challenges can be found in [Appendix 3](#). The Council will need to make decisions around other options available that could be applied to fund the Covid-19 shortfall of £2.273 million.

## Exhibit 5 Financial challenges and funding



Source: Argyll and Bute Council 2019/20

### Medium and longer term financial plans are in place but will have to be updated to reflect the impact of Covid-19

**63.** It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although Councillors only approve the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures on the Council.

**64.** The BVAR noted that the Council has good financial planning arrangements in place based around its medium to long term financial strategy 2018/19 to 2027/28 which was approved in 2017. The strategy includes forecasts for revenue, capital and treasury management and details of plans to mitigate future budget gaps. The underlying principles previously agreed by the Council provide a flexible framework within which the Council can react to changing financial challenges.

**65.** The Council estimates that there will be a budget gap of between £9.464 million (most optimistic) and £46.386 million (most pessimistic) over the five-year period 2021/22 to 2025/26. These projections are largely as a result of an assumed drop in funding from the Scottish Government and increased costs as a result of pay inflation. These financial pressures will require the Council to make difficult decisions in the future around service design and delivery.

**66.** The Council has established a cross party Budget Working Group as part of the 2021/22 budget process. The group will assist in the identification and development of savings options. The group do not have any decision-making authority but are able to provide scrutiny over options being developed and can report and make recommendations to the Council or Policy and Resources Committee. This is a positive step in refining the Council's approach to developing savings plans and will provide the basis for the development of medium-term savings plans which can be aligned with any larger scale service redesign.

**67.** The Council's medium-term financial plan has not yet been updated to reflect the impact of Covid-19. It is important that the Council updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.





## Recommendation 1

**The Council should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.**

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### Transformational planning is underway

**68.** The Council established a transformation board in 2017 to increase the pace and scale of transformation and to challenge services to deliver front line savings through four operating principles of cost reduction, income maximisation, service redesign or self-funding.

**69.** In recent years the Council has achieved financial balance largely through cost containment efficiency measures. While this approach has been successful to date it is not sustainable in the long term and the Council will need to make challenging decisions to achieve financial balance in the future.

**70.** As reported within the BVAR the total amount of savings or income generated through these initiatives to date is unclear. While a number of efficiency-saving and income generation plans are in place, progress has been slow. The impact of completed projects has been small-scale and within individual services.

**71.** There is little evidence of any plans for fundamental large-scale transformational service redesign. The location of the Council area limits opportunities to adopt some of the larger scale transformational changes being implemented by other councils in Scotland. However, as referred to in paragraph 51 above, the Council is currently undertaking a themed review of service delivery to identify alternative ways to deliver services in a more efficient manner.

# Part 4

## Governance and transparency



### Main Judgements

**The Council has appropriate governance arrangements in place. We recognise that in responding to the COVID-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.**

**The Council is open and transparent in the way it conducts its business.**

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

### **The Council has appropriate governance arrangements in place that support decision making, accountability and scrutiny**

**72.** The Council has a committee structure in place which is supported by clear roles for officers and members. The committee structure is supported by a governance framework that includes Standing Orders, a Scheme of Delegation, Codes of Conduct and Financial Regulations. The Council's decision and delegation arrangements, and its organisational structure are reviewed on an annual basis by the full Council.

**73.** Papers provided by officers to support full Council and committee meetings are of a good standard, cover issues in appropriate detail and are provided sufficiently in advance of meetings for members to review in detail.

**74.** . Appropriate time is made available in full Council and Audit and Scrutiny Committee meetings to discuss issues on the agenda in sufficient detail and it is clear that members are well-prepared for the meetings and ask pertinent and probing questions. Relevant officers attend the committee to present reports and to respond to questions from members.

**75.** The Council was able to complete all scheduled 2019/20 meetings of its main governance committees before the full impact of the Covid-19 pandemic.

### **The Council revised its governance arrangements in response to the Covid-19 pandemic. The new arrangements are appropriate and support good governance and accountability**

**76.** The impact of COVID-19 from March 2020 have been set out in the Annual Governance Statement in the Council's annual accounts. These were significant and allowed the Council to manage the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps were taken to allow the Council staff to prioritise their response to the outbreak:

- at a special meeting of the Council on 31 March 2020, it was agreed that all Council meetings including those of the Audit and Scrutiny Committee would be suspended temporarily. A Business Continuity Committee (BCC) was established to exercise all the powers of the Council and this was extended following a review of arrangements at the end of June 2020. Meetings of the

BCC are carried out on a virtual basis. The agenda, minutes and supporting papers of the BCC are readily accessible to the public on the Council's website.

- the Chief Executive was given emergency powers to instruct executive actions during the period of the Covid-19 crisis. This was undertaken in consultation with the Leadership Group (Leader of the Council, Depute Leader and Leader of the opposition Group). This is in line with the Council's Constitution and members believe it will allow urgent decisions to be taken in response to the crisis. All decisions under this arrangement were logged and a formal report on decisions was submitted to the Council meeting on 30 June
- the BCC and the Council's general governance arrangements were kept under regular review throughout the period and reported to members. The Council agreed at its meeting on 24 September that all Committee meetings will continue on a virtual basis with a further review of the operation of Committees to be undertaken and reported to Council in April 2021. The BCC was suspended meantime with the ability to be recalled should that be required.

**77.** We concluded that the new governance arrangements introduced by the Council in response to Covid-19 are appropriate and support good governance and accountability.

### **Elected member relationships have improved significantly, resulting in constructive and more focused decision-making**

**78.** Relationships between officers and elected members are positive and constructive. Since our last Best Value report in 2015, relationships between elected members have improved significantly including the relationship between the administration and the opposition groups. The current political set-up is productive and collegiate, with elected members committed to working together to improve Argyll and Bute for the benefit of their communities.

**79.** Councillor Aileen Morton, former Leader of Argyll and Bute Council, intimated her intention to step down from her current office effective at the Council meeting on 24 September. The Council Constitution required the Council to give consideration to filling the vacancy at that meeting and the appointment of the new Leader of Argyll and Bute Council, Councillor Robin Currie, was confirmed.

### **Councillors need to take advantage of the training opportunities available to ensure they remain an effective elected member**

**80.** The Council provides a good level of training for members, with courses taking place throughout the year covering a range of topics relevant to their roles and linked to the Council priorities. The Council has also put in place arrangements to support members' continuing professional development.

**81.** Our BVAR highlighted that member attendance at training courses has been mixed, with a 55 per cent attendance rate over the last 18 months. During this period, ten members attended two or fewer training sessions.

**82.** Our report recommended that further action is required by elected members to review their individual training requirements with a view to agreeing tailored personal development plans to ensure that they deliver, and are able to respond to the demands, challenges and expectations of a modern elected member.

**83.** The Council's Best Value action plan contains various opportunities for Councillors with a reviewed training programme. We will undertake a review of this as part of the 2020/21 audit.

**84.** The recommendation within the BVAR remains more relevant than ever as officers and elected members adapt to the additional financial and governance challenges resulting from COVID-19. The Council has provided online training during Covid 19 with good levels of attendance.

**85.** The Council needs to ensure the training provided continues to be reviewed to reflect new ways of working, is flexible and can adapt to provide the necessary resources and support for members to access and complete training.

### **The Council is open and transparent in the way it conducts its business**

**86.** There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. There are increasing public expectations for more openness and transparency as citizens want to understand how public money is used and, to support their participation in local service design and delivery.

**87.** A transparent organisation shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets

**88.** There is evidence from several sources which demonstrate the council's commitment to transparency. Members of the public can attend meetings of the full Council, the Audit and Scrutiny Committee and other committees. Minutes of these committee meetings and supporting papers are readily available on the council's website which is easy to navigate.

**89.** The Council's website allows the public to access a wide range of information including the register of members' interests. The '*Have your say*' section of the website provides details on how to make a complaint and how to use social media (e.g. Facebook and twitter) to access information about the council's decision-making processes. Additionally, the Council is proactive in encouraging the public to get involved work and welcomes suggestions how services could be made more efficient and effective.

### **Internal audit operates in accordance with Public Sector Internal Audit Standards**

**90.** A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. We carry out an annual assessment of the internal audit function to ensure it operates in accordance with Public Sector Internal Audit Standards (PSIAS). These standards apply to all internal audit service providers and coverage arrange of issues such planning, risk assessment, audit documentation, reporting and quality monitoring. Our review concluded that internal audit operates in accordance with PSIAS.

**91.** In terms of International Standard on auditing we reviewed internal audit work on controls within financial systems. Our review found the work to be of a good quality with testing and audit findings documented clearly. We concluded that we could use the work of internal audit in a number of areas as set out [Exhibit 6](#).

#### **Exhibit 6**

#### **Use of internal auditors' work**



Non- Domestic rates



Council tax

✓ Payroll	✓ General Ledger
✓ Receipts and banking	✓ Accounts payable
✓ Accounts receivable (debtors)	✓ Treasury Management

**92.** The Annual Governance Statement, within the Council's annual accounts, notes that the planned internal audit work for 2019/20 was not completed due to the impact of Covid-19 and the need to redeploy staff to support the Council's response to the pandemic. Six audit assignments were carried forward to 2020/21 to complete but these had no impact on the extent to which we could use internal audit's work. In addition, the deferred audit assignments had no material impact on internal audit's ability to provide their annual opinion for 2019/20.

### **The Council is proactive in following-up matches identified by the National Fraud Initiative and reporting findings to the Audit and Scrutiny Committee**

**93.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**94.** NFI activity is summarised in Exhibit 7. Our latest review of the NFI process at the Council was completed in February 2020, and no issues were identified.

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## **Exhibit 7**

### **NFI activity**



**5910**

**Matches**



**576**

**High Risk**



**823**

**Completed/closed investigations**

Source: Argyll and Bute Council; Internal Audit

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**95.** The Council actively reviews and investigates data matches with findings reported to the Audit and Scrutiny Committee.

**96.** The Council uses a number of other agencies to provide data matches in high risk areas. For example, the Revenues Section use Datatank to highlight potential single person discount fraud. The Accounts Payable Section use an external agency, Fiscal Technologies, to highlight duplicate supplier payments for further investigation.

**The Council has appropriate arrangements in place to maintain standards of conduct and for the prevention and detection of fraud and error**

**97.** The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, an anti-money laundering procedure, anti-fraud strategy and codes of conduct for members and officers.

**Good practice points**

**98.** Elected members demonstrate a good understanding of the issues the Council faces. The Council has a policy lead structure where members of the administration have responsibility for different areas of Council operations and objectives. Policy leads provide verbal updates at Council meetings and take questions on their areas of responsibility. The format and operation of the policy lead structure helps promote discussion on key issues and member accountability for the delivery of council priorities

# Part 5

## Best Value



### Main judgements

The Best Value Assurance Report (BVAR) report recognises the progress the Council had made since the previous Best Value audit in 2015. The BVAR also highlighted improvements are still required for the Council to be able to demonstrate it is achieving all aspects of Best Value.

In response to our BVAR the Council has developed a BVAR improvement plan which was presented to the full Council together with a commitment to provide six monthly updates on progress. We will follow up progress against the improvement plan in our 2020/21 audit.

A key finding from our BVAR was the opportunity for the Council to make improvements to its performance reporting and use benchmarking performance information to drive continuous improvement.

Best Value is concerned with using resources effectively and continually improving services.

### The Best Value Assurance Report (BVAR) report recognises the progress the Council has made since the Best Value Report in 2015

**99.** Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

**100.** During 2019/20 we undertook a review of best value within the Council. The findings from this review were reported in the BVAR for Argyll and Bute Council which was published on 21 May 2020. Within this we highlighted the following key messages:

- Since the 2015 Best Value report, the Council has worked hard to improve relationships among elected members and senior officers. There has been a significant improvement in the culture resulting in constructive and more focused decision-making. Members now need to build on this and make the difficult decisions required to sustain council services in the longer term.
- The Council and its partners share a strong commitment to the vision for Argyll and Bute. The Council and its partners recognise the challenges, which includes a declining and ageing population, varied geography and population density, declining funding, and a growing economic dependence on the public sector.
- The Council is not yet in a position to demonstrate that it is achieving all aspects of Best Value. In some key areas the pace of improvement has been slow since the previous Best Value report in 2015. There is limited evidence of the Council using performance information to drive improvement. The Council's performance reporting makes it difficult to conclude what progress has been made against its six corporate outcomes.



- Since 2014/15, the pace of improvement against LGBF indicators has been slower than in other councils in Scotland. The percentage of indicators in the top two quartiles increased, but around one-third of indicators are in the bottom quartile every year.
- The Council's annual budget process and savings plans have successfully achieved financial balance through a focus on cost reductions. Although the Council's transformation programme has delivered some efficiencies and achieved small-scale savings further work is required by the Council to better align its financial and transformation plans to drive meaningful change through new and innovative ways of working.
- There have been a number of changes in the management structure during 2019, including the appointment of the new chief executive in December 2019. The changes to the senior management structure have been made in line with the council's vision, and to help support the delivery of the council's corporate outcomes. The restructuring has resulted in a loss of experience at a time of challenging priorities and decreasing resources.
- In addition to reducing employee numbers, the Council makes extensive use of temporary contracts (20 per cent of the workforce). The 2018 employee survey highlighted issues with lines of communication from senior management. The Council could do more to ensure it communicates and engages effectively with all staff.
- The Council works well with partners including the third sector, youth groups, area community planning groups and business partners. The Council needs to maximise its influences with key partners in delivering its vision, in terms of economic development, relevant business skills, opportunities for learners and the Argyll and Bute Rural Growth Deal.
- The Council has made progress with the Community Empowerment Act, but it needs to make its processes easier to follow and accessible to all communities. Although there has been significant consultation there is scope to improve community engagement to make the approach more inclusive, achieve wider representation and build capacity to enable communities to take more ownership of decision-making.

### **In response to our BVAR the Council has developed a BVAR improvement plan which was presented to the full Council with a commitment to provide six monthly progress updates**

**101.** The BVAR contained seven recommendations for Argyll and Bute Council to take forward. A BVAR improvement action plan has been developed by the Council. This contains specific action points, measures to gauge success in achieving outcomes; key dates for implementation and lead responsibilities to address the recommendations in the BVAR.

**102.** The improvement action plan was presented to the Council on 30 June 2020, together with a commitment to provide six monthly updates on progress. The Council also intend to provide an update to the Audit and Scrutiny Committee in early 2021 as part of its scrutiny role. We will continue to monitor the council's progress against the improvement actions and will report progress in our 2020/21 annual audit report.

### **The Council's performance reporting makes it difficult to conclude what progress has been made against its six corporate outcomes**

**103.** The BVAR noted that the quality of the Council's performance reporting is mixed. The Council's annual performance report provides a high-level summary of the current position of specific projects and some data under each of the six



corporate outcomes. It does not provide a balanced picture of long-term trends in performance against targets or benchmarks.

**104.** The BVAR concluded that the Council's performance reporting does not provide information in an effective, systematic way to allow elected members to recognise areas of good practice or to challenge areas of poor performance.

### **The public facing performance reports do not provide a clear picture of how well the Council is performing**

**105.** The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

**106.** The BVAR noted that while all staff and elected members can interrogate performance data in the Council's intranet-based performance management system, the public have no opportunity to do so. Instead they must rely on committee reports and annual high-level summaries.

**107.** The Council recognises the need to improve public performance reporting. Improvements have already been made to the Council website which makes it easier to navigate the performance reports, service plans and improvement activities. However, further improvements can be achieved by defining a single space on the Council's website where the public can view trends in satisfaction, service quality or performance against individual success measures and projects that underpin the corporate outcomes.

### **The Council is making improvements to its performance management framework**

**108.** The Council recognises that its performance management system is not user-friendly. The system contains a large number of historical indicators that are no longer relevant to the council's corporate outcomes. The Council is continuing to improve its approach to performance management and has established a project team to take forward improvements. This includes:

- developing a suite of outcome-focused 'impact measures' to improve measurement of long-term progress against the 17 business outcomes. This will include key indicators from the Local Government Benchmarking Framework, the CPP and other national statistics
- continuing to develop more effective scrutiny by training members and officers in the use of the performance management system
- improving public performance reporting, including the exploration of alternative performance management systems and report structures
- exploring alternative and simpler systems for presenting performance information.

**109.** As the Council develops its approach to performance management, the number of success measures, benchmarks and targets is changing every year. Our BVAR report highlighted there is a risk that the Council is unable to report consistent trend information for its success measures.

### **The Council needs to use benchmarking performance information needs to drive continuous improvement**

**110.** The Local Government Benchmark Framework (LGBF) is a national dataset that allows all Scottish councils to compare their performance relative to other

councils for 79 indicators across a range of services. As the Council does not have any housing stock, the five LGBF indicators for housing do not apply.

**111.** As part of the BVAR we reviewed the how the Council used the LGBF to help improve performance. Since 2016/17 the Council has presented its own analysis of LGBF indicators to its audit and scrutiny committee. In 2017/18 relevant sections were also presented to strategic committees. The analysis highlights key measures that are important to the Council, and includes trend information, comparisons with family groups and a supporting narrative for each indicator.

**112.** Of the 74 indicators it analysed, 43 (58 per cent) were in the top two quartiles when ranked against all other Scottish councils. While the report identified 24 indicators that are of particular interest to the Council, there is no evidence of the Council using this analysis to drive improvement activity

### **The Council has appropriate arrangements in place for considering and reviewing National performance audit reports**

**113.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

**114.** National performance audit reports are considered and reviewed by the relevant council committee and decide what action if any is required locally.

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Financial Sustainability</b></p> <p>The Covid-19 pandemic has introduced further financial challenges with a projected funding gap of up to £60 million.</p> <p><b>Risk</b> – The Council may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>1. Update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.</p> <p>2. Work with key partners to identify opportunities to deliver service transformation.</p> <p><a href="#">Paragraph 67</a></p>	<p>1. The Council will revise its financial strategy to reflect the current financial climate and future financial projections. This will be presented to full Council for approval in February 2021. It will be further revised after the 2022 local government elections to ensure it is aligned to the Council's priorities'.</p> <p>2. Work is underway to deliver savings through service redesign which will help deliver a balanced budget in 2021/22 and beyond'</p> <p><b>Responsible officer:</b> Section 95 officer.</p> <p><b>Agreed Date:</b> 28 Feb 2021</p>

### Follow up of prior year recommendations

2	<p><b>Financial Strategy</b></p> <p>The current medium to long term financial strategy does not contain detailed financial plans beyond 3 years.</p> <p><b>Risk:</b> that the impact of changes in funding or expenditure scenarios beyond three years are not fully taken into account across all aspects of the Council's activities.</p>	<p>The Council should enhance its long-term strategy when it is reviewed. In particular it should consider providing detailed financial plans for up to five years, providing details of changes in assets, liabilities and reserves over time and including an analysis of levels of service demand.</p>	<p><b>In progress</b></p> <p>Revised action: <a href="#">Action Plan point 1</a></p>
3	<p><b>Financial Sustainability</b></p> <p>The Council is forecasting significant funding gaps for the three years 2020/21 to</p>	<p>The Council should continue to develop its savings plans, and any other initiatives, to address the significant funding</p>	<p><b>In progress</b></p> <p>Revised action: <a href="#">Action Plan point 1</a></p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>2022/23, which have still to be addressed by identified savings.</p> <p><b>Risk:</b> that savings or other measures to bridge the forecast funding gaps may not be identified.</p>	gaps forecast for the three years 2020/21 to 2022/23.	
4	<p><b>Performance Reporting</b></p> <p>It is difficult to connect service plan performance reports to corporate outcomes and the Corporate Plan, as service reporting only references related business outcomes.</p> <p>There is a risk that the link between service performance and the Corporate Plan is not sufficiently transparent.</p>	The Council should consider developing clearer links between service area performance reporting and the corporate outcomes contained in the Corporate Plan.	<p><b>In progress</b></p> <p><b>Revised action:</b> A project team has been established to review the Council's approach to performance management and reporting.</p> <p><b>Responsible Officer</b> – Head of Customer Support Services</p> <p><b>Agreed Date:</b> 31 March 2022</p>
5	<p><b>Performance Reporting</b></p> <p>The provision within the six-monthly performance reporting process for feedback and comment from the Audit and Scrutiny Committee is not being utilised.</p> <p>There is a risk that the six-monthly performance reports are not subject to adequate scrutiny on behalf of the full Council.</p>	Formal feedback from the Audit and Scrutiny Committee on the Council's six-monthly performance report should be built into the ASC's workplan.	<p><b>In progress</b></p> <p>Revised action: <a href="#">Action Plan point 4</a></p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

### Risks of material misstatement in the financial statements

#### 1 Management override of controls

Auditing Standards require that audit work is planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to fraudulently misrepresent the position disclosed in the financial statements.

- Detailed testing of journal entries focussing on authorisation and approval.
- Review of accounting estimates and evaluation of the impact of any variability in key assumptions.
- Focussed testing of accruals and prepayments.
- Evaluation of significant transactions that are outside the normal course of business.
- Year-end cut-off testing.

**Results:** No unusual or inappropriate transactions were identified as part of our detailed journal testing.

A review of accounting estimates did not show any evidence of bias.

Focussed testing on accruals and prepayments did not identify any instances of management override of controls.

Within substantive testing we considered whether transactions were within the normal course of business. When selecting samples, we reviewed ledger or transaction listings that were outside the normal course of business.

Substantive testing of transactions around the year end identified controls were operating effectively.

**Conclusion:** we did not identify any incidents of management override of controls.

#### 2 Fraud in expenditure

As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

The Council incurs significant expenditure on a range of activities. The extent of expenditure means there is an inherent risk of fraudulent or erroneous reporting of

- Testing to obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Analytical procedures on expenditure transactions.
- Year-end cut-off testing.

**Results:** Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.

Identified and reviewed significant variances within expenditure.

Substantive testing of transactions around the year end did not identify any issues with classification of expenditure relating to the financial year 2019/20.

expenditure to achieve a desired financial position.

**Conclusion:** we did not identify any incidents of fraud over expenditure.

### 3 Estimation and judgements

There is a significant degree of subjectivity in the measurement or valuation of the following material account areas:

- Non-current asset valuations are significant estimates, based on specialist and management assumptions
- Provisions (including equal pay claims)
- Pension liabilities: The council's share of the Strathclyde Pension Fund net liability at 31 March 2019 was £113.768 million. This value is an estimate based on a number of assumptions
- Loans fund repayments / borrowings: loans fund advance repayments are being rescheduled based on an average useful life for underlying assets, rather than on actual useful lives for the specific assets. The results from applying the revised basis are revenue savings of c £2.5million per annum for the ten years from 2019/20, and a one off reprofiling gain of £20.5 million.

The subjectivity of each of these areas of estimation or judgement presents an increased risk of misstatement in the financial statements.

- Completion of review of the work of management's expert' for the internal professional valuer.
- Review of revaluations carried out, assessing whether they have been performed using an appropriate and relevant valuation basis/methodology by suitably qualified individuals.
- Confirm non-current asset revaluations in surveyor's report are correctly reflected within the 2019/20 accounts.
- Work to assess the reasonableness of the valuations in the surveyor's report.
- Completion of review of the work of management's expert' for actuary.
- Confirm pension valuations in actuarial report are correctly reflected within the 2019/20 accounts.
- Review and assess the reasonableness of actuary's valuations and assumptions.
- Assess the reasonableness of judgements and estimates applied in rescheduling loans fund advance repayments.

**Results:** Completed a review of the work of management's expert for the internal professional valuer.

Substantively reviewed a sample of asset revaluations and confirmed that the appropriate valuation basis/methodology has been applied.

Substantive testing concluded that provisions had been accounted for appropriately.

Confirmed that the non-current asset revaluations are correctly reflected in the 2019/20 accounts.

Completed a review of the work of management's expert for the actuary.

Confirmed that the pension valuations in the actuarial reports are correctly reflected in the 2019/20 accounts.

Reviewed the judgements and estimates applied in rescheduling loans fund advance repayments for reasonableness.

**Conclusion:** the measurement and valuation of non-current assets, provisions, pension liabilities and loans fund repayments/borrowing included in the financial statements are reasonable and supported by evidence.

## Risks identified from the auditor's wider responsibility under the Code of Audit Practice

### 4 Financial sustainability-budget gap

Councils continue to face significant financial challenges with pressures on funding and increasing demand for services.

As at February 2020, the Council's budget estimates are for a mid-range budget gap of £5.014 million for 2021/22, rising

- Review of the council's annual budget setting arrangements.
- Assessment of the council's medium to long term financial strategy.
- Review and assessment of budget monitoring arrangements with a focus on reports to senior officers

**Results:** The audit team reviewed the council's annual budget setting arrangements.

The audit team reviewed financial updates to council and other committees throughout the year, this included reviewing the financial position and delivery of planned savings.

to £12.907 million by end of 2022/23, with a balanced budget position for 2020/21, after recognition of all agreed, and estimated, measures available. Beyond this there remain significant budget gaps in future years.

This represents a financial sustainability risk for the council as the level of necessary budget savings may adversely affect the level and quality of service provision.

and members on financial position.

- On-going review of the council's financial position and delivery of planned savings.

**Conclusion:** the Council achieved a year end surplus of £0.502 million in 2019/20. Significant financial challenges will continue in the short to medium term and this have been highlighted at [Appendix 1 Action Plan Point 1](#).

## 5 Financial sustainability-savings plans

As at February 2020, a potential shortfall in savings, planned for 2019/20, of £0.555m had been identified.

There is a risk that future planned savings and budget balance will become increasingly more difficult to deliver.

- Appraise savings plans and assess whether they are realistic and achievable.
- Comment on progress in delivering identified operational and policy savings options.

**Results:** The audit team reviewed savings updates presented to committees.

Reviewed the year-end financial position. The financial gap was addressed largely from savings achieved but there was an element of departmental underspends utilised.

**Conclusion:** the Council achieved a year end surplus of £0.502 million in 2019/20. Significant financial challenges will continue in the short to medium term and this have been highlighted at [Appendix 1 Action Plan Point 1](#).

## 6 Financial management – impact of Integration Joint Board overspends

The most recent budget monitoring report to members in February 2020 shows a projected overspend of £1.310 million for social work services commissioned by Argyll and Bute Integration Joint Board (IJB).

The latest IJB financial recovery plan has identified further savings options, however, it still seems likely that the outturn noted above will not be significantly improved by year end.

There is a risk that services cannot continue to be fully provided on behalf of the IJB within the council's budget, without adverse impact on Council General Fund contingency reserves.

- Review and assess recovery actions being taken by the Council to reduce overspends within Social Services.

**Results:** We noted regular reporting on the HSCP projected overspend to Committee throughout 2019/20.

At the end of 2019, the Chief Officer of the HSCP provided written assurance that emergency financial controls had been implemented at the HSCP and that additional measures were being put in place to restrict spending and assist in the delivery of savings.

**Conclusion:** More robust spending controls and improved financial monitoring and reporting has been introduced for the Council's Social Work Services. A more fundamental shift in funding/expenditure may be necessary to provide ongoing financial stability.



## 7 Governance – Internal Auditor independence

From January 2020, until potentially end of June 2020, the Chief Internal Auditor (CIA) has taken on some of the responsibilities of the Head of Financial Services, who is acting as Executive Director on an interim basis.

There is a risk of the CIA's independence being compromised by these arrangements, and of the Internal Audit Plan 2019/20 not being completed.

Review and assess practical operation of the arrangements put in place to mitigate risk to CIA independence.

**Results:** The audit team discussed the measures in place, both individually and collectively, with the S95 Officer, Chief Internal Auditor and senior finance managers. We assessed the measures and obtained assurance that these have not resulted in any significant difficulties or conflicts to date.

We did not identify any apparent conflicts of interest requiring any mitigating actions to be taken.

From our attendance at the Audit and Scrutiny Committee and from review of minutes from the Business Continuity Committee, we have confirmed that effective financial management has continued and that the Internal Audit Plan was on track for completion by the year end, but for the onset of Covid 19.

**Conclusion:** The interim arrangements established have operated effectively and have had no impact on the independence of the Chief Internal Auditor, nor on the completion of the 2019/20 Internal Audit Plan.”

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# Appendix 3

## Financial challenges

### Financial challenges

Financial challenge	£,000	Significant elements	£,000
Mobilisation costs	2,187	Community Food Project	873
		Homeless Accommodation	680
		Providing ELC to key workers	328
		Additional Free School Meals	92
Lost income	6,8727	Piers and Harbours	2,300
		Waste Collection	986
		Parking Fees and Fines	929
		School Food and Drink	624
		Planning Fees	560
		Ferry Services	336
		Previously agreed income savings	618
General fund capital	1,087	Expenditure normally recharged to capital	830
		Project contract inflation due to delay	257
Recovery costs	2,088	Education including additional teachers, transport reconfiguration, cleaning and digital technology	1,612
		Waste and Environment	258
		Offices	119
Reduced costs	1,692	Waste Costs including recycling, landfill tax and PPP charges	540
		Closure of buildings	296
		Reduced Travel	295
		Lower Provision of School Meals	270
Reduction in council tax collection	555	Equivalent to 1% reduction in collections.	

Source: Argyll and Bute Council

# Appendix 4

## Summary of national performance reports 2019/20



**2019/20  
Reports**

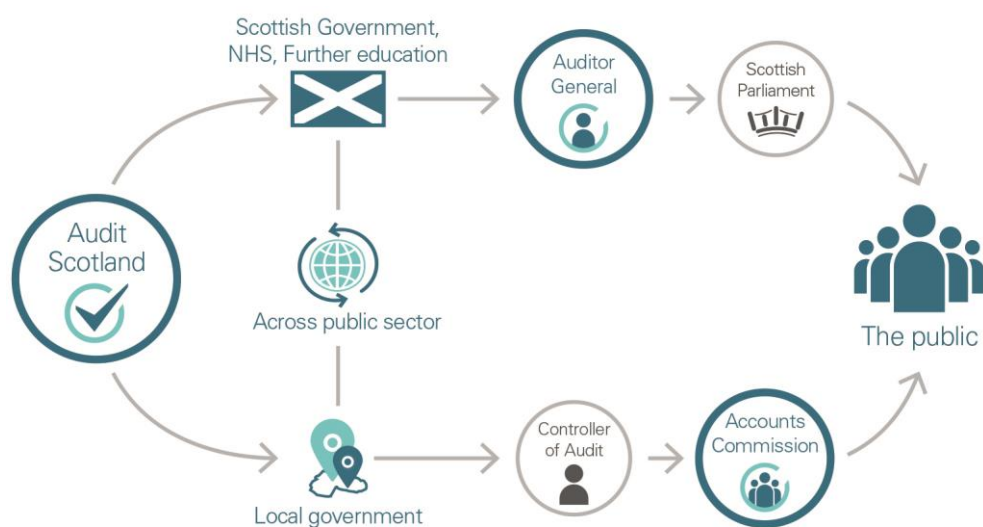
		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	Early learning and childcare: follow-up

# Appendix 5

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

# Argyll and Bute Council

## 2019/20 Annual Audit Report – PROPOSED

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Audit and Scrutiny Committee

17 November 2020

### Argyll and Bute Council Audit of 2019/20 annual accounts

#### Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 30 November 2020 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Committee's consideration our draft annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

#### Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit and Scrutiny Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

#### Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

8. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## Independent auditor's report to the members of Argyll and Bute Council and the Accounts Commission

### Report 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 Argyll and Bute Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Expenditure and Funding Analysis, the group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements and Cash-Flow Statements, the Council Tax Income Account, and the Non-Domestic Rate Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is two years. I am independent of the council and its group 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.

#### Emphasis of matter: valuation of land and buildings

I draw attention to Note 4 in the financial statements, Assumptions made about the future and other major sources of estimation uncertainty, which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 95 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

#### Responsibilities of the Section 95 Officer and Argyll and Bute Council's Audit and Scrutiny Committee for the financial statements



As explained more fully in the Statement of Responsibilities, the Section 95 Officer 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 Section 95 Officer 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 Section 95 Officer 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 deemed inappropriate.

The Audit and Scrutiny 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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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 skillfulness 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Section 95 Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. 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 matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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; or
- there has been a failure to achieve a prescribed financial objective.

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 120 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.

John Cornett FCPFA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

## APPENDIX B: Letter of Representation (ISA 580)

John Cornett, Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear John

### **Argyll and Bute Council Annual Accounts 2019/20**

1. This representation letter is provided about your audit of the annual accounts of Argyll and Bute Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, 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 appropriate enquiries of the Chief Executive and Strategic Management Team, the following representations given to you in connection with your audit of Argyll and Bute Council's annual accounts for the year ended 31 March 2020.

### **General**

3. Argyll and Bute Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. 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 Argyll and Bute 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. 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 2019/20 (2019/20 accounting code), and in accordance with 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 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Argyll and Bute Council and its Group at 31 March 2020 and the transactions for 2019/20.

## Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the 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 Argyll and Bute Council circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, 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 Argyll and Bute 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 Argyll and Bute Council's ability to continue as a going concern.

## Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## Liabilities

15. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting 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 2020. 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.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for Argyll and Bute Council have been considered and I confirm that they are consistent with management's own view.
20. 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**

21. There are no significant contingent liabilities, other than those disclosed in Note 34 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.
22. Any potential adjustment to the pension fund liability arising from the UK Government consultation documentation issued in July 2020 outlining a remedy to the McCloud case issues would not be material in the view of management.

### **Fraud**

23. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - 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**

24. 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**

25. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Argyll and Bute Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

**Management commentary**

27. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

**Corporate Governance**

28. I confirm that the Argyll and Bute Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the 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.
29. 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 2020, which require to be reflected.

**Group Accounts**

30. I have identified all the other entities in which Argyll and Bute Council has a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

**Events Subsequent to the Date of the Balance Sheet**

31. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

This letter was presented, and agreed at the meeting of the Audit and Scrutiny Committee on 17 November 2020

Yours sincerely

Kirsty Flanagan  
Section 95 Officer



**Chief Executives Unit**

John Cornett FCPFA  
Audit Director  
Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN

**Financial Services, Kilmory**  
**Lochgilphead, Argyll, PA31 8RT**  
**Tel:** 01546 604268  
**Email:** Kirsty.flanagan@argyll-bute.gov.uk  
**Website:** www.argyll-bute.gov.uk  
  
**Ask For:** Kirsty Flanagan  
  
**Our Ref:**  
**Your Ref:**  
**Date:** 26 November 2020

Dear John

**Charitable Trusts administered by Argyll and Bute Council**  
Annual Accounts 2019/20

- Baillie Gillies Bequest (Registered Charity SC013578)
- Kidston Park Trust (Registered Charity SC013600)
- Miss Annie Dickson Bequest (Registered Charity SC018697)
- Logie Baird Prize Fund (Registered Charity SC018698)
- McCaig Trust (Registered Charity SC019599)
- Marquess of Bute Silver Wedding Dowry (Registered Charity SC019607)
- County of Argyll Educational Trust Scheme 1960 (Registered Charity SC020382)
- Oban Common Good Fund (Registered Charity SC021328)

1. This letter of representation is provided in respect of the annual accounts of the registered charitable trusts named above for the year ended 31 March 2020. It is for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing an opinion on the Trustees' Annual Report.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where Argyll and Bute Council is the sole trustee, the following representations given to you in connection with your audit for the year ended 31 March 2020.

**General**

3. I acknowledge my responsibility and that of Argyll and Bute Council (as the administering authority of the Charitable Trusts) for the financial statements. 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 the Charitable Trusts have been recorded in the accounting records and are properly reflected in the financial statements.



4. I confirm that the eight trusts presented for audit are all the trusts that require an audit, where the sole trustee is Argyll and Bute Council.
5. The information given in the Trustees Reports to the financial statements presents a balanced picture of the Charitable Trusts and are consistent with the financial statements.
6. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

7. The financial statements of Baillie Gillies Bequest, Kidston Park Trust, Miss Annie Dickson Bequest, Logie Baird Prize Fund and Marquess of Bute Silver Wedding Dowry have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and directions made thereunder by the Scottish Ministers including all relevant presentation and disclosure requirements.
8. The financial statements of the McCaig Trust, County of Argyll Educational Trust Scheme 1960 and Oban Common Good Fund have been prepared in accordance with the requirements of the Charities Statement of Recommended Practice (SORP): Financial Reporting Standard 102 (FRS 102) and directions made thereunder by the Scottish Ministers including all relevant presentation and disclosure requirements.
9. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Charitable Trusts at 31 March 2020 and the transactions for 2019/20.

### **Accounting Policies and Estimates**

10. The Annual Report and Financial Statements of the Baillie Gillies Bequest, Kidston Park Trust, Miss Annie Dickson Bequest, Logie Baird Prize Fund and Marquess of Bute Silver Wedding Dowry have been prepared on a receipts and payments basis as per applicable regulations and the founding documents of each Trust.
11. The Annual Report of the Trustees and Financial Statements of the McCaig Trust, County of Argyll Educational Trust Scheme 1960 and Oban Common Good Fund have been prepared on an accruals basis as per applicable regulations and the founding documents of each Trust.
12. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, 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**

13. Several the trusts have been dormant in recent years. The Trustees have assessed the ability of the registered charitable trust to carry on as a going concern, and have disclosed in the financial statements any material uncertainties that have arisen as a result.
14. Proposals are in place to implement the connected charities provisions to reorganise the trust funds. The proposal is to amalgamate the trusts into four categories and four corresponding sets of accounts.

### **Assets**

15. The assets shown in the Statement of Balances/Balance Sheet at 31 March 2020 were owned by Charitable Trusts, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.



### **Liabilities**

16. All liabilities have been provided for in the financial records, including the liabilities for all purchases to which title has passed prior to 31 March 2020.

### **Fraud**

17. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- 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.

### **Law and Regulations**

18. 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**

19. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Charitable Trusts' related parties and all the related party relationships and transactions of which I am aware.

### **Corporate Governance**

20. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

### **Events Subsequent to the Date of the Balance Sheet**

21. There have been no material events since the date of the Statement of Balances/Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

22. Since the date of the Statement of Balances/Balance Sheet/Statement of Financial Position no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

Kirsty Flanagan  
Section 95 Officer  
26 November 2020

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****17 NOVEMBER 2020**

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**2019-20 AUDITED ANNUAL ACCOUNTS**

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**1. EXECUTIVE SUMMARY**

- 1.1 Audit Scotland have now completed their audit of the Council's Accounts for the year to 31 March 2020 and also the Charitable Trusts administered by the Council and have issued audit certificates containing no qualifications. They were able to conclude that the Accounts present a true and fair view of the financial position as at 31 March 2020. The audited accounts incorporating the audit certificate for 2019-20 are attached.
- 1.2 Due to the coronavirus, Scottish Government extended the administrative deadlines for local government accounts by two months, requiring the Council to prepare its unaudited 2019-20 accounts by 31 August 2020 and to submit audited accounts by 30 November 2020. The Council's unaudited accounts were completed and submitted by the historical statutory date of 30 June 2020. The audit has been completed within the timescale of 30 November 2020.
- 1.3 The main adjustments to the accounts, in addition to some presentational adjustments, are noted below:
- An adjustment was required in respect of two assets that on further investigation were identified as being in use therefore were moved from under construction to complete.
  - An adjustment was required in relation to the disposal of one asset where only part of it had been disposed of from the asset register.
- 1.4 There have been no adjustments that had an effect on the General Fund balance.
- 1.5 The financial position of the Council based on the audited accounts can be summarised as follows:
- Accounting Surplus on the provision of services for 2019-20 £6.234m
  - Underspend against budget for 2019-20 £0.502m
  - Total assets less liabilities at 31 March 2020 £325.471m
  - General fund balance at 31 March 2020 £49.670m.
- 1.6 The committed funds within the General Fund Balance are £43.375m per the audited accounts. This leaves an unallocated General Fund Balance of £6.295m. This equates to 2.54% of the Council's budgeted net expenditure for 2020-21 and exceeds the agreed contingency of 2% of approved budget as agreed as part of the 2019-20 budget.

**2. RECOMMENDATIONS**

- 2.1 The Committee is asked to consider and recommend to Council that the Audited Annual Accounts of the Council and Charitable Trusts for the year to 31 March 2020 are approved.

### **3. CONCLUSION**

- 3.1 This report advises members on the conclusion of the audit of the accounts. The external auditor's certificate is unqualified. The audit was completed within the required timescales. Minimal adjustments were made to the accounts during the audit process.

### **4. IMPLICATIONS**

4.1	Policy -	None
4.2	Financial -	None
4.3	Legal -	None
4.4	HR -	None
4.5	Fairer Scotland Duty -	None
4.6	Equalities -	None
4.7	Socio-Economic Duty -	None
4.8	Islands Duty -	None
4.9	Risk -	None
4.10	Customer Service -	None

**Kirsty Flanagan**  
**S95 Officer**  
**17 November 2020**

**Gary Mulvaney - Policy Lead for Financial Services and Capital Regeneration Projects**

Appendix 1 – Summary of Main Changes to Financial Statements Arising from Audit  
Appendix 2 – Argyll and Bute Council Audited Accounts 2019-20  
Appendix 3 – Charities Accounts 2019-20

**APPENDIX 1 – SUMMARY OF MAIN CHANGES TO FINANCIAL STATEMENTS ARISING FROM AUDIT**

<b>Section of Financial Statements Changes</b>	<b>Audited Accounts £000s</b>	<b>Unaudited Accounts £000s</b>	<b>Change £000s</b>	<b>Comments / Explanation</b>
<b>Comprehensive Income &amp; Expenditure Account (Pages 45-46 of audited accounts)</b>				
Net (Gain)/Loss on Disposal of Long Term Assets	1,487	587	900	Adjustment in relation to full disposal of asset.
(Surplus)/Deficit on Provision of Services	(8034)	(7,134)	(900)	Effect of above
<b>Balance Sheet (Pages 47-48 of audited accounts)</b>				
<i>Impact on Assets and Liabilities:</i>				
Other Land and Buildings	370,616	360,940	9,676	Transfers from Assets Under Construction
Assets Under Construction	26,806	36,482	(9,676)	Transfer of assets to complete
Assets Held for Sale	674	1,574	(900)	Adjustment in relation to full disposal of asset.
<i>Impact on Council Reserves:</i>				
Unusable Reserves – Capital Adjustment Account	220,263	221,163	(900)	Net effect of above
<b>Statement of Movement in Reserves (Pages 49-50 of audited accounts)</b>				
(Surplus)/Deficit on Provision of Services	(6,234)	(7,134)	(900)	Adjustment in relation to full disposal of asset.
Net Gain or Loss on Sale of non-current Assets	2,561	3,461	(900)	Adjustment in relation to full disposal of asset.

# Argyll and Bute Council



**Comhairle Earra Ghàidheal agus Bhòid**



**Unaudited Annual Accounts**  
**for the year ended 31 March 2020**



## LANGUAGE OPTIONS

**If you would like this document in another language or format, or if you require the services of an interpreter, please contact us.**

Ma tha sibh ag iarraidh an sgrìobhainn seo ann an cànan no riochd eile, no ma tha sibh a' feumachdainn seirbheis eadar, feuch gun leig sibh fios thugainn.

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ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੈਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

Jeżeli chcieliby Państwo otrzymać ten dokument w innym języku lub w innym formacie albo jeżeli potrzebna jest pomoc tłumacza, to prosimy o kontakt z nami.

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**PA31 8RT**

**Tel: 01546 605522**





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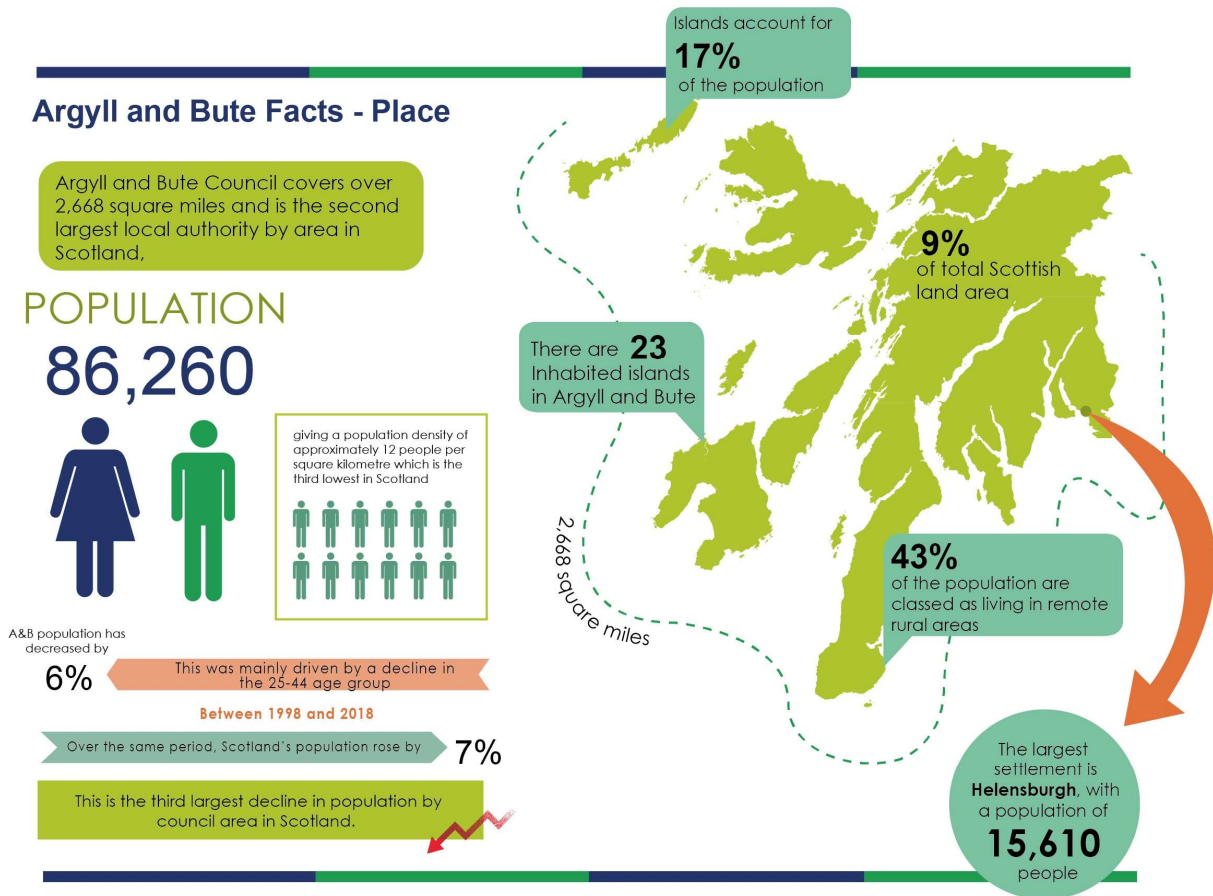
# Management Commentary

## 1. INTRODUCTION

Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2020. The statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This commentary outlines the key messages regarding the performance of the Council over the 2019-20 financial year as well as providing an indication of risks and issues which may impact upon the Council in the future.

## 2. PROFILE OF ARGYLL AND BUTE COUNCIL

The report starts with outlining some key facts about Argyll and Bute.



## Argyll and Bute Facts - Our Council

Argyll and Bute is split into 11 multi-councillor areas or wards

### ELECTED MEMBERS



# 36

in total across  
Argyll and Bute

### ELECTORAL WARDS



For every ward there are at least 3 councillors that represent the area you live in



The Council is the major employer in Argyll and Bute

# 4,917

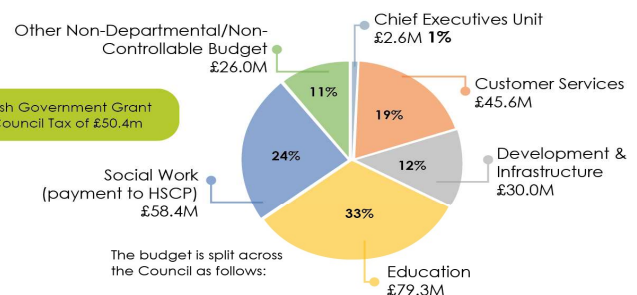
Employed across  
Argyll and Bute Area  
(per staffing watch  
FQ4 2019-20).

There are  
**3,558**  
full time  
equivalent  
employees

The Council set the revenue budget for 2019-20 on 21 February 2019

The total revenue budget is  
**£241.9M**

Financed by Scottish Government Grant  
of £191.7m and Council Tax of £50.4m



### 3. MISSION AND PRIORITIES

The Council's Corporate Plan 2018-2022 was approved in February 2018 and sets out our mission, vision and priorities for the next 5 years. Our mission: ***To make Argyll and Bute a place people choose to Live, Learn, Work and Do Business.***

Service Plans are also agreed and detail the measures, targets and timescales to achieve the required results. Service Plans are aligned to the Corporate Plan and the Argyll and Bute Outcome Improvement Plan. Our Corporate Plan 2018-2022 can be accessed [here](#).

Argyll and Bute is an area of Scotland with outstanding places, people and potential for a prosperous future for everyone. Our Council, along with our Community Planning Partners, is committed to ensuring that: ***Argyll and Bute's Economic Success is built on a Growing Population.***

Our six outcomes are:

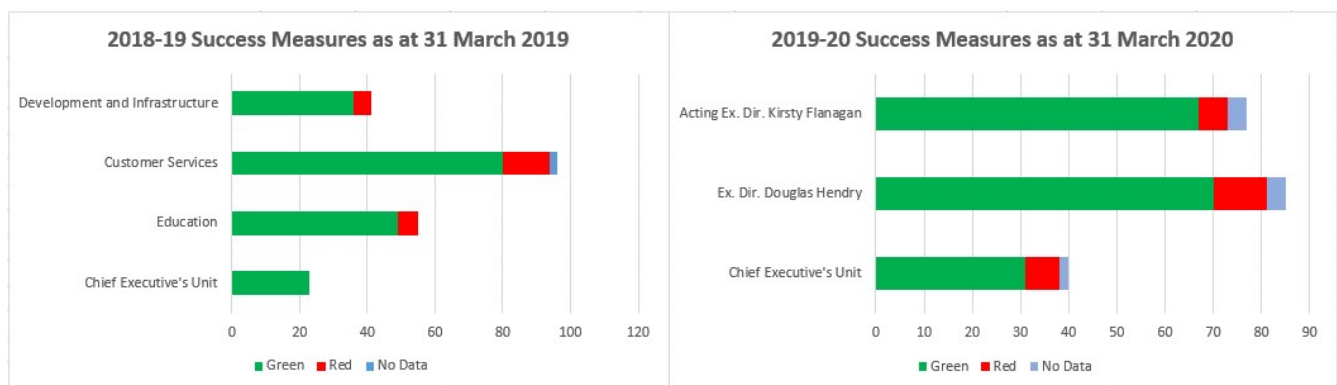
- Our Economy is diverse and thriving
- We have an infrastructure that supports sustainable growth
- Education skills and training maximise opportunities for all
- Children and young people have the best possible start
- People live active, healthier and independent lives
- People will live in safe and stronger communities.

## Management Commentary

The performance of the Council is reported on the Council's website. Performance is reviewed by the Strategic Committees and then the Council and departmental performance reports and scorecards are presented to the Audit and Scrutiny Committee on a half-yearly basis.

In 2019-20 we have tracked our progress on delivering our outcomes through 17 business outcomes and 202 success measures which are recorded on the Council's scorecard. Progress is identified using the RAG (Red; Amber; Green) status to track performance. In terms of the success measures in 2019-20, there were 202 success measures and 168 were green (83%), 24 were red (12%) and 10 had no data (5%). For comparison purposes as at 31 March 2019, there were 215 success measures and 188 were green (87%), 25 were red (12%) and 2 had no data (1%). An analysis by Department is shown below. It should be noted that the departmental structure changed during 2019-20 and as a result the departmental axis on the charts is different.

### 2018-19 and 2019-20 Success Measures Performance as at 31 March



Some of our achievements are highlighted below.



Dunoon Grammar School was crowned the UK's European Entrepreneurial School of the Year in a prestigious ceremony in Helsinki. Dunoon Grammar is the first UK school to make the shortlist since the awards began in 2015. The European Entrepreneurial School Awards recognise outstanding schools that are championing entrepreneurship in education across Europe, including the extent to which they involve the local community and business sector in entrepreneurial activity.



## Management Commentary



The Council was once again recognised for offering fresh, healthy and sustainable school lunches and were awarded the Soil Association Scotland's Bronze Food For Life Served Here award. This award is a widely respected and independently assessed scheme, supported by the Scottish Government, which helps local authorities to source food from the local area for school meals so that children benefit from freshly prepared, sustainable meals. It recognises councils that serve food made from fresh ingredients,

free from genetically modified ingredients and undesirable additives, using free-range eggs and high-welfare meat. The catering service serves 4,300 Food for Life accredited meals a day.

Our communications team introduced the hashtag [abplace2b](#), developed the website [www.abplace2b.scot](http://www.abplace2b.scot) to help attract people via digital communication channels, and delivered social media campaigns targeted at working age people. Thousands of people have been persuaded to find out about [www.abplace2b.scot](http://www.abplace2b.scot) and the Council's Instagram account remains the most followed Scottish council site, with members of the public tagging, to date, more than 15,000 images of the area with [#abplace2b](#) on Instagram alone. We are receiving positive feedback from people wanting to relocate to the area.



This year's roads capital programme has delivered a £6m investment in Argyll and Bute's local road network. The Council's operations team delivered significant improvements to our network, making it the fifth fastest improving local road network in Scotland, delivering excellence with reduced capacity. The nationally accepted Road Condition Index Survey shows that there are now more roads in the area in a green (good) condition, and crucially in terms of community resilience, fewer roads in a red (poor) condition.



Argyll and Bute secured £1.7m from the Scottish Government's Timber Transport Fund (STTF), the largest share of the Government's £6.6m fund which is earmarked for projects that minimise the impact of timber lorries on the rural road network. The works undertaken will make it easier for local residents and businesses to share the roads. Getting timber off our own road network and improving journey times when shifting timber from forests to processing facilities is another major benefit of improving the network.



## Management Commentary

The £200,000+ repair scheme at the Avenue Screen (The Arches), Inveraray was completed in November 2019. The main element of the repair work was the removal of the failing cement render and replacement with lime harling. The structure was then decorated with silicate paint. Other works included; replacement stone copes using local stone, installation of new leadwork, all existing gates and screens removed from site and fully repaired, redecorated and reinstated.



### 4. BEST VALUE

Best Value (BV) is assessed by the Council's external auditors over the five year audit appointment, as part of the annual audit work and, additionally, a Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once during this five year period.

Audit Scotland completed their BV Audit of the Council in January 2020. The Accounts Commission then published the final report with their findings on 21st May 2020. The Commission welcomed the progress made by the Council since the last inspection in 2015, highlighting the significantly improved relationships amongst elected members and between members and officers, which provide a sound basis for tackling future challenges and the Council's sound approach to financial planning and budgeting which has allowed it to achieve financial balance in the short term.

As for all councils, the Accounts Commission also identified areas for the Council to focus its continued improvement upon, such as improve how we manage and report performance, deliver more significant transformation and redesign of service and engage staff fully in planning and implementing change. This work is expected to help provide the basis for an enhanced long-term financial plan.

A report on the Best Value Review was presented to Council at their meeting on 30<sup>th</sup> June as was an associated Action Plan. Progress against the action plan will be monitored and reported to full Council and the Audit and Scrutiny Committee. An update on progress will also be included in the 4 Council's 2020-21 annual report. Full Council papers are available via the Council's website.

### 5. FINANCIAL PERFORMANCE 2019-20



The Council has a robust financial reporting framework in place and a comprehensive monitoring pack is prepared and presented to the Policy and Resources Committee every two months. This includes reports on the revenue budget, capital plan, financial risks, treasury monitoring, reserves and balances and delivery of any previously agreed savings. The financial framework is shown on the left.

## Management Commentary

### Revenue: Outturn against Budget

The performance against budget for financial year 2019-20, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £0.502m, 0.20% (2018-19 overspend of £1.118m, 0.45%). There was a net underspend of £0.626m in relation to Council services departmental expenditure, a net underspend of £0.975m in relation to other central costs and a net over recovery of funding of £0.042m. Social Work, managed by the Health and Social Care Partnership were overspent by £1.141m. A summary of the final outturn position is summarised in the table below.

#### 2019-20 Final Revenue Budget Outturn

	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	5,013	5,006	(7)	(0.14%)
Executive Director (Douglas Hendry)	106,851	107,475	624	0.58%
Executive Director (Kirsty Flanagan)	46,466	46,474	8	0.02%
<b>Total Departmental Expenditure</b>	<b>158,330</b>	<b>158,955</b>	<b>625</b>	<b>0.39%</b>
Joint Boards	1,465	1,456	(9)	(0.62%)
Loans Charges	18,325	20,693	2,368	11.44%
Pension Costs	2,462	1,555	(907)	(58.33%)
Other	7,936	7,459	(477)	(6.40%)
<b>Total Central Expenditure</b>	<b>30,188</b>	<b>31,163</b>	<b>975</b>	<b>3.13%</b>
Social Work	59,946	58,805	(1,141)	(1.94%)
<b>Total Social Work Expenditure</b>	<b>59,946</b>	<b>58,805</b>	<b>(1,141)</b>	<b>(1.94%)</b>
<b>Total Expenditure</b>	<b>248,464</b>	<b>248,923</b>	<b>459</b>	<b>0.19%</b>
Total Funding	261,983	261,941	42	0.02%
<b>UNDERSPEND</b>			<b>501</b>	

The main reasons for the year-end net underspend are noted below:

- An underspend that has not been utilised towards earmarking is in relation to contract efficiencies and savings in both the Non-Profit Distributing Organisation (NPDO) and Hub Design, Build, Finance and Maintain (DBFM) contracts. The team continue to be successful in bringing these annual payments in under budget through contract management during the year.
- An underspend of £2.368m on the loans fund, as previously reported to Council. This underspend has arisen due to the Loans Fund review that was approved by Council on 27 February 2020 and gave rise to savings within 2019-20 and future years.
- There is an overspend on redundancies of £0.907m and these costs have been absorbed within the overall Council position.
- There is an overspend in other services of £0.477m due to unachieved procurement savings, a provision for a VAT mis-declaration, VAT advisor fees, insurance and bank charges which are offset by underspends in NDR budgets.

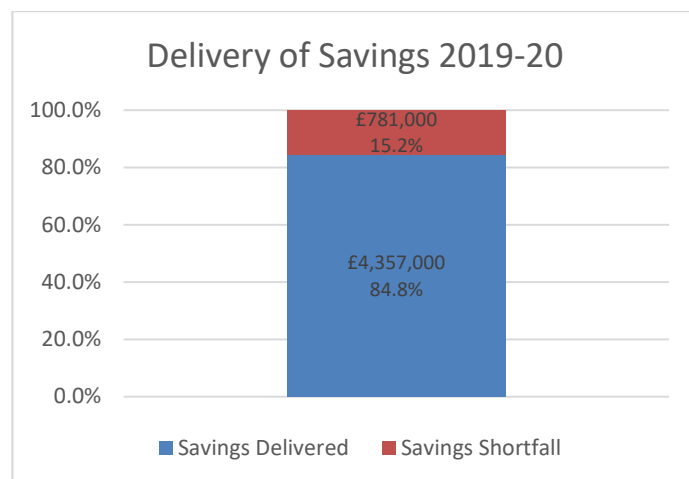
## Management Commentary

- The overspend in Social Work of £1.141m arises from a combination of slippage on the delivery of planned savings and increased demand for services.

### Delivery of 2019-20 Agreed Savings

The Council has been required to make significant budget savings for a number of years in order to ensure that it responds to continued funding reductions, rising cost pressures and complies with its statutory requirement to set a balanced budget whilst meeting the needs of local residents.

Budget savings of £5.138m (67 individual savings options) were agreed for 2019-20 and these are monitored throughout the year. The chart on the right shows the overall delivery of savings and any shortfall was absorbed within departmental resources as is evidenced from the overall departmental underspend.



### Capital: Outturn against Budget

The net 2019-20 capital expenditure is £19.321m compared to an annual budget of £19.435, (adjusted for previously agreed slippages, accelerations and virements) giving rise to an underspend of £0.114m (0.6%). There are a number of under and (overspends) within the outturn position, the most significant are noted below:

Project	Variance (£m)
CHORD Programme	(0.544)
Primary Schools	0.375
TIF Income	(0.351)
Oban Depot Development	(0.295)
Harbour Investment Programme	0.239
Solar PV Panel Installations	0.271
Town Centre Funds	0.202

There are 149 projects within the Capital Plan: 131 of the projects are complete or on track which equates to 88%.

### Health and Social Care Partnership (HSCP)

The Argyll and Bute Integration Joint Board (IJB) with responsibility for Social Work and a range of health services was established and came into effect on 1 April 2016. The Council approved the 2019-20 budget on 28 February 2019 and the amount approved for Social Work services transferring to the Integration Joint Board for 2019-20 was £58.4m. The budget figures quoted in the previous outturn table include in-year adjustments.

In terms of the outturn position, there is an overspend on Social Work Services of £1.141m. The HSCP are required to repay this amount back to the Council, as per the Scheme of Integration, and a repayment plan was agreed by the Business Continuity Committee on 14 May 2020. The repayments

## Management Commentary

are £0.500m in 2020-21 (adjusted to £0.400m as the Social Work outturn for 2019-20 included repayment of £0.100m), £1.200m in 2021-22, £1.255m in 2022-23, £1.327m in 2023-24 and £1.141m in 2024-25. Within the accounts, the repayment is not recognised as a debtor as it is a commitment against future funding, consequently, the £1.141m overspend has a direct impact on the Council's General Fund balance until it is repaid.

## 6. FINANCIAL STATEMENTS

### Expenditure and Funding Analysis Statement

The Expenditure and Funding Analysis Statement shows how the Council funding is spent across services. It also compares to the expenditure shown in the Statement of Comprehensive Income and Expenditure and details the differences between the two. The differences are a result of accounting statutory adjustments that are required within the Statement of Comprehensive Income and Expenditure, for example, depreciation, pension adjustments etc.

### Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost of providing services rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2019-20. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2020. Internal income also requires to be removed between segments within the Comprehensive Income and Expenditure Statement.

### Reconciliation of Comprehensive Income and Expenditure Statement to Revenue Budget Outturn

A reconciliation of the Surplus on the Provision of Services of £7.134m as noted in the Comprehensive Income and Expenditure Statement (CIES) to the revenue budget outturn of £0.502m underspend is shown below.

#### Reconciliation of CIES to Revenue Budget Outturn

	£000	£000
<b>Surplus/(Deficit) on Provision of Services</b>		6234
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	22662	
Impairment of Assets charged to Services	-287	
Capital Funding	-31136	
CFCR	-812	
Pension Adjustment	18238	
Statutory Repayment of Debt	-11098	
Repayment of Finance Leases	-5651	
Transfers to/from Other Statutory Reserves	-174	
Other Adjustments	2214	
		-6044
		190
<b>Movement in General Fund Balance</b>		
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2019-20	13548	
Supplementary estimates agreed during 2019-20	94	
Budgeted surplus in 2018-19 transferred to General Fund (for capital)	-212	
Repayment of Social Work Overspend by HSCP	-100	
Contributions to earmarked reserves 2019-20	-13018	
		312
<b>Revenue Budget Underspend / (Overspend)</b>		<b>502</b>

## Management Commentary

### Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2020 and explanatory notes are provided. The net worth of the Council has increased by £82.804m from 242.667m as at 31 March 2019 to £325.471m as at 31 March 2020. The major changes are set out in the table below.

#### Main Balance Sheet Changes

	31/03/2019 £000	31/03/2020 £000	Change £000	Main Reason
Long Term Assets	624,055	648,377	24,322	Asset revaluations.
Current Assets	92,072	87,464	(4,608)	Small increase in short term investments and a reduction in cash held at the end of the year.
Current Liabilities	(62,455)	(47,115)	15,340	Reduction in short term borrowing.
Long Term Liabilities	(411,005)	(363,255)	47,750	Reduction in pension liability.
<b>Total</b>	<b>242,667</b>	<b>325,471</b>	<b>82,804</b>	

### Provisions

The Council has provisions totalling £3.573m on the Balance Sheet as detailed in Note 28 to the Accounts. The larger provisions, those over £0.250m are summarised below.

- £0.260m redundancy costs. Liabilities have arisen in respect of employees who will be made redundant as a result of savings options agreed. The cost for any employee, whose contract has been terminated on or before 31 March 2020 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2020, a provision has been created.
- £1.302m landfill sites. A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council at Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.
- £1.341m NPDO and Hub DBFM Payments. This provision is held in relation to disputed performance deductions and unbilled utility costs.

### Pension Liability

The Council is required to account for its share of the Strathclyde Pension Fund assets and liabilities. The information included in the Accounts is provided by the Pension Fund actuaries following the annual valuation of the Fund.

The Council's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels etc. The liability relates to benefits earned by existing or previous employees up to 31 March 2020.

The most significant change in the financial assumptions this year relates to the rate of inflation. There are two financial assumptions linked to inflation, and both have decreased from 2.5% as at 31 March 2019 to 1.9% as at 31 March 2020. With the inflation estimate lower than the previous year, the pensions liability will also be lower. Further detail on the pension estimates are included within Note 30.



## Management Commentary

The pension liability can fluctuate significantly year on year. The table below shows the pension liability over the last three years. Further detail on the pension estimates are included within Note 30.

### ***Pension Liability at the end of the financial year***

	<b>2017-18 £000</b>	<b>2018-19 £000</b>	<b>2019-20 £000</b>
Pension Liability	(56,442)	(113,768)	(67,346)

### **Borrowing**

During 2019-20 the Council's External borrowing decreased by £10m from £183.5m as at 31 March 2019 to £173.6m as at 31 March 2020. The decrease was due to repayment of borrowing of £17m, offset by £7m of new PWLB loans taken out. The Council had borrowed in excess of its requirement by £1.9m at 31 March 2020. This was due to unexpected slippage in the Council's capital programme. The over borrowing will correct itself once the expenditure which slipped is incurred during 2020-21.

The Council's 2020-21 'Treasury Management Strategy and Annual Investment Strategy' was approved at the full Council meeting on 27 February 2020 and outlines the Council's capital prudential and treasury indicators.

### **Statement of Movement in Reserves**

This Statement shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).

The balance of unusable reserves has increased by £82.440m from £187.139m as at 31 March 2019 to £269.579m as at 31 March 2020. Part of the movement is the increase in the pensions reserve which is linked to the decrease in the pension liability noted earlier in this commentary. The remainder of the movement is accounting adjustments required through the Capital adjustment account and revaluation reserve.

The balance of usable reserves has increased by £0.364m from £55.528m as at 31 March 2019 to £55.892m as at 31 March 2020. This is mainly as a result of a small increase to the General Fund Balance of £0.190m in addition to a small increases to the Capital Fund outlined in Note 33.1 and the Repair and Renewals Fund outlined in Note 33.2.

In respect of the General Fund Balance movement, this has increased by £0.190m from £49.480m to £49.670m and the factors that contribute to the increase are summarised in the table below.

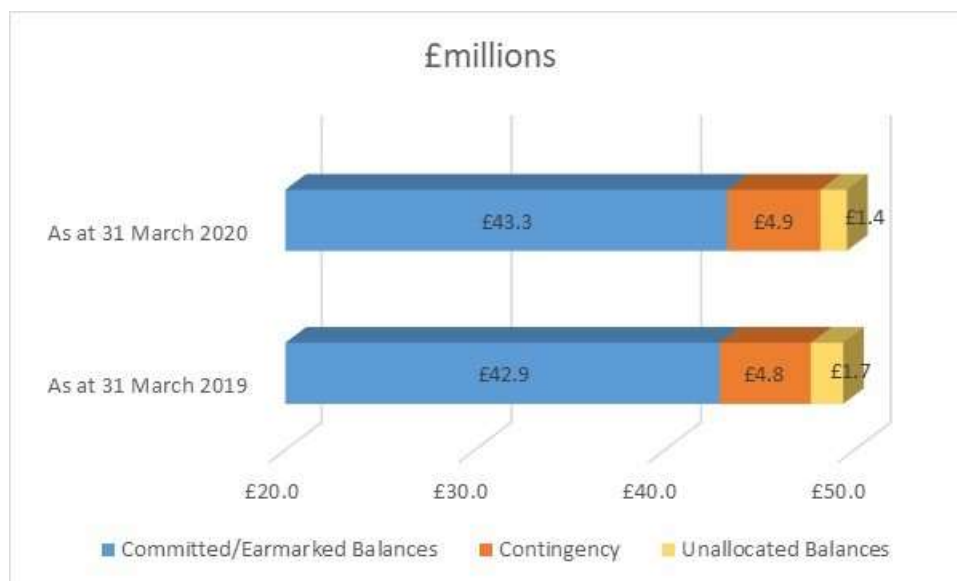
### ***Movement on General Fund Balance***

	<b>£000</b>
Balance on General Fund 31 March 2019	49,480
Budgeted surplus 2019-20	212
Part repayment of Social Work overspend 2017-18	100
Supplementary Estimate Agreed	(94)
Released sums earmarked to service budgets 2019-20	(13,548)
Contributions to earmarked reserves 2019-20	13,018
Overall budget underspend as noted above	502
<b>Balance on General Fund 31 March 2020</b>	<b>49,670</b>

## Management Commentary

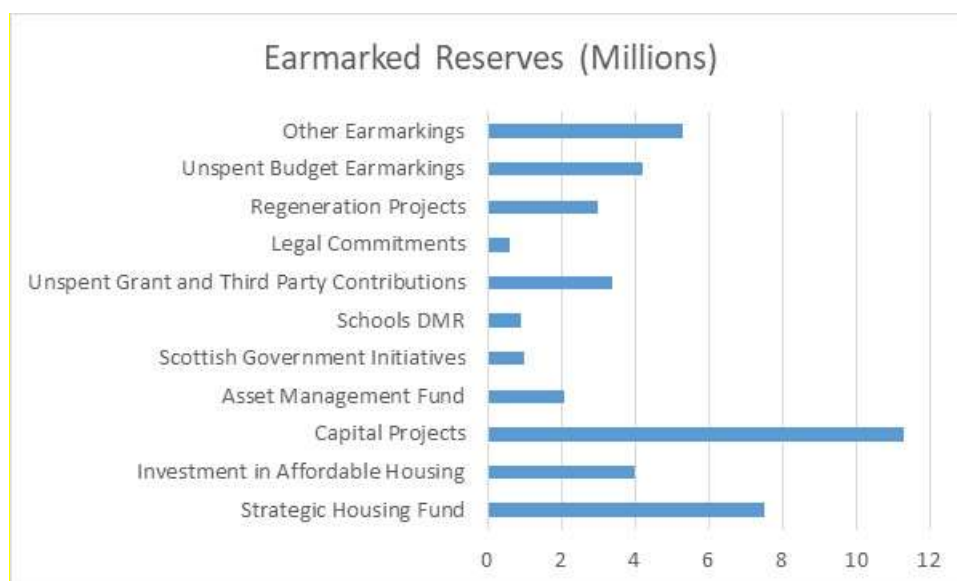
The chart below shows what is included within the General Balance as at 31 March 2020 with a comparison of the position as at 31 March 2019.

### General Fund Balances as at 31 March 2019 and 31 March 2020



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

### Earmarked Balances held in the General Fund as at 31 March 2020



## Group Accounts

The Group accounts include Dunbartonshire and Argyll & Bute Valuation Joint Board, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee as Associates as the Council have "significant influence" over their financial and operating policies. Live Argyll is a wholly owned subsidiary of Argyll and Bute Council and is consolidated within the group accounts on a line by line basis.

In addition, the Council's Common Good Funds have been fully consolidated into the Group Accounts and Note 37 gives further details on the Council's Common Good Funds.

## Management Commentary

The effect of inclusion of the Associates, Subsidiary and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £11.098m. This gives an overall net asset position for the Group of £336.583m, an increase of £84.146132m from the previous year. As with the single entity Balance Sheet, the increase is mainly due to the increase in the pension liability.

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between Argyll and Bute Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the strategic planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. Argyll and Bute Council contributed £59.946m towards the Argyll and Bute Integration Joint Board in the 2019-20 financial year. All transactions are accounted for and shown within the single entity statements and therefore there is no material impact on the group accounts.

### 7. KEY FINANCIAL INDICATORS

The financial indicators outlined below have been developed to assist the reader in assessing the performance by the Council over the last financial year and the affordability of its ongoing commitments.

#### Key Financial Indicators

Financial Indicator	2018-19	2019-20	Comment
Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure	2.71%	2.54%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. There are sufficient reserves to meet any unplanned expenditure.
Movement in the Unallocated General Fund Balance	Decrease £0.2m	Decrease £0.3m	Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). The overspends in Social Work are having an adverse impact on the Council's unallocated balance, however, a repayment plan is in place to repay £5.323m over the next 5 years.
In-year collection rate	96.11%	96.40%	Reflects the Council's effectiveness in collecting Council Tax debt compared to a target of 96%.
Ratio of Council Tax Income to Overall Level of Funding	19.05%	18.78%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income. Council Tax increased by 4.79% in 2019-20.
Actual Outturn compared to budgeted expenditure	(£1.118m) (0.45%)	£0.502 0.20%	A measure of how the final outturn compares to the budgeted position and is a reflection of the effectiveness of financial management.
Capital Financing Requirement (CFR) for the current year	£309.994m	£296.187m	Measurement of requirement to borrow for capital purposes.
External Debt Levels for the current year	£183.476m	£173.639m	Actual borrowing for capital investment levels.
Ratio of financing costs to net revenue stream	6.31%	6.99%	Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less available to meet other revenue expenditure.

### 8. OUTLOOK

A three year financial outlook informing Council of the estimated budget gap covering the period 2020-21 to 2022-23 using best case, worse case and mid-range scenarios was kept up to date during

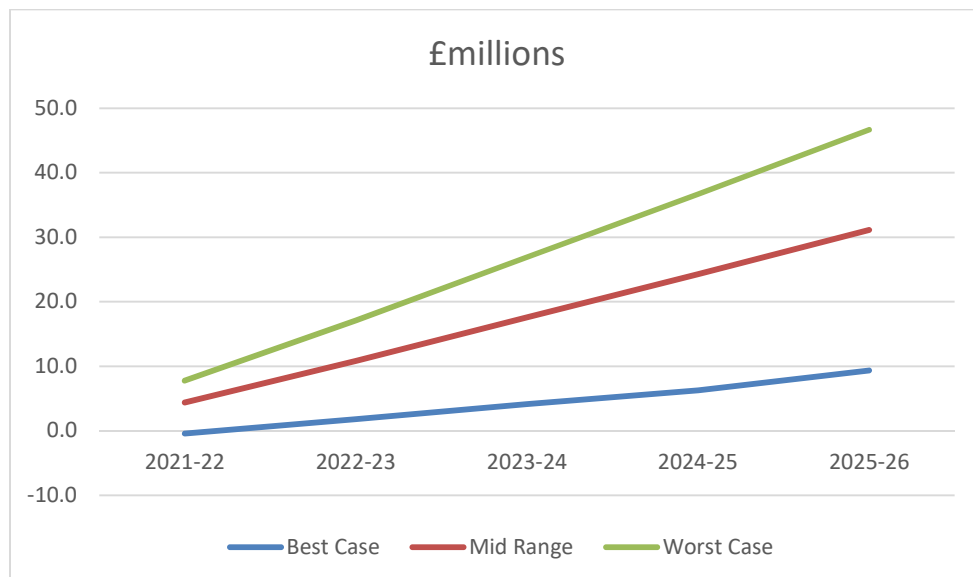


## Management Commentary

financial year 2019-20 and presented to the Policy and Resources Committee in May, August, October and December 2019. The full UK Budget was expected to be announced on 6 November 2019 with the Scottish Budget on 12 December, however, due to the 2019 General Election, the UK Budget was deferred and the draft Scottish Budget, for one year only, wasn't announced until 6 February 2020. The Council set the budget for 2020-21 on 28 February 2020.

In terms of looking ahead, the financial outlook has now been extended to cover a five year period 2021-22 to 2025-26 to provide a longer term view of the Council's estimated gap. The first five year budget outlook was reported to the Business Continuity Committee on 14 May 2020. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty, however, the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario. The Council has a strong track record in financial management as recognised by previous years annual external audit reports and the Council's Best Value report issued in May 2020. The chart below shows the budget gap over the next five years as reported to Committee on 14 May 2020, it should be noted that this outlook doesn't include any estimate of additional costs or lost income as a result of the COVID-19 pandemic.

### **Budget Gap 2021-22 to 2025-26 as reported on 14 May 2020**



### **Loans Fund Review**

A review of the Council's Loans Fund was completed during 2019-20 and approved at Council on 28 February 2020. The review followed a change in regulations that saw a move from a prescriptive basis on how the repayment values are to be calculated (maximum periods permitted for each asset class), to a prudent one with each local authority allowed to determine what is prudent. These changes provided greater flexibility for the Council to repay the outstanding Loans Fund advances over a different period. The review identified recurring re-profiling gains of £2.500m per annum over the next 10 years and a one-off re-profiling gain of £20.561m.

The one-off re-profiling gain can be taken in future years in any way the Council wishes, as long as it deems it to be prudent and does not result in a negative charge in the loans fund. The Council made a prudent provision to use some of the one-off gain to protect against increasing principal repayments over the next 10 years and used the remainder to support organisational change and further invest in the capital programme.

### **COVID-19 Pandemic**

The COVID-19 pandemic has required an urgent, multi-agency response at national and local government level. Argyll and Bute Council has been working in partnership with community planning partners and other agencies to respond to the pandemic in Argyll and Bute, to maintain critical front

## Management Commentary

line services and, where possible, to look ahead with a view to service restoration and planning for the future.

The financial and economic consequences of the pandemic are expected to be significant in the short term, with unprecedented financial interventions made by both the UK and Scottish Government to support the immediate response and support businesses and the economy. Despite this intervention, the economy across the UK and Scotland will experience the sharpest and deepest downturn in modern history and there is a growing concern that the period of recovery will take some time, if it ever recovers fully.

The financial outlook is significantly exacerbated by the extent to which COVID-19 will impact on both future years expenditure including loss of income and the future years funding. There is a lack of clarity at the current time over how the additional funds made available by the UK and Scottish Government to combat the impact of COVID-19 will meet the 2020-21 additional costs and loss of income and whether there will be any further additional funding to support the medium to longer term implications of COVID-19. The Council are closely monitoring the financial impact to assess the effect it is having on the delivery of agreed savings options and the cost pressures it is creating. The Government will need to consider how they seek to effectively pay these additional funds back and how the economy is going to recover from the pandemic and this could have implications for future funding of Local Government.

The Council is also considering future arrangements to support recovery from the impact of the public health measures which have been implemented to control the global outbreak of COVID-19, and in particular, the recovery phase as it affects Argyll and Bute. A tactical group has been established which will take forward this process working with partners and communities, to facilitate a planned transition to the “new normal” and in time business as usual. Services continue to monitor resources in line with national guidance to identify any opportunities to change or restore services affected by the pandemic. The impact of the controls which have been implemented nationally are still emerging and changing, and it will be important that the recovery strategy adapts and changes to reflect these.

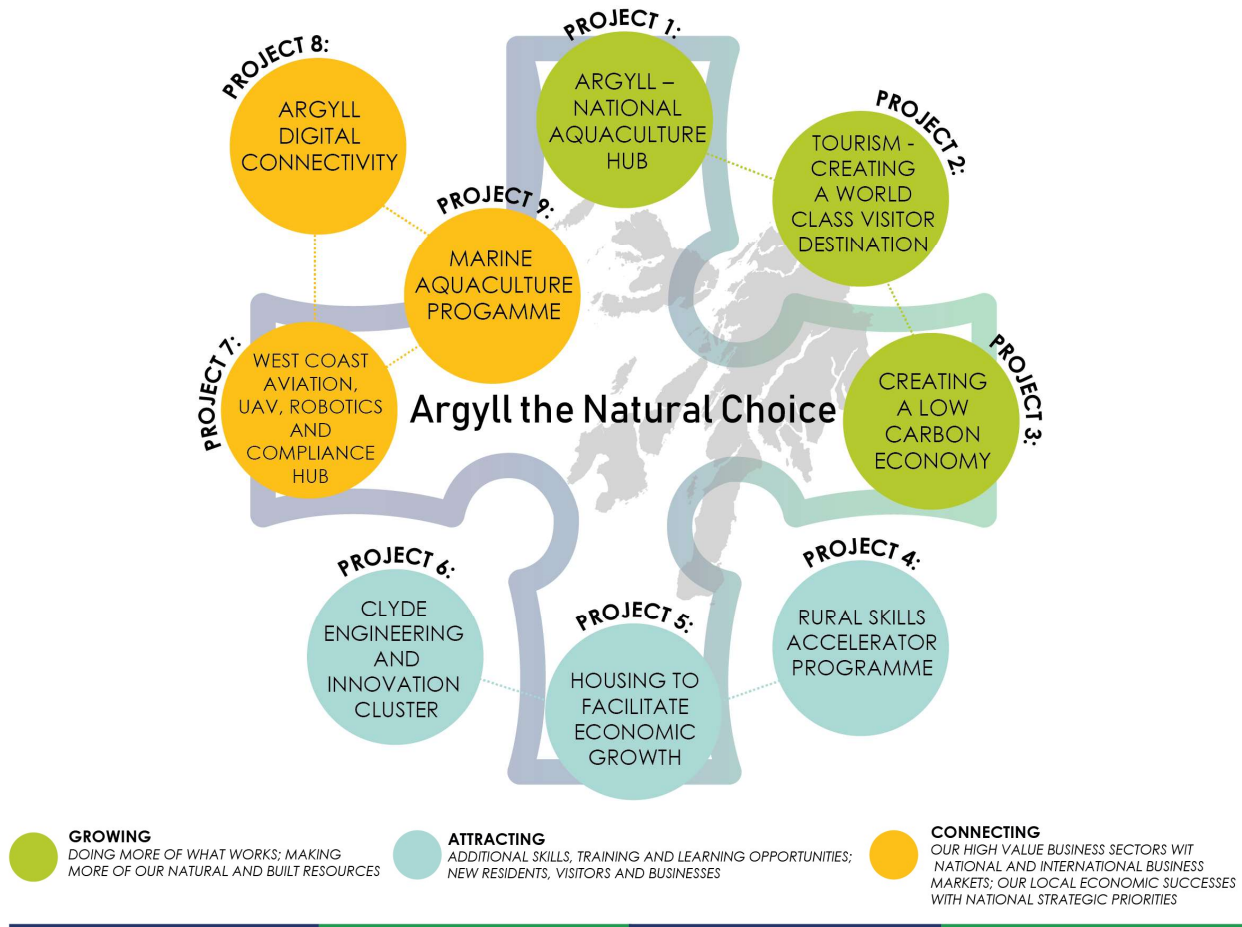
### Rural Growth Deal

The Council's Rural Growth Deal has been confirmed as £50m, which is considerably lower than our initial proposition of £178.5m. As such, it has been necessary to review our proposals and some projects have now been removed from the Deal and will be progressed via alternative funding routes.

The next key milestone in the Rural Growth Deal process will be the signing of a Heads of Terms Agreement with the Scottish and UK Governments and other key stakeholders as appropriate. The Heads of Terms Agreement will officially set out the scope of the deal and commit all partners to provide adequate resources, including match funding where required subject to the approval of robust Treasury 5 Business Cases. In order to reach Heads of Terms, the Council and key stakeholders are required to submit Strategic Outline Cases (SOCs) for each Rural Growth Deal project to the Scottish and UK Government in line with the Treasury 5 Case Model. Officers from Development and Economic Growth working with other council services and key project stakeholders have prepared 9 project SOC templates using a template previously provided by a UK Government Department and these completed templates should be sufficient for the purposes of reaching a Heads of Terms agreement.

Signing a Heads of Terms Agreement will represent a key milestone in the Rural Growth Deal process and will provide further clarity as to the projects which will be taken forward as part of the Rural Growth Deal. It should be remembered that the projects that have been submitted have taken into account the likely Government funding split and the limited amount of funds available for revenue funding that will be made available from the Scottish Government. Agreeing Heads of Terms will enable the Council and key stakeholders to progress with further phases of project development work including preparation of outline business cases in line with the Treasury 5 Case Model. It is anticipated that the next stage of the process will take a minimum of 12 months albeit discussions are ongoing with the Scottish Government on how to accelerate the Growth Deal programme in light of the need to respond to COVID-19. There may also be a need to prioritise projects that are deemed to have greatest impact on improving our economy at this time.

## Argyll and Bute Facts - Rural Growth Deal



## Risks

The Council's Strategic Management Team (SMT) actively manage strategic risks via a six monthly review of the Strategic Risk Register which adopts established risk management arrangements including reviewing current mitigating measures and identifying key actions to further mitigate them. These actions are designed to be consistent with the work required to deliver services which are aligned to the Council's objectives through the Council's strategic and service plans. Furthermore departmental management teams review their operational risk registers (ORR) on a quarterly basis with all red risks identified in ORRs being reported to the SMT to ensure they are sighted on all emerging high priority risks.

The SRR currently has 13 strategic risks which are categorised using a RAG (Red, Amber, Green) Status based on the residual impact and likelihood of crystallisation after accounting for mitigation measures. There are currently four risks classified as red as set out in the diagram below which also summarises the current mitigating actions. These are issues that the Council continues to manage through programmes of work such as the Rural Growth Deal, continuous engagement with relevant officers in the HSCP as well as exploring further opportunities for joint working, progressing a new Waste Strategy with a particular focus on the 2025 ban on Biodegradable Municipal Waste and continuing to react and respond to the ongoing COVID-19 pandemic.

## Management Commentary



## 9. CONCLUSION

The Council has continued to have good financial planning arrangements in place in 2019-20, acknowledged by the Council's Best Value Review published in May 2020. Despite the financial challenges, the Council operated within the budget for 2019-20. Financially challenging times remain ahead and the COVID-19 pandemic will have a significant impact and difficult decisions will be required. The Council are committed to deliver the best services to the people of Argyll and Bute within the available resources.

## 10. ACKNOWLEDGEMENTS

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

Cllr Robin Currie  
**Leader**

Pippa Milne  
**Chief Executive**

Kirsty Flanagan  
**Section 95 Officer**

## Statement of Responsibilities for the Annual Accounts

### THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

*I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 26 November 2020.*

*Signed on behalf of Argyll and Bute Council*

**Councillor Robin Currie**  
Leader

### SECTION 95 OFFICER RESPONSIBILITIES

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

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Local Authority Accounting Code of Practice 2019-20 (in so far as it is compatible with legislation).

The Section 95 Officer has also:

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

*I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2020.*

**Kirsty Flanagan**  
Section 95 Officer



## BACKGROUND / SCOPE OF RESPONSIBILITY

Argyll and Bute Council's (the Council) governance framework includes the systems, processes and culture by which the Council is controlled, engages with communities and monitors the achievement of strategic objectives. The Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way which its functions are exercised, having regard to the economic, efficient and effective use of public money.

The system of internal control is a key part of the framework, and is designed to manage risk to an acceptable level.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance (the Code), which is consistent with the principles set out in the 'Delivering Good Governance in Local Government: Framework' and related 'Guidance Notes for Scottish Authorities' published in 2016 by CIPFA and SOLACE. This Statement explains how the Council has complied with the Code and meets the requirements of current good practice.

A copy of the Code may be obtained from the Head of Legal and Regulatory Support, Argyll and Bute Council, Kilmory, Lochgilphead, PA31 8RT and is also available on the Council's website.

## THE GOVERNANCE FRAMEWORK

The Code details how the Council will demonstrate compliance with the fundamental principles of corporate governance for public sector bodies. The six key principles of our governance arrangements in 2019/20 are described in the Code, along with our supporting principles and key aspects of our arrangements to ensure compliance. Key features of our arrangements are summarised below.

### **1. Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area**

Our Corporate Plan sets out the council's, and our community planning partner's, vision for Argyll and Bute's economic success is built on a growing population. It also defines our mission "To make Argyll and Bute a place people choose to live, learn, work and do business" and establishes our outcomes, priorities and approach to delivering on our shared ambition with our community partners.

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

Councillors and senior managers review and scrutinise the Council's performance at all levels to ensure our services are having the desired impact on our communities and customers. At a strategic level, performance is scrutinised through our strategic committees and, more locally, at our area committees. The Audit and Scrutiny Committee, which meets four times a year, has a key role in reviewing and scrutinising how we are meeting our strategic objectives. They also promote good internal control, financial and risk management, governance and performance management, in order to provide reasonable assurance over the effective and efficient operation of the Council, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice.

### **2. Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The Council's constitution defines the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective

## Annual Governance Statement

communication. The constitution is updated on an annual basis with the last update carried out in June 2019.

The constitution includes collective and individual roles and responsibilities of the Leader, Provost, Policy Lead Councillors, other councillors and officers. It also includes a protocol for the role of the Monitoring Officer (the Executive Director for Customer Services).

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

### **3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

We have four values that underpin all that we do and provide a sound basis to achieve transformation to ensure we meet the challenges of the future and deliver quality services. These values are that we have a workforce which is:

- Caring
- Committed
- Collaborative
- Creative

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

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities. A register of members' interests is available on the Council's website. This can be accessed via the Councillor's individual profiles at [https://www.argyll-bute.gov.uk/councillor\\_list](https://www.argyll-bute.gov.uk/councillor_list)

In June 2019 the Audit & Scrutiny Committee considered a report on Organisational Culture and 2019 Employee Survey Action Plan and as part of the associated Action Plan, Elected Members agreed to a communication plan to continue the roll out of the new corporate values.

### **4. Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk; ensuring effective counter fraud and anti-corruption arrangements are developed and maintained**

Our standing orders, financial instructions, scheme of delegation and supporting procedure notes/manuals clearly define how decisions are taken and the processes and controls in place to manage risks. These are reviewed and updated on an annual basis. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Council's Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer and we ensure that our independent Audit and Scrutiny Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. The Audit and Scrutiny Committee have historically received an annual risk management overview report or risk management audit. In 2019/20 this was replaced by annual Strategic Risk Assurance Mapping report. They have also developed a Scrutiny Framework and Manual to support the performance of scrutiny reviews.

The anti-fraud strategy ensures there are effective arrangements for whistle-blowing and for receiving and investigating complaints from the public and partners. The complaints procedure can be accessed on the Council's website at <https://www.argyll-bute.gov.uk/do-it-online/comments-and-complaints> and the anti-fraud strategy is incorporated in the Council's Financial and Security Regulations which can be accessed via <https://www.argyll-bute.gov.uk/constitution>

## 5. Developing the capacity and capability of members and officers to be effective

### Elected Member Development

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

The recent Best Value Report indicated that the Council provides a good level of training for members, with courses taking place throughout the year covering a range of topics relevant to their roles and linked to the council priorities and that there are arrangements in place to support members' continuing professional development.

It has however indicated that further action is required to ensure Elected Members are best placed to be able to respond to the demands, challenges and expectations of a modern elected member and that the training offered should be flexible and provide sufficient resources and support for members in rural areas to access and complete training. This will be addressed in the BV action plan and the development of a revised Elected Member Development Framework is underway.

Elected Members appointed by the Council to sit on external bodies also participate in a wide range of development activities organised directly by these organisations e.g. before each HSCP meeting there is a development session.

### Officer Development

The Council supports officer development through a structured approach, driven by the values set out in the Corporate Plan and a behavioural competency framework. This is underpinned by a systematic approach to identifying core and mandatory training requirements in all council job descriptions and the annual Performance Review and Development (PRD) process.

The Council has Argyll and Bute Manager and Leadership Programmes, which ensure that all employees who have management responsibilities are knowledgeable and effective in delivering services within the priority management policies and procedures of the Council, including finance, performance and people management. The Leadership Programme ensures that senior and aspiring leaders in the organisation have support to develop their leadership behaviours and to improve their overall impact and performance across the organisation.

The Council is committed to delivering an annual PRD programme, which in turn informs the annual corporate training programme.

## 6. Engaging with local people and other stakeholders to ensure robust public accountability

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

### Annual Budget Consultation

The Council undertakes a wide ranging budget consultation exercise each year, using a range of channels including written, face to face, online, Community Councils and through partner organisations and community groups in the Community Planning Partnership. The results of the consultation inform the members' budget decision making process and are reported to the Council as part of the budget reports pack.

### Consultation Diary

The Council has developed a consultation section on its website which hosts all consultations run by the Council, both current and historic. This includes a section which publicises the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they were informed by the consultation process.



## Annual Governance Statement

### Keep in the Loop Service

2019/20 was the first full year that the pro-active Keep In the Loop Service was deployed. It proved hugely popular as a customer engagement tool and 7927 customers subscribed to receive notifications across the range of services. For customers it meant that they have been kept up to date with topical council information and opportunities to provide valued input on matters that affect them. The Service received a gold award in the 'Local Matters' category in the Council's 2019 Employee Excellence and Recognition Awards.

### Public Performance Reporting

The Council's website makes all performance information available to the public within the performance section. This includes information on performance scorecards, budgets and other service related information. This ensures the Council is openly accountable to the public for its performance against agreed policies and standards.

### Community Engagement

The Council supports good community engagement with the resourcing of community development officers in the Community Planning and Community Development Service and the work of the community learning officers (Youth Work and Adult Learning). Both teams have resources and expertise to support children and young people, hard to reach groups and remote communities to have a voice in local service planning, delivery and evaluation, as well as best community engagement practice for any other requirement.

The Council's Community Development Team can also assist community organisations with developing new projects, exploring income generation opportunities, identifying sources of funding and evaluation techniques.

Local community development officers also support community groups, organisations and individuals, particularly those who do not traditionally engage in community issues, to participate in local area community planning groups.

The Council's Area Governance section supports community engagement by providing the staff resource to support three Area Community Planning Groups which act as a forum to enable local groups and organisations to participate in community planning and partnership working at a local area level throughout Argyll & Bute. The fourth (Helensburgh and Lomond) is supported by Scottish Fire and Rescue on a partnership basis as agreed by the management committee.

It also supports community engagement by resourcing community council liaison activities, including a training programme, which helps to build the capacity of community councils. The Council undertakes an annual satisfaction survey with Community Councils.

The Council actively seeks to ensure that young people are engaged in Community Planning and has implemented the following initiatives:

- The 3 local Members of the Scottish Youth Parliament (MSYP's) attend the Community Planning Partnership Management Committee meetings on a rotational basis.
- The Area Community Planning Groups invite members of local Youth Forums to attend meetings when they are held in their local areas & information is passed on to young people by Youth Workers who are kept updated on any developments.
- The revised Scheme of Establishment for Community Councils outlines the requirement to encourage young people to attend and participate in community council meetings and the age to become a Community Councillor was lowered to be 16 to encourage more young people to become involved.

The Council continues to promote the Community-Led Action Planning Toolkit (developed in partnership with Scottish Community Development Centre). Communities are being supported to consider use of the online toolkit in developing action plans that the community can lead on to

## Annual Governance Statement

address issues and needs in their communities. There are a number of existing community-led action plans and these are recognised as important community contributions to area community planning.

The Community Planning Partnership undertook a Place Standard Engagement exercise to inform the next phase of Area Community Planning Action Plans to enable the community to shape the CPP priorities locally from 2021. This information has also been shared with communities to be used to develop community led action plans.

A strong Community Planning Partnership (CPP) is in place with partners leading on each of the outcomes. This ensures a shared sense of accountability and ownership of working towards realising the CPP priorities.

### Council/Committee Meetings

Meetings are always held in public, unless one of the statutory exemptions in the Local Government (Scotland) Act 1973, schedule 7A applies to the content of the report. When this is the case papers are adjusted to ensure that the maximum amount of content is in the public domain.

## GOVERNANCE ROLES AND RESPONSIBILITIES

The Council has appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The legislative framework of local government defines a number of posts which are primary to the Council's governance arrangements. These include the Chief Executive, fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director of Customer Services has responsibility for:

- overseeing the implementation of the Code and monitoring its operation
- reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness.

Account has been taken of the results of reviews of internal control that have been carried out within each council service.

Specific responsibilities are assigned to the Chief Financial Officer, to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Financial Officer has in relation to financial performance and the financial control environment, CIPFA has set out key principles that define the core activities and behaviours that belong to the role. These include, being a key member of the Leadership Team, being actively involved in and influencing decision making, and leading the delivery of good financial management across the whole organisation.

The Council have appointed a Data Protection Officer in line with the requirements of the General Data Protection Regulations (EU) 2016/679 and the Data Protection Act 2018 which came into force on 25 May 2018.

## IMPACT OF COVID-19 ON GOVERNANCE

This Annual Governance Statement assesses governance in place during 2019/20 so the majority of the year will be unaffected by the COVID-19 pandemic.

However COVID-19 did impact on governance during March 2020 and this statement needs to reflect on the pandemic's impact on the Council's governance up until the publication of the Council's annual accounts. COVID-19's impact on governance has been assessed against four broad categories:

### 1. Impact on business as usual in the delivery of services

In March 2020 the Council agreed a two pronged approach to decision making whilst the Council responded to COVID-19.

The Council's constitution gives specific delegations to the Chief Executive, in an emergency, to instruct executive action on any matter after consultation with the Leader or, in his/her absence, the Deputy Leader of the Council. This provided a basis for taking any urgent decisions which were

required in response to COVID-19. The Council agreed that, for the life of the COVID-19 crisis, the consultation by the Chief Executive will be with the Leader, Depute Leader and Leader of the Opposition Group. Decisions taken in consultation with this Leadership Group are logged and a formal report on all decisions taken will be submitted to a future meeting of the Council.

In addition to the emergency actions which can be taken by virtue of the emergency powers set out in the preceding paragraph, it was also necessary, given that it was not possible in the short/medium term to transact business through meetings of the Council and Committees, including Area Committees, to put arrangements in place to allow this to happen. The Council agreed to the constitution of a temporary committee, known as The Business Continuity Committee which exercises all of the powers of the Council for a finite period of time.

Some specific areas where service delivery has been impacted are:

- restrictions on travel and social distancing requirements impacted on the ability of planning officers to visit application sites and enforcement complaints
- air services converted to essential travel only or cargo to the islands from Oban Airport
- a wide range of services within Roads and Infrastructure Services were suspended including all roadworks except emergency repairs, parking enforcement, access to play parks, civic amenity sites, commercial waste collection and collection of recycling waste and glass which was replaced by the introduction of a new two weekly bin collection service
- Catering and Cleaning functions significantly disrupted due to initial increased demands for cleaning (deep clean of schools where COVID suspected) then lockdown of majority of Council properties.
- school closures means learning and teaching delivery is being delivered across Argyll and Bute by distance learning and all secondary establishments are working on the estimates for National 5, Higher and Advanced Higher assessments.

## 2. New areas of activity as part of the national response to COVID-19 and any governance issues arising

The Council worked in partnership with community planning partners and other agencies as part of an urgent, multi-agency response to respond to COVID-19. The response was wide ranging and included arrangements to support vulnerable people, support learning at home, maintaining education provision for children of key workers, the launch of a dedicated helpline to handle queries and requests for assistance on a wide range of matters from food supplies to business support; significant IT and HR activity to enable working from home, and the processing and payment of business support grants to approximately 3,000 businesses.

Some specific examples of new areas of activity are:

- providing business support through the administration of Scottish Government grants to local businesses and self-employed people
- a Community Food Programme team to ensure vulnerable people can access food and provision of doorstep delivery of free school meals
- a Caring for People partnership bringing together the Health and
- Social Care Partnership, Third Sector Interface and the Council to work together with a focus on helping people affected by COVID-19 to receive essential support where no other support exists
- redeployment of staff from substantive posts to provide support in critical areas of response activity

## Annual Governance Statement

- establishment of HUB schools for children of keyworkers.

### 3. The funding and logistical consequences of delivering the local government response

The Council's Financial Services team are working in conjunction with all services to capture and monitor the financial impact of COVID-19 on the Council including identifying new cost pressures and savings and its impact on the delivery of agreed savings options. Estimations suggest that current grant funding will be insufficient to cover the overall financial impact.

### 4. Assessment of the longer term disruption and consequences arising from COVID-19

The Council have established a 'Recovery Strategy and Framework' which is focused on considering the actions and priorities required to return the Council, and the services it delivers, to 'business as usual.' The actions taken will fully integrate any national recovery plan but also will identify critical issues of recovery given our specific rurality, our geography, our dispersed population, remote peninsulas and island issues. Thematic groups have been established focusing on reinstatement of services, community strengthening (caring for people), economic and social recovery, infrastructure and transportation and financial management. These groups will consider and plan for the longer term disruption arising from COVID-19.

## FINANCIAL SUSTAINABILITY

It is anticipated the Scottish public sector will continue to face a very challenging short and medium term financial outlook with significant uncertainty over the scale of likely reductions in funding. The one year financial settlements do not provide any degree of medium term certainty and ring-fencing of monies, as well as additional policy commitments not always fully funded, creates additional financial pressures.

The financial outlook is significantly exacerbated by the extent to which COVID-19 will impact on both future years expenditure including loss of income and the future years funding. There is a lack of clarity at the current time over how the additional funds made available by the UK and Scottish Government to combat the impact of COVID-19 will meet the 2020-21 additional costs/loss of income and whether there will be further additional funding to support the medium to longer term implications of COVID-19. The Council are closely monitoring the financial impact of COVID-19 to assess the effect it is having on the delivery of agreed savings options and the cost pressures it is creating. The Government will need to consider how they seek to effectively pay these additional funds back and how the economy is going to recover from the pandemic and this could have implications for future funding of Local Government. Furthermore there is still great uncertainty and largely unquantifiable potential implications, of the UK's withdrawal from the European Union.

The Council continues to provide financial estimates for future years and, in 2019-20, agreed to extend their medium term financial outlook to cover a five year window (previously three year) to provide a longer term view of the Council's estimated budget gap. The first five year budget outlook was reported to the Business Continuity Committee in May 2020. During 2019-20 this outlook was presented to the Policy and Resources Committee meeting. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

The Council has a strong track record in financial management as recognised by previous year's annual external audit reports and the Council's Best Value report issued in May 2020. The Best Value report also recognises that the Council's medium to long term financial strategy helps support financial planning arrangements whilst noting it could be further enhanced when it is next reviewed. The ten year strategy was first developed in 2017-18 and was to be updated in October 2019 however this was delayed as the Council was expecting a three year budget settlement. It was then further delayed

due to the General Election in early 2020 and the outbreak of COVID-19. In April 2020 the Business Continuity Committee agreed to delay the review until the impact of COVID-19 has been managed and there is greater clarity over its financial impact. The review will take on board the recommendations made by our external auditors.

Council officers have annually produced ideas for management/operational efficiencies which have helped reduce the impact of savings on service users and communities. Work is continuing on a number of areas including automating processes, increasing commercial income and more efficient procurement practices to generate further efficiencies that may help reduce the budget gap.

In addition work is already underway to develop a three year service redesign programme aimed at identifying options to balance the budget in 2021/22 and future years.

### INTERNAL FINANCIAL CONTROL

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

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

In particular the system includes:

- comprehensive budgeting systems
- regular reviews by the Council and the named bodies (mentioned below) of periodic and annual financial reports which indicate financial performance against forecast
- setting targets to measure financial and other performance
- the preparation of regular financial reports which indicate actual expenditure against forecast
- clearly defined capital expenditure guidelines
- project management disciplines
- guidance relating to financial processes, procedures and regulations
- an effective Internal Audit section.

Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

This annual review also covers the other bodies whose activities are incorporated into our Group Accounts and reliance is placed on the formal audit opinion contained in the financial statements of each individual body.

- Dunbartonshire and Argyll and Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Live Argyll
- Argyll and Bute Integration Joint Board.

### RISK MANAGEMENT

The Council's risk management processes are well developed. In particular the:

- Strategic Risk Register is updated twice a year and approved by the SMT
- Chief Executive presents the Strategic Risk Register to the Audit and Scrutiny Committee on an annual basis
- Operational Risk Registers are updated quarterly by departmental management teams.

Internal Audit performed an audit of risk management in 2019/20 to assess whether the revised processes are operating effectively. The audit provided high assurance over the Council's risk



management arrangements. In 2019/20 the Chief Internal Auditor introduced a new strategic risk assurance mapping exercise which was presented to the Audit and Scrutiny Committee on 24 September 2019. The Committee agreed this mapping exercise would be performed annually and that Internal Audit would perform an audit of compliance with risk management arrangements every three years unless issues are brought to the attention of the Chief Internal Auditor which would suggest a review is required outwith that cycle.

## INTERNAL AUDIT

The Council and its Group bodies have internal audit functions, which operate to Public Sector Internal Audit Standards. The work of Internal Audit is informed by an analysis of the risk to which the Council and its Group bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's Audit and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan.

The Council generally complies with the requirements in CIPFA's statement on 'The Role of the Head of Internal Audit in Public Service Organisations'. The Chief Internal Auditor has responsibility for the Council's Internal Audit service, and is professionally qualified and suitably experienced to lead and direct the Internal Audit team. The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (this was verified by a 5-yearly external quality assessment performed during 2018/19 and by subsequent annual internal self-assessments).

With effect from 6 January 2020, the Head of Financial Services has been acting as interim Executive Director whilst retaining the Council's Section 95 officer responsibilities. Backfilling of the Head of Financial Services post has been shared, on an interim basis, by the Chief Internal Auditor, the Council's Finance Manager and the Council's Revenues and Benefits Manager. The role has been split in such a manner that, in conjunction with other appropriate arrangements which were reported to the Audit and Scrutiny Committee in January 2020, the Chief Internal Auditor has confirmed there have been no impairments or restrictions on his independence.

The COVID-19 pandemic meant the 2019-20 audit plan could not be completed in its entirety due to a need to redeploy audit resource to priority tasks required to support the Council's response to the pandemic. This resulted in six audits not being fully complete by the targeted deadline of June 2020. Of these six, two were at draft report stage, three were well advanced through the fieldwork stage and one was in the initial planning stage. The work to complete all six will be carried forward into a revised 2020-21 annual internal audit plan. As all, bar one, of the incomplete audits are well advanced, the Chief Internal Auditor is of the opinion this does not affect his ability to provide an opinion on the Council's systems of governance and internal control.

This opinion is usually provided to the Audit and Scrutiny Committee in June however, due to the COVID-19 pandemic the June meeting was cancelled. Consequently the annual report was e-mailed to all Committee members and will be formally presented when the Committee is re-established. The report confirms that, in the Chief Internal Auditor's opinion, reasonable assurance can be taken that the systems of governance and internal control are operating effectively.

Internal Audit provides members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. External Audit has, and continues to, place reliance on the work of Internal Audit. The Chair of the Audit and Scrutiny Committee is an independent lay member.

During 2019/20, 1 (Pupil Equity Fund) of the 17 audit reports presented to the Audit and Scrutiny Committee had an overall audit opinion of 'limited' assurance. For this, and all other audit reports, an action plan has been agreed and progress against their delivery is routinely monitored by Internal Audit. Management have accepted 100% of audit recommendations and a robust follow-up system is in place with progress reports presented to the SMT on a quarterly basis.

During 2019/20 the following developments were made within Internal Audit:

- enhanced the annual audit report to incorporate reference to post audit survey feedback
- introduced a new value for money audit finding category to highlight areas where the Council may generate efficiencies
- further revised the continuous monitoring approach to reflect on lessons learned during the first year of its full roll out
- introduced an annual strategic risk assurance mapping exercise
- incorporated external audit's recommendations into the follow-up process
- changed from a monthly to a quarterly follow up process to better prioritise resources
- implemented local benchmarking indicators with five other local authorities.

## HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from both Argyll and Bute Council and NHS Highland, with a separate board of governance. The IJB comprises eight voting members with four Elected Members nominated by Argyll and Bute Council and four Board members of NHS Highland. In addition there are a number of non-voting appointees representing other sectors and stakeholder groups, such as the Third Sector, Independent Sector, Patients and Service Users, Carers and Staff.

The arrangements for the operation, remit and governance of the IJB are set out in the Argyll and Bute Integration Scheme which has been prepared and approved by Argyll and Bute Council and NHS Highland. The IJB, via a process of delegation from the Health Board and Local Authority as outlined in the Scheme of Integration, has responsibility for the planning, resourcing and operational delivery of all integrated health and social care services within Argyll and Bute.

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

The IJB has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based internal audit plan was carried out in 2019-20 and the IJB's internal auditor has issued a formal annual report providing their independent opinion on the effectiveness that the Argyll and Bute IJB has an adequate and effective framework of governance, risk management and control.

During 2019-20 the IJB has progressed a number of initiatives to develop its governance arrangements including developing committee terms of reference, further embedding budget monitoring and financial risk reporting, progressing a development programme for IJB members, updating the strategic risk register and working in partnership with the Council's committee services to provide greater governance over the management of committees, reviewing the integration scheme, and appointing a Data Protection Officer.

The IJB has continued to have a number of financial challenges during 2019-20 and the final outturn position was an overspend of £2.446m, well reduced from the previous year's overspend of £6.681m which is a considerable achievement. The operating environment going forward remains very challenging. However, the IJB approved a balanced budget for 2020-21 which should provide reassurance to the public, staff and stakeholders that the HSCP is determined to work within budget. That said, there remains a number of risks, the most significant being the financial impact of the response to COVID-19, to deliver the services within the budget resource and to deliver the agreed savings, both the ones newly agreed for 2020-21 and also the remaining undelivered savings from 2019-20. New Service Improvement Officer posts were agreed as part of the budget to increase the focus of delivery of savings in 2020/21.

## UPDATE ON AREAS FOR DEVELOPMENT IN 2018/19 ANNUAL GOVERNANCE STATEMENT

The 2018/19 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2019/20 Update
Capital monitoring	Revised capital monitoring process has been established. It was slightly delayed which meant it was not considered beneficial for internal audit to review it as part of the 2019/20 plan as there was more value in allowing the process to bed in. The 2019/20 audit has been carried forward into the 2020/21 internal audit plan.
Streamline treasury management processes	Good progress has been made in 2019/20 with more effective use now made of the functionality of our treasury management system, PSTM. We have introduced an electronic signature into our authorisation processes and are moving away from holding paper copies of documentation. This work will continue in 2020/21.
Implement Point-to-Point Encryption for face to face debit/credit card payments	The ICT service implemented a more secure, encrypted card payment process in 2019. This provides for a more secure route for our customers to make payments and reduces the risk of fraud.
Digitalise all document and evidence exchanges for Local Development Plan 2 'Examination in Public' process	This work is currently ongoing having been delayed from last year, and will be complete during 2020/21.
Develop an automated interface between Concerto and Oracle	An interface for capital payments is being further scrutinised. Work is continuing with Financial Services to finalise an automated interface for the processing of contractor payments for revenue.
Develop a new self-evaluation tool within Early Years to align with 'How Good is our ELC'	Self-evaluation tool has been developed to incorporate the main Quality Indicators within 'How Good is our ELC?' The tool is split into two sections – Learning and Development and Care and Welfare, and forms the basis of quality improvement visits to all establishments within Argyll and Bute.
Implement the transfer of Human Resources and Organisational Development from HSCP management to Argyll & Bute management and review governance arrangements	The NHS employees in the HROD team supporting Argyll and Bute Health and Social Care Partnership transferred to the Head of Customer Support Services in September 2019. This has resulted in improved alignment of HROD activities and a more integrated approach to employee support across the partnership. A review of staff governance was also undertaken in partnership with the Trade Unions to streamline engagement and decision making.
Rollout score cards for monitoring of performance and targets within Roads & Infrastructure Services	Electronic scorecards and monitoring systems are in place and being positively used to monitor response times for Member enquiries and general enquiries. These systems have resulted in an improvement in response times and provide a live tally of outstanding correspondence. Scorecard and performance management information is also in place and being actively used for roads and refuse related activities.

## ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2020/21, particularly in the context of continuous improvement within the Council:

- Continue to progress the work to digitalise all document and evidence exchanges for LDP2 Examination in Public (Head of Development and Economic Growth – March 2021)
- Develop an integrated production process for the Strategic Housing Improvement Plan (SHIP) and Local Housing Strategy which will utilise Geographic Information System data to improve due diligence knowledge of proposed Registered Social Landlord housing sites, thus



identifying risks to delivering the SHIP (Head of Development and Economic Growth – March 2021)

- Procure and implement enhanced logistical software that will facilitate route optimisation for many transport related functions (Head of Roads and Infrastructure Services – March 2021)
- Continue to develop an automated interface between Concerto and Oracle (Head of Commercial Services – December 2020)
- Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2021)
- Develop the provision of governance and committee support to the Integration Joint Board (Head of Legal and Regulatory Support – March 2021)
- Develop further self-evaluation tools to improve self-evaluation processes and monitoring of quality provision within 1140 hours (Heads of Education – March 2021)
- Work with the Quality Improvement Group to develop GIRFEC (Getting it Right For Every Child) procedures and processes to improve children and young people's experiences of Child's Planning Processes (Heads of Education – March 2021)
- Implementation of a self-billing approach using CareFirst for payments to social care providers to further improve payment efficiency and simplify monthly budget monitoring work (Head of Financial Services – February 2021)

## ASSURANCE

The annual review of the effectiveness of the system of governance and internal financial control is informed by:

- the work of officers within the Council
- the work of Internal Audit as described above
- the work of External Audit
- the Statements of Governance and/or Internal Control provided by the bodies incorporated into our Group Accounts
- statements of assurance provided by the Council's Chief Executive, Executive Directors and Heads of Service
- external review and inspection reports; and
- recommendations from the Audit and Scrutiny Committee.

It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2019/20 and that there are no significant weaknesses. This assurance is framed within the context of the work undertaken during the year and the evidence available at the time of preparing this statement.

Cllr Robin Currie  
Leader

Pippa Milne  
Chief Executive

Kirsty Flanagan  
Section 95 Officer

## BACKGROUND

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No.2014/200) require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. All information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland. All other sections within the Remuneration Report will be reviewed by Audit Scotland to ensure it is consistent with the Financial Statements.

## REMUNERATION POLICY AND ARRANGEMENTS

### Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2019/23V A T). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements. There are 4 grades of councillor in each local authority for the purposes of payment of remuneration, the Leader of the Council; the Civic Head (Provost); senior councillors; and councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The Regulations also provide for the banding of local authorities. Argyll and Bute is in Band B and the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019-20 the salary for the Leader of Argyll and Bute Council is £34,903. The Regulations permit the Council to remunerate one civic head. The Regulations set out the maximum salary that may be paid to that civic head. The Council's civic head is the Provost and their remuneration is set at £26,177 which is the maximum allowed for local authorities in Band B.

The Regulations also set out the remuneration that may be paid to senior councillors in addition to the Leader and Civic Head and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its senior councillors shall not exceed £0.306m. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors up to a maximum of 14 and their salary within these maximum limits. The Council's policy is to pay a salary of £24,723 to each appointed policy lead. Chairs of Area Committees without a policy lead remit are paid a salary of £20,613.

In 2019-20, Argyll and Bute Council had 11 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors (including the Provost and the Leader) during 2019-20 was £0.237m. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

### Senior Employees

The salary of senior employees is set by reference to national arrangements as well as local decisions on management structures and their associated remuneration levels. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services (Chief Officials) sets the salary levels for the Chief Executives of Scottish Local Authorities and also sets out the spinal column salary points for Chief Officers which local authorities can utilise in setting the salary levels for posts within their authority. Circular CO/150 sets the amount of salary for the Chief Executive of Argyll and Bute Council for 2019-20.

The salaries of Executive Directors are paid at SCP 43 with Heads of Service being paid at SCP 29.

## COUNCILLORS' REMUNERATION

Councillors' payments are made in accordance with the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 and The Local Government (Allowances and Expenses) (Scotland) Regulations 2007.

The total amount of councillors' remuneration paid by the Council during the year was:

2018-19 Actual £'000	Members Allowances	2019-20 Actual £'000
412	Basic Councillor Salaries	424
59	Leader and Provost's Salary	61
229	Senior Councillor Salaries	237
75	Other Expenses and Allowances paid to Members	71
<b>775</b>	<b>Total Allowances</b>	<b>793</b>

The annual return of councillors' salaries and expenses for 2019-20 is available for any member of the public to view at all Council libraries and public offices during normal working hours. It is also available on the Council's website at <http://www.argyll-bute.gov.uk/council-and-government/councillors-and-community-councillors>.

## The Remuneration Report

### SENIOR COUNCILLORS' REMUNERATION

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

2018-19 Total Remuneration £	Senior Members	Responsibility	2019-20		
			Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £
24,074	Councillor Rory Colville	Policy Lead for Support Services from 26-09-19, Policy Lead for Corporate Services to 25-09-19	24,723	-	24,723
24,487	Councillor Robin Currie	Policy Lead for Housing, Roads and Infrastructure Services and Chair of Mid Argyll, Kintyre & the Islands Area Committee from 26-09-19, Policy Lead for Communities, Housing, Islands and Gaelic and Chair of Mid Argyll, Kintyre & the Islands Area Committee to 25-09-19	24,723	258	24,981
20,105	Councillor Bobby Good	Chair of Bute & Cowal Area Committee	20,613	-	20,613
24,074	Councillor Kieron Green	Policy Lead for Health and Social Care	24,723	866	25,589
24,074	Councillor David Kinniburgh	Policy Lead for Planning Services from 26-09-19, Policy Lead for Planning and Regulatory Services to 25-09-19	24,723	-	24,723
24,074	Councillor Roddy McCuish	Depute Provost and Policy Lead for Roads and Amenity Services to 25-09-19	21,305	-	21,305
24,074	Councillor Yvonne McNeilly	Policy Lead for Education	24,723	-	24,723
34,125	Councillor Aileen Morton	Leader and Policy Lead for Commercial Services and Strategic Priorities from 26-09-19 with oversight of Economic Growth from 26-11-19, Leader and Policy Lead for Economic Development to 25-09-19	34,903	-	34,903
20,072	Councillor Ellen Morton	Chair of Helensburgh & Lomond Area Committee	20,613	-	20,613
24,074	Councillor Gary Mulvaney	Depute Leader and Policy Lead for Financial Services and Major Projects from 26-09-19, Depute Leader and Policy Lead for Strategic Finance and Capital Regeneration Programme to 25-09-19	24,723	-	24,723
20,072	Councillor Elaine Robertson	Chair of Oban, Lorn & the Isles Area Committee	20,613	-	20,613
-	Councillor Alasdair Redman	Policy Lead for Economic Growth from 26-09-19 to 25-11-19	4,057	-	4,057
25,490	Councillor Len Scoullar	Provost	26,177	-	26,177

Senior Councillors' remuneration in the tables above does not include non-taxable expenses.

[www.argyll-bute.gov.uk](http://www.argyll-bute.gov.uk)

## EMPLOYEES' REMUNERATION

The Regulations require that local authorities provide an analysis of the number of employees whose remuneration in the year was £50,000 or more, including those classified as senior employees who are subject to separate disclosure requirements. The definition of remuneration includes all sums paid to or receivable by an employee, expense allowances chargeable to tax and the monetary value of benefits received other than in cash. This definition therefore includes all payments made to the employee in respect of agreed employment terminations or retirements. However, employer pension contributions are excluded from the definition.

Readers should be aware when making comparisons between years that, due to contractual incremental pay increases, the number of employees covered by this disclosure will increase each year. In addition, payments made in respect of agreed employment terminations or retirements can also distort the number and/or banding of employees.

The number of employees whose remuneration, excluding employer pension contributions and including redundancy/retirement payments, was £50,000 or more in bands of £5,000 was:

2018-19 Number of Officers	Range £	2019-20 Number of Officers
82	£50,000 - £54,999	135
28	£55,000 - £59,999	75
9	£60,000 - £64,999	27
3	£65,000 - £69,999	13
2	£70,000 - £74,999	4
9	£75,000 - £79,999	9
2	£80,000 - £84,999	2
1	£85,000 - £89,999	2
-	£90,000 - £94,999	-
-	£95,000 - £99,999	1
2	£100,000 - £104,999	1
-	£105,000 - £109,999	2
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
-	£120,000 - £124,999	1
1	£125,000 - £129,999	-
<b>139</b>	<b>Total</b>	<b>272</b>

## The Remuneration Report

### SENIOR EMPLOYEES' REMUNERATION

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

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

The following table sets out the remuneration disclosures for 2019-20 for senior officers:

Total Remuneration 2018-19	Post Holder	Salary (Including Fees and Allowances)	Taxable Expenses	Total Remuneration 2019-20
£		£	£	£
99,748	<b>Chief Executive</b> (from 19-12-19), <b>Executive Director</b> (to 18-12-19) - Pippa Milne	107,671	403	<b>108,074</b>
-	<i>(Full year equivalent as Chief Executive)</i>	124,665	-	<b>124,665</b>
125,600	<b>Chief Executive</b> - Cleland Sneddon (to 05-01-20)	102,922	3,659	<b>106,581</b>
	<i>(Full year equivalent)</i>	124,665	-	<b>124,665</b>
99,992	<b>Executive Director</b> - Douglas Hendry	102,752	610	<b>103,362</b>
75,455	<b>Acting Executive Director</b> (from 06-01-20), <b>Head of Financial Services</b> (to 05-01-20) ( <b>Section 95 Financial Officer</b> ) (01-04-19 to 31-03-20) - Kirsty Flanagan	82,428	523	<b>82,951</b>
5,090	<b>Executive Director</b> - Ann Marie Knowles (from 13-5-16 to 05-4-18)	-	-	-
99,433	<i>(Full year equivalent)</i>	-	-	-
80,494	<b>Head of Children &amp; Families (Section 3 Social Work Officer)</b> - Alex Taylor	77,272	2,500	<b>79,772</b>
72,542	<b>Live Argyll General Manager (Subsidiary of Argyll &amp; Bute Council)</b> - Kevin Anderson	79,449	-	<b>79,449</b>

The Chief Executive's (Cleland Sneddon) salary in 2019-20 included £2,425 of remuneration for acting as Returning Officer.

During 2019-20 the Chief Executive, Cleland Sneddon, left the organisation and Pippa Milne (Executive Director) was appointed Chief Executive. Kirsty Flanagan was appointed as acting Executive Director.

## The Remuneration Report

### PENSION BENEFITS

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

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

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits accumulated are calculated using pensionable pay each scheme year, rather than final salary. All benefits accumulated prior to 1 April 2015 are protected.

A five-tier contribution system is in place with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership.

The tiers and members contribution rates for 2019-20 are as follows:

Whole time pay	Contribution Rate 2019-20
On earnings up to and including £21,300	5.50%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.50%
On earnings above £35,700 and up to £47,600	9.50%
On earnings above £47,600	12.00%

From 1 April 2015, if a person works part-time their contribution is worked out on their part-time pay rate for the job. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49<sup>th</sup> of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

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

## SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their relevant local government service and not just their current appointment.

For the year to 31 March 2019		Senior Members	For the year to 31 March 2020	
In-year pension contributions £	Accrued pension benefits £		In-year pension contributions £	Accrued pension benefits £
4,646	4,865 1,636	Councillor Rory Colville	Pension Lump Sum	4,772 5,461 1,689
4,646	4,696 850	Councillor Robin Currie	Pension Lump Sum	4,772 5,278 875
4,646	1,384 -	Councillor Kieron Green	Pension Lump Sum	4,772 1,888 -
3,880	789 -	Councillor Bobby Good	Pension Lump Sum	3,978 1,210 -
4,646	4,798 1,592	Councillor David Kinniburgh	Pension Lump Sum	4,772 5,397 1,647
4,646	4,767 1,680	Councillor Roddy McCuish	Pension Lump Sum	4,112 5,603 1,774
4,646	944 -	Councillor Yvonne McNeilly	Pension Lump Sum	4,772 1,449 -
6,559	3,702 -	Councillor Aileen Morton	Pension Lump Sum	6,736 4,498 -
3,874	4,783 1,673	Councillor Ellen Morton	Pension Lump Sum	659 5,071 1,799
4,646	4,459 1,502	Councillor Gary Mulvaney	Pension Lump Sum	4,772 5,066 1,561
-	654 -	Councillor Alasdair Redman	Pension Lump Sum	3,598 1,050 -
3,874	4,017 1,418	Councillor Elaine Robertson	Pension Lump Sum	3,978 4,509 1,459

Len Scoullar receives no pension benefits arising from his role as a Councillor for Argyll and Bute Council.



## The Remuneration Report

### SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their relevant local government service and not just their current appointment.

For the year to 31 March 2019		Senior Officers	For the year to 31 March 2020		
In-year pension contributions	Accrued pension benefits		In-year pension contributions	Accrued pension benefits	
£	£		£	£	
19,177	45,430	<b>Chief Executive</b> (from 19-12-19), <b>Executive Director</b> (to 18-12-19) - Pippa Milne	Pension	20,780	57,211
	81,338		Lump Sum		101,978
23,346	50,646	<b>Chief Executive</b> - Cleland Sneddon (to 05-01-20)	Pension	19,841	73,102
	86,572		Lump Sum		89,170
19,177	51,553	<b>Executive Director of Customer Services</b> - Douglas Hendry	Pension	19,742	55,113
	99,705		Lump Sum		102,697
14,449	20,705	<b>Acting Executive Director</b> (from 06-01-20), <b>Head of Financial Services</b> (to 05-01-20) ( <b>Section 95 Financial Officer</b> ) (01-04-19 to 31-03-20) - Kirsty Flanagan	Pension	15,827	27,767
	21,676		Lump Sum		29,609
1,086	41,296	<b>Executive Director - Ann Marie Knowles</b> (Retired 05-04-18)	Pension	-	-
	83,748		Lump Sum		-
14,449	41,425	<b>Head of Children and Families (Section 3 Social Work Officer)</b> - Alex Taylor	Pension	14,886	44,200
	85,795		Lump Sum		88,369
14,001	24,367	<b>Live Argyll General Manager (Subsidiary of Argyll &amp; Bute Council)</b> - Kevin Anderson	Pension	15,334	26,632
	35,580		Lump Sum		36,647

## The Remuneration Report



### EMPLOYEE EXIT PACKAGES

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

2018-19						Exit Package Cost Band	2019-20					
Compulsory Redundancies		Other Departures		Total			Compulsory Redundancies		Other Departures		Total	
No	£	No	£	No	£		No	£	No	£	No	£
6	20,445	5	24,142	11	44,587	£0 - £20,000	15	92,008	6	62,268	21	154,276
3	91,478	1	23,992	4	115,470	£20,001 - £40,000	4	126,920	11	333,771	15	460,691
-	-	1	45,618	1	45,618	£40,001 - £60,000	1	41,455	5	244,018	6	285,473
-	-	1	78,615	1	78,615	£60,001 - £80,000	-	-	3	227,382	3	227,382
-	-	5	444,114	5	444,114	£80,001 - £100,000	1	91,199	-	-	1	91,199
-	-	5	569,350	5	569,350	£100,001 - £150,000	-	-	6	757,528	6	757,528
-	-	1	192,617	1	192,617	£150,001 - £200,000	1	176,968	2	367,028	3	543,996
<b>9</b>	<b>111,923</b>	<b>19</b>	<b>1,378,448</b>	<b>28</b>	<b>1,490,371</b>		<b>22</b>	<b>528,550</b>	<b>33</b>	<b>1,991,995</b>	<b>55</b>	<b>2,520,545</b>

For the purposes of this note, Exit Packages include:

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded – maximum three years); and
- A capitalised value of the recurring Compensatory Added Years payment. This represents the amount which the Council has to pay to the pension fund because the employee has retired with enhanced service (maximum three years). This amount is paid on an annual basis once a person has left employment with the Council and is therefore a notional cost at 31 March 2020.

The cash value costs noted in the table represent the actual costs incurred by the Council for the agreed exit packages. The capitalised added years pension element for members of the Teachers' Pension Scheme is included in the cash value cost as payment is made in advance to the teachers' pension fund to settle this liability.

The total cost of £2.521m in the table includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. These costs include all exit packages agreed by 31 March in each year, this does not necessarily mean that these payments have been made, for example an employee could have subsequently been re-deployed to an alternative post within the Council. The Council's Balance Sheet includes a provision at 31 March 2020 of £0.260m, this represents the amount which has yet to be paid out by the Council and this amount is included within the bands above.

## The Remuneration Report

The supplementary Termination Benefits Note 35 on page 115 provides more information on the exit packages agreed in the last two financial years.

### **FACILITY TIME STATEMENT**

Under the Trade Union (Facility Time Publication Requirements) Regulations 2017, the Council is required to collect and publish data in relation to its usage and spend of trade union facility time in respect of employees who are trade union representatives. Full details for the period 1 April 2019 to 31 March 2020 are attached at Appendix A.

Cllr Robin Currie  
**Leader**

Pippa Milne  
**Chief Executive**

## Expenditure and Funding Analysis

2018-19			Service	2019-20		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis (Note 31) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis (Note 31) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
5,202	616	5,818	<b>Chief Executive and Financial Services</b>	5,030	720	5,750
			<b>Executive Director Douglas Hendry</b>			
360	35	395	Executive Director	319	47	366
9,051	8,358	17,409	Commercial Services	8,273	7,643	15,916
76,179	11,603	87,782	Education	80,692	3,642	84,334
8,378	2,097	10,475	Legal and Regulatory Support	8,124	286	8,410
			<b>Executive Director Kirsty Flanagan</b>			
423	(12)	411	Executive Director	616	(7)	609
7,398	2,868	10,266	Customer and Support Services	7,007	2,745	9,752
10,295	1,232	11,527	Development and Economic Growth	9,441	1,351	10,792
30,371	12,587	42,958	Roads and Infrastructure	28,945	11,937	40,882
59,348	4,468	63,816	<b>Social Work</b>	59,945	4,339	64,284
8,232	8,498	16,730	<b>Other Non-Departmental Costs</b>	9,770	422	10,192
<b>215,237</b>	<b>52,350</b>	<b>267,587</b>	<b>Net Cost of Services</b>	<b>218,162</b>	<b>33,125</b>	<b>251,287</b>

## Expenditure and Funding Analysis

(214,375)	(29,126)	(243,501)	Other Income and Expenditure	(217,452)	(40,069)	(257,521)
<b>862</b>	<b>23,224</b>	<b>24,086</b>	<b>(Surplus) / Deficit</b>	<b>710</b>	<b>(6,944)</b>	<b>(6,234)</b>
<b>(50,342)</b>			<b>Opening General fund Balance</b>	<b>(49,480)</b>		
862			Plus (Surplus) or Deficit on General Fund Balance	710		
<b>(49,480)</b>			<b>Closing General Fund Balance at 31 March 2020</b>	<b>(48,770)</b>		

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on pages 47 to 48.

# Statement of Comprehensive Income and Expenditure

2018-19			Note	2019-20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Service</b>			
30,217	24,399	5,818	<b>Chief Executive and Financial Services</b>	26,915	21,165	5,750
			<b>Executive Director Douglas Hendry</b>			
395		395	Executive Director	366	-	366
20,670	3,261	17,409	Commercial Services	20,403	4,487	15,916
94,139	6,357	87,782	Education	94,112	9,778	84,334
14,690	4,215	10,475	Legal and Regulatory Support	12,638	4,228	8,410
			<b>Executive Director Kirsty Flanagan</b>			
411	-	411	Executive Director	609		609
10,844	578	10,266	Customer and Support Services	10,379	627	9,752
18,750	7,223	11,527	Development and Economic Growth	19,072	8,280	10,792
66,200	23,242	42,958	Roads and Infrastructure	65,676	24,794	40,882
142,074	78,258	63,816	<b>Social Work</b>	143,515	79,231	64,284
17,737	1,007	16,730	<b>Other Non-Departmental Costs</b>	10,449	257	10,192
<b>416,127</b>	<b>148,540</b>	<b>267,587</b>	<b>Net Cost of Services</b>	<b>404,134</b>	<b>152,847</b>	<b>251,287</b>

## Statement of Comprehensive Income and Expenditure

		<b>Other Operating Income and Expenditure:</b>	
	(222)	Net (Gain)/loss on Disposal of Long Term Assets	1,487
	1,256	Other Operating Income and Expenditure	1,390
	<b>1,034</b>	<b>Total Other Operating Income and Expenditure</b>	<b>2,877</b>
		<b>Financing and Investment Income and Expenditure:</b>	
	16,728	Interest Payable and Similar charges	17,954
	(1,269)	Interest and Investment Income	(1,478)
	1,776	Net Pension Interest Expense	2,913
	<b>17,235</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>19,389</b>
		<b>Taxation and Non-Specific Grant Income:</b>	
	(159,277)	General Government Grants	(160,081)
	(19,339)	Government Capital Grants and Other Capital Contributions	(31,136)
	(33,035)	Non-domestic Rates Redistribution	(35,634)
	(251)	Non-domestic Rates TIF	(301)
	-	Non-domestic Rates BRIS	(102)
	(49,868)	Council Tax Income	(52,533)
	<b>(261,770)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(279,787)</b>
	<b>24,086</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(6,234)</b>
	(6,347)	(Surplus)/Deficit on revaluation of Long Term Assets	(11,910)
	36,739	Other Post Employment Benefits (Pensions)	(64,660)
	<b>30,392</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(76,570)</b>
	<b>54,478</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(82,804)</b>

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves on pages 51 to 52.



## Balance Sheet



31 March 2019		Note	31 March 2020	
£'000	£'000		£'000	£'000
		<b>Long Term Assets</b>		
		<b>Property Plant &amp; Equipment</b>	14	
359,366		- Other Land and Buildings		370,616
9,656		- Vehicles, Plant, Furniture and Equipment		9,627
214,904		- Infrastructure Assets		221,154
2,354		- Community Assets		5,647
2,741		- Surplus Assets		3,254
23,877		- Assets Under Construction		26,806
	<b>612,898</b>	<b>Total Property Plant &amp; Equipment</b>		<b>637,104</b>
	2,080	Heritage Assets	15	2,086
	664	Intangible Assets	16	583
	2,110	Investment Property	17	2,449
	492	Long Term Investments	26	492
	5,811	Long-Term Debtors	21	5,663
	<b>624,055</b>	<b>Total Long Term Assets</b>		<b>648,377</b>
		<b>Current Assets</b>		
812		Inventories		749
17,607		Short Term Debtors (Net of Impairment)	22	17,756
2,322		Assets Held for Sale	23	674
57,500		Short Term Investments		59,500
13,831		Cash and Cash Equivalents	24	8,785
	<b>92,072</b>	<b>Total Current Assets</b>		<b>87,464</b>
		<b>Current Liabilities</b>		
(19,743)		Short-term Borrowing	26	(6,070)
(34,415)		Short-term Creditors	25	(34,288)
(7)		Capital Grant Receipts in Advance	29	(7)
(2,638)		Provisions	28	(2,177)
(5,652)		Other Short Term Liabilities	27	(4,573)
	<b>(62,455)</b>	<b>Total Current Liabilities</b>		<b>(47,115)</b>
		<b>Long-term Liabilities</b>		
(166,071)		Borrowing Repayable within a Period in Excess of 12 Months	26	(169,219)
(124,865)		Other Long-term liabilities	27	(120,294)
(1,301)		Provisions	28	(1,396)
(5,000)		Capital Grant Receipts in Advance	29	(5,000)
(113,768)		Other Long-term liabilities (Pensions)	30	(67,346)
	<b>(411,005)</b>	<b>Total Long-term Liabilities</b>		<b>(363,255)</b>
	<b>242,667</b>	<b>Total Assets less Liabilities</b>		<b>325,471</b>

## Balance Sheet



31 March 2019		Note	31 March 2020	
£'000	£'000		£'000	£'000
		<b>Unusable Reserves</b>		
115,150		- Revaluation Reserve	126,560	
195,045		- Capital Adjustment Account	220,263	
(3,176)		- Financial Instruments Adjustment Account	(2,850)	
(113,768)		- Pensions Reserve	(67,346)	
(6,112)		- Accumulated Absences Account	(7,048)	
	<b>187,139</b>			<b>269,579</b>
		<b>Usable Reserves</b>		
4,352		- Capital Funds	4,379	
1,696		- Repairs and Renewals Funds	1,843	
49,480		- General Fund Balance	49,670	
	<b>55,528</b>			<b>55,892</b>
	<b>242,667</b>	<b>Total Reserves</b>		<b>325,471</b>

The Balance Sheet is a snapshot of the value as at the 31 March 2020 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported as follows:

- **Unusable Reserves:** are reserves that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".
- **Usable Reserves:** are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The Unaudited Annual Accounts were issued on 25 June 2020 and the Audited Annual Accounts were authorised for issue on 26 November 2020.

Kirsty Flanagan  
Section 95 Officer

## Statement of Movement in Reserves

Movements in 2019-20	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
<b>Balance at 31 March 2019</b>	<b>(49,480)</b>	<b>(1,696)</b>	<b>(4,352)</b>	<b>(55,528)</b>	<b>(115,150)</b>	<b>(195,045)</b>	<b>113,768</b>	<b>3,176</b>	<b>6,112</b>	<b>(187,139)</b>	<b>(242,667)</b>
(Surplus)/Deficit on Provision of Services	(6,234)			<b>(6,234)</b>						-	<b>(6,234)</b>
Other Comprehensive Income and Expenditure					(11,910)		(64,660)			<b>(76,570)</b>	<b>(76,570)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,234)</b>	<b>-</b>	<b>-</b>	<b>(6,234)</b>	<b>(11,910)</b>	<b>-</b>	<b>(64,660)</b>	<b>-</b>	<b>-</b>	<b>(76,570)</b>	<b>(82,804)</b>
<b>Adjustments between accounting basis and funding basis under regulations:</b>											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost	-			-	500	(500)				-	-
Amortisation of Intangible Assets	(117)			<b>(117)</b>		117				<b>117</b>	-
Depreciation of Non-current Assets	(22,662)			<b>(22,662)</b>		22,662				<b>22,662</b>	-
Impairment of Non-current Assets	287			<b>287</b>		(287)				<b>(287)</b>	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	31,136			<b>31,136</b>		(31,136)				<b>(31,136)</b>	-
Capital Expenditure Charged to the General Fund	812			<b>812</b>		(812)				<b>(812)</b>	-
Net Gain or Loss on Sale of Non-current Assets	(1,487)		(1,974)	<b>(3,461)</b>		3,461				<b>3,461</b>	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	326			<b>326</b>				(326)		<b>(326)</b>	-
Employee Benefits	(936)			<b>(936)</b>					936	<b>936</b>	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(18,238)			<b>(18,238)</b>			18,238			<b>18,238</b>	-

## Statement of Movement in Reserves

Movements in 2019-20	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Statutory Repayment of Debt - Loans Fund Advances	11,098			11,098		(11,098)				(11,098)	-
Statutory Repayment of Debt - Finance Leases	41			41		(41)				(41)	-
Statutory Repayment of Debt - NPDO Finance	5,610			5,610		(5,610)				(5,610)	-
<b>Total Statutory Adjustments</b>	<b>5,870</b>	<b>-</b>	<b>(1,974)</b>	<b>3,896</b>	<b>500</b>	<b>(23,244)</b>	<b>18,238</b>	<b>(326)</b>	<b>936</b>	<b>(3,896)</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(364)</b>	<b>-</b>	<b>(1,974)</b>	<b>(2,338)</b>	<b>(11,410)</b>	<b>(23,244)</b>	<b>(46,422)</b>	<b>(326)</b>	<b>936</b>	<b>(80,466)</b>	<b>(82,804)</b>
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	174	(147)	1,947	1,974		(1,974)				(1,974)	-
<b>(Increase)/Decrease in Year</b>	<b>(190)</b>	<b>(147)</b>	<b>(27)</b>	<b>(364)</b>	<b>(11,410)</b>	<b>(25,218)</b>	<b>(46,422)</b>	<b>(326)</b>	<b>936</b>	<b>(82,440)</b>	<b>(82,804)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(49,670)</b>	<b>(1,843)</b>	<b>(4,379)</b>	<b>(55,892)</b>	<b>(126,560)</b>	<b>(220,263)</b>	<b>67,346</b>	<b>2,850</b>	<b>7,048</b>	<b>(269,579)</b>	<b>(325,471)</b>

This Statement shows the movement in the 2019-20 financial year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The '(Surplus)/Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Statement of Movement in Reserves

Comparative Movements in 2018-19	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2018</b>	<b>(50,342)</b>	<b>(1,515)</b>	<b>(4,326)</b>	<b>(56,183)</b>	<b>(108,820)</b>	<b>(196,126)</b>	<b>56,442</b>	<b>3,506</b>	<b>4,036</b>	<b>(240,962)</b>	<b>(297,145)</b>
(Surplus)/Deficit on Provision of Services	24,086			24,086						-	24,086
Other Comprehensive Expenditure and Income					(6,347)		36,739			30,392	30,392
<b>Total Comprehensive Expenditure and Income</b>	<b>24,086</b>	<b>-</b>	<b>-</b>	<b>24,086</b>	<b>(6,347)</b>	<b>-</b>	<b>36,739</b>	<b>-</b>	<b>-</b>	<b>30,392</b>	<b>54,478</b>
<i>Adjustments between accounting basis and funding basis under regulations:</i>											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				-	17	(17)				-	-
Amortisation of Intangible Assets	(223)			(223)		223				223	-
Depreciation and of Non-current Assets	(22,128)			(22,128)		22,128				22,128	-
Impairment of Non-current Assets	(11,887)			(11,887)		11,887				11,887	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure	19,349			19,349		(19,349)				(19,349)	-
Capital Expenditure Charged to the General Fund	575			575		(575)				(575)	-
Net Gain or Loss on Sale of Non-current Assets	222		(383)	(161)		161				161	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	330			330				(330)		(330)	-
Employee Benefits	(2,076)			(2,076)					2,076	2,076	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(20,587)			(20,587)			20,587			20,587	-

## Statement of Movement in Reserves

Comparative Movements in 2018-19	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Statutory Repayment of Debt - Loans Fund Advances	9,211			9,211		(9,211)				(9,211)	-
Statutory Repayment of Debt - Finance Leases	50			50		(50)				(50)	-
Statutory Repayment of Debt - NPDO Finance	3,733			3,733		(3,733)				(3,733)	-
<b>Total Statutory Adjustments</b>	<b>(23,431)</b>	<b>-</b>	<b>(383)</b>	<b>(23,814)</b>	<b>17</b>	<b>1,464</b>	<b>20,587</b>	<b>(330)</b>	<b>2,076</b>	<b>23,814</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>655</b>	<b>-</b>	<b>(383)</b>	<b>272</b>	<b>(6,330)</b>	<b>1,464</b>	<b>57,326</b>	<b>(330)</b>	<b>2,076</b>	<b>54,206</b>	<b>54,478</b>
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	207	(181)	357	383		(383)				(383)	-
<b>(Increase)/Decrease in Year</b>	<b>862</b>	<b>(181)</b>	<b>(26)</b>	<b>655</b>	<b>(6,330)</b>	<b>1,081</b>	<b>57,326</b>	<b>(330)</b>	<b>2,076</b>	<b>53,823</b>	<b>54,478</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(49,480)</b>	<b>(1,696)</b>	<b>(4,352)</b>	<b>(55,528)</b>	<b>(115,150)</b>	<b>(195,045)</b>	<b>113,768</b>	<b>3,176</b>	<b>6,112</b>	<b>(187,139)</b>	<b>(242,667)</b>

This Statement shows the movement in the 2018-19 financial year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The '(Surplus)/Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2018-19 £'000		Note	2019-20 £'000
<b>24,086</b>	<b>Net (Surplus) on the Provision of Services</b>		<b>(6,234)</b>
(33,393)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(2,191)
5,800	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,181
<b>(3,507)</b>	<b>Net Cash Flows from Operating Activities</b>	39	<b>(3,244)</b>
2,226	Net Cash Flows from Investing Activities	40	(4,480)
(2,124)	Net Cash Flows from Financing Activities	41	12,770
<b>(3,405)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>5,046</b>
(10,426)	Cash and Cash Equivalents at the beginning of the Reporting Period		(13,831)
<b>(13,831)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	24	<b>(8,785)</b>



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2019-20 financial year and its position at the year-end of 31 March 2020. The Council must ensure that its Annual Accounts are prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### 1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### 1.4 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

## Notes to the Financial Statements

applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### 1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by Loans Fund principal repayments in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 1.6 Employee Benefits

#### 1.6.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees. These benefits are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### 1.6.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognised costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## Notes to the Financial Statements

### 1.6.3 Post-Employment Benefits

The Council participates in two separate pension schemes:

- The Scottish Teachers' Pension Scheme administered by the Scottish Government
- The Local Government (Scotland) Pensions Scheme administered by the Strathclyde Pension Fund.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

#### **Local Government Pension Scheme**

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

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on a "high quality corporate bond of equivalent term and currency to the liability" (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years)).
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

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

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

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

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

#### **1.6.4 Post Employment Discretionary Benefits**

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

#### **1.7 Events after the Reporting Period**

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

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

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

#### **1.8 Financial Liabilities**

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

## Notes to the Financial Statements

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

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

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

### 1.9 Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Cost

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

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

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

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

- Instruments with quoted market prices – the market price



## Notes to the Financial Statements

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

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

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

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

### Expected Credit Loss Model

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

### 1.10 Government Grants and Contributions

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

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

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

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

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

### 1.11 Heritage Assets

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

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

## Notes to the Financial Statements

### The Art Collections

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

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

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

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

### Archaeology and “Other” Museum Exhibits

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

### Heritage Assets – General

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

### 1.12 Intangible Assets

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

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

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



## Notes to the Financial Statements

abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### 1.13 Interests in Companies and Other Entities

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

### 1.14 Inventories

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

### 1.15 Investment Properties

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

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

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

### 1.16 Leases

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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### 1.16.1 The Council as Lessee

##### a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation

## Notes to the Financial Statements

to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### b) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### 1.16.2 The Council as Lessor

#### a) Finance Leases

Where the Council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt on disposal of the asset is used to write down the debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## Notes to the Financial Statements

### b) Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant Service lines in the Comprehensive Income and Expenditure Statement, with the exception of rental income from investment property which is credited to Interest and Investment Income. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### 1.17 Overheads and Support Services

The costs of overheads and support services are not charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

#### 1.18 Assets Held for Sale

Property, plant and equipment are classified as *Assets Held for Sale* when the following criteria are met:

- The property is available for immediate sale in its present condition.
- The sale must be highly probable; and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

When these criteria are met, assets within the category of *Property, Plant and Equipment* will be reclassified as *Assets Held for Sale*.

#### 1.19 Property, Plant and Equipment

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

##### 1.19.1 Recognition

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

##### 1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred while assets are under construction.

## Notes to the Financial Statements

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Accounts. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### 1.19.3 Impairment

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

Where impairment losses are identified, they are accounted for by:

## Notes to the Financial Statements

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### 1.19.4 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an *Asset Held for Sale*. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as *Assets Held for Sale*.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Disposal receipts are categorised as capital receipts. All capital receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### 1.19.5 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## 1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of



## Notes to the Financial Statements

the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on the Balance Sheet.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance Cost – this is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, this is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### 1.21 Provisions, Contingent Liabilities and Contingent Assets

#### 1.21.1 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

#### 1.21.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Notes to the Financial Statements

### 1.21.3 Contingent Assets

A contingent asset arises where 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 assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### 1.22 Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies above and Note 32 to the accounts.

### 1.23 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable.

## 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the following new or amended accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2019-20). For this disclosure the standards introduced by the 2019-20 code include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-17 Cycle
- Amendments to IAS 19 Employee Benefits: Plan amendment, curtailment or settlement

The implementation of IFRS 16 Leasing has been deferred therefore for 2019-20 Local Authorities are not required to include IFRS 16 in their consideration of accounting standards that have been issued but not yet adopted.

For this disclosure there are no new standards, introduced by the 2020-21 Code of Practice, which will impact on the 2019-20 Financial Statements. Furthermore there is no material impact anticipated in future years from the implementation of these standards.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.



## Notes to the Financial Statements

- The Council currently operates three Private Finance Initiative (PFI), or similar, contracts which are accounted for as Service Concession arrangements under IFRIC12 – *Service Concession Arrangements*. The Council has determined that in the case of the Schools NPDO contract and the new Schools DBFM contract, the Council has control over the services provided through use of the schools and that a qualifying asset has been created. The appropriate accounting treatment is to bring the assets “on Balance Sheet” along with a finance lease liability.
- The Council also operates a Waste Management PPP contract. In this case the Council determined that a “qualifying asset” had not been created and that the Council did not have significant control over the services being provided. The appropriate accounting treatment was therefore determined to be “off Balance Sheet” and that payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, material contingent liabilities have been disclosed in Note 34.
- Unused holiday entitlement earned at 31 March 2020 but not taken at that date has been quantified on the basis of a 5% sample of all non-term time Council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement as at 31 March and no estimation is required for these staff. The liability shown in the 2019-20 financial statements in respect of the holiday pay accrual is £7.047m.

#### **4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The financial statements contain estimated figures that are based on assumptions made by the Council about which there is a degree of uncertainty. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions												
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1.117m for every year that useful lives had to be reduced.</p>												
Asset Valuations	The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.	<p>Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we intend to keep the valuations under frequent review.</p> <table border="1" data-bbox="1400 991 1942 1241"> <thead> <tr> <th>Valuation Method</th> <th>£'000</th> </tr> </thead> <tbody> <tr> <td>Historical Cost</td> <td>231,364</td> </tr> <tr> <td>Fair value (Market Value)</td> <td>15,320</td> </tr> <tr> <td>Current value (EUV/DRC)</td> <td>360,685</td> </tr> <tr> <td>Under construction - Cost</td> <td>36,482</td> </tr> <tr> <td></td> <td>643,852</td> </tr> </tbody> </table> <p>For those properties valued at market value it is estimated that the valuation would change by £0.153m for every 1% change in the market prices.</p>	Valuation Method	£'000	Historical Cost	231,364	Fair value (Market Value)	15,320	Current value (EUV/DRC)	360,685	Under construction - Cost	36,482		643,852
Valuation Method	£'000													
Historical Cost	231,364													
Fair value (Market Value)	15,320													
Current value (EUV/DRC)	360,685													
Under construction - Cost	36,482													
	643,852													

Item	Uncertainties	Effect if Actual Results Differ from Assumptions												
Arrears	At 31 March 2020, the Council had a balance of sundry debtors of £4.151m. A review of significant balances suggested that an impairment of doubtful debts of 28.4% (£1.177m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of the allowance by 10% would increase the bad debt provision required by £0.415m.												
Pensions 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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The estimated impact of the McCloud judgement has been incorporated within the accounts at £7.5m. The estimated impact of the Guaranteed Minimum Pension (GMP) has not been included within the accounts.	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:</p> <table border="1" data-bbox="1218 842 2125 1270"> <thead> <tr> <th data-bbox="1218 842 1630 1011">Sensitivities at 31 March 2020</th> <th data-bbox="1635 842 1872 1011">Approximate % Increase to Employer Liability</th> <th data-bbox="1877 842 2125 1011">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1218 1015 1630 1098">0.5% decrease in real discount rate</td> <td data-bbox="1635 1015 1872 1098">9%</td> <td data-bbox="1877 1015 2125 1098">69,825</td> </tr> <tr> <td data-bbox="1218 1101 1630 1184">0.5% increase in salary increase rate</td> <td data-bbox="1635 1101 1872 1184">1%</td> <td data-bbox="1877 1101 2125 1184">10,530</td> </tr> <tr> <td data-bbox="1218 1187 1630 1270">0.5% increase in pension increase rate</td> <td data-bbox="1635 1187 1872 1270">8%</td> <td data-bbox="1877 1187 2125 1270">58,338</td> </tr> </tbody> </table>	Sensitivities at 31 March 2020	Approximate % Increase to Employer Liability	Approximate monetary amount £'000	0.5% decrease in real discount rate	9%	69,825	0.5% increase in salary increase rate	1%	10,530	0.5% increase in pension increase rate	8%	58,338
Sensitivities at 31 March 2020	Approximate % Increase to Employer Liability	Approximate monetary amount £'000												
0.5% decrease in real discount rate	9%	69,825												
0.5% increase in salary increase rate	1%	10,530												
0.5% increase in pension increase rate	8%	58,338												

## 5. GENERAL FUND RESERVES

The Council has ring-fenced £43.375m of the balance on the General Fund.

Ring-fenced Balances	Balance 1 April 2019 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed 2019-20 £'000	New Earmarking at end of 2019-20 £'000	Balance 31 March 2020 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	6,310	(946)	-	-	2,136	7,500
Investment in Affordable Housing	4,200	-	(200)	-	-	4,000
Capital Projects	5,579	-	-	-	1,873	7,452
Lochgilphead and Tarbert Regeneration	2,917	(541)	-	-	-	2,376
Inward Investment Fund	935	(52)	-	-	-	883
Rural Resettlement Fund	180	(28)	-	-	-	152
Asset Management	2,507	-	-	-	44	2,551
Piers and Harbours Investment Fund	240	-	-	-	368	608
Scottish Government Initiatives	492	(128)	9	-	578	951
Transformation	78	(5)	-	-	-	73
CHORD	141	-	-	-	72	213
School Budget Carry Forwards	814	(747)	-	-	850	917
Energy Efficiency Fund	136	-	-	-	82	218
Unspent Budget Required for Existing Legal Commitments	797	(153)	-	-	-	644
Unspent Grants	1,631	(1,236)	(53)	-	2,939	3,281
Contributions Carried Forward	132	(5)	-	-	10	137
Other Previous Council Decisions	11,644	(8,872)	(164)	92	267	2,967
Redundancy Provision					2,100	2,100
Supporting Organisational Change					500	500
Spend to Save Route Optimisation Software					100	100
Unspent Budget Carried Forward	4,203	(927)	207	1,170	1,099	5,752
<b>Total Ring-fenced</b>	<b>42,936</b>	<b>(13,640)</b>	<b>(201)</b>	<b>1,262</b>	<b>13,018</b>	<b>43,375</b>
Contingency	4,837	-	132	-	-	4,969
Budget Smoothing in 2019-20	-	-	-	-	-	-
Unallocated	1,707	(94)	883	(1,170)	-	1,326
<b>Total General Fund Balance</b>	<b>49,480</b>	<b>(13,734)</b>	<b>814</b>	<b>92</b>	<b>13,018</b>	<b>49,670</b>

The contingency balance of £4.929m is 2% of the Council's budgeted net expenditure for 2020-21.

6. SUPPLEMENTARY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

6.1 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2018-19 £'000	Expenditure/Income	2019-20 £'000
	<b>Expenditure</b>	
155,569	Employee benefits expenses	164,538
167,082	Other services expenses	157,176
59,344	Contribution to Argyll and Bute Integration Joint Board	59,946
34,132	Depreciation, amortisation, impairment	22,474
18,504	Interest payments	20,867
1,281	Precepts and levies	1,377
(25)	Other operating expenditure	13
(222)	Net Loss/(Gain) on the disposal of assets	1,487
<b>435,665</b>	<b>Total Expenditure</b>	<b>427,878</b>
	<b>Income</b>	
(89,196)	Fees, charges and other service income	(92,901)
(59,344)	Income to fund social care services (Argyll and Bute Integration Joint Board)	(59,946)
(1,269)	Interest and investment income	(1,478)
(83,154)	Income from council tax and non-domestic rates	(88,570)
(178,616)	Government grants and contributions	(191,217)
<b>(411,579)</b>	<b>Total Income</b>	<b>(434,112)</b>
<b>24,086</b>	<b>Deficit on the Provision of Services</b>	<b>(6,234)</b>

## Notes to the Financial Statements

### 6.2 Revenue from Contracts with Service Recipients

31 March 2019 £'000		31 March 2020 £'000
27,324	Revenue from contracts with service recipients	29,567
<b>27,324</b>	<b>Total Included in Comprehensive Income and Expenditure Statement</b>	<b>29,567</b>

### 7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.390m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

2018-19 Actual £'000	Other Operating Income and Expenditure	2019-20 Actual £'000
1,281	Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,377
(26)	Equal Pay Settlements and Legal Costs	10
1	Other Operating Income and Expenditure not attributable to Services	3
<b>1,256</b>	<b>Total</b>	<b>1,390</b>

### 8. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2019-20 income from this agreement amounted to £0.309m (2018-19 £0.309m).

The Council also acts as agent for the Scottish Government in the collection of non-domestic rate income. Further information on the collection of non-domestic rate income can be found on pages 123 to 124.

### 9. COMMUNITY CARE AND HEALTH (SCOTLAND) ACT 2002

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

During 2019-20 the Partnership included provision of services to older people, supporting people with a learning disability and provision of support to adults who have a mental health difficulty.

Budgets are currently aligned which means that each Partner organisation holds their own element of the budget and records the income and expenditure that relates to the part of the service for which they are responsible.

During 2019-20 income received by the Council from this source amounted to £6.693m and the related expenditure was £9.100m. This can be analysed as follows.

2018-19		Purpose of Services	2019-20	
Income £'000	Expenditure £'000		Income £'000	Expenditure £'000
2,516	3,940	Care of the Elderly	2,643	4,186
2,439	3,125	Provision of Services for People with Learning Disabilities	2,652	3,309
1,460	1,676	Provision of Services for People with Mental Health Needs	1,398	1,605

## Notes to the Financial Statements

### 10. FEES PAYABLE TO AUDIT SCOTLAND

In 2019-20 the following fees relating to external audit and inspection were incurred:

2018-19 £'000	Auditor's Remuneration	2019-20 £'000
258	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	263
<b>258</b>	<b>Total Remuneration</b>	<b>263</b>

The fee for 2019-20 includes £3,650 for the audit of the Council's charitable trusts.

Audit Scotland did not undertake any non-audit work in 2019-20 or 2018-19.

### 11. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

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

The Council has paid a service charge of £5.847m which represents the value of the service provided from 1 April 2019 to 31 March 2020 (£5.408m for 2018-19). Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2020-2021	5,636
2021-2024	19,868
2024-2027	16,400
<b>Total</b>	<b>41,904</b>

The average service charge equates to £5.212m per annum over the life of the contract.



## Notes to the Financial Statements

### 12. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2019-20:

2018-19 £'000	Grant Income	2019-20 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
159,277	Revenue Support Grant	160,081
33,035	Non Domestic Rates	35,634
46	Specific Capital Grant	3,495
15,237	General Capital Grant	18,205
1,308	Heritage Lottery Fund	3,569
1,637	Scottish Timber Transport Strategy	1,667
38	Scottish Government	225
33	Strathclyde Partnership for Transport (SPT)	-
515	SUSTRANS	989
-	- Revenue Contribution to Capital Projects	1,408
535	Other Grants	1,017
-	- Other Government Capital Grants	561
<b>211,661</b>	<b>Total</b>	<b>226,851</b>
	<b>Credited to Services</b>	
4,208	Scottish Government Specific Grants	7,599
3,735	Scottish Government Specific Grants - Scotland's Schools for the Future	3,706
942	General Capital Grant - Private Sector Housing Improvement Grants	1,064
-	- General Capital Grant - Economic Development	931
22,498	Housing Benefit Subsidy	19,683
1,287	Other Revenue Government Grants	1,048
<b>32,670</b>	<b>Total</b>	<b>34,031</b>

## Notes to the Financial Statements

### 13. RELATED PARTIES

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

The aim of the Financial Reporting Standard dealing with Related Parties is to highlight instances where influence and control has been exercised over an external organisation by the Council, and where an elected member, their close family or someone in their household, has the ability to exercise the influence or control. Elected members and Senior Officers have completed a signed declaration on Related Party Interests and these have been used to compile this disclosure.

#### 13.1 Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 12 – Grant Income on page 77.

#### 13.2 Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019-20 is shown in the Remuneration Report on page 34.

During the year there was one organisation in which members had a significant interest and where the total of transactions exceeded £10,000.

Transactions in which Members have a significant interest	Expenditure £'000
Bookfan Ltd - Trading as Southpeak	88

## Notes to the Financial Statements

### 13.3 Other Related Bodies

This category relates to transactions with entities which are controlled or significantly influenced by the Council.

During the year transactions with other related bodies were as follows:

Related Bodies	Expenditure £'000
Transactions with related bodies during the year totalled	
<i>Of these, transactions with the following exceeded £10,000:</i>	
Oban and Lorn Community Enterprise - Atlantis Leisure	480
Fyne Homes Ltd	240
Argyll Community Housing Association (ACHA)	264
Duke of Edinburgh Award Scheme	10
Kintyre Alcohol and Drugs Advisory Service (KADAS)	11
Argyll and the Isles Tourism Ltd	30
Islay and Jura Community Enterprise	185
South Kintyre Development Trust	12
Mid Argyll Community Enterprise	154
Scotland Excel	88
Fyne Futures	171
Convention of Scottish Local Authorities (COSLA)	70
Argyll and Bute Citizens Advice Bureau	45
Bute Advice	74
Kintyre Recycling	198
Oban Addiction Support and Information Services (OASIS)	15
SEEMIS	116
Mull & Iona Community Trust (MICT)	161
Argyll and the Isles Coast & Countryside Trust	22
Carr Gomm	356
Argyll & Bute Women's Aid	121
Argyll & Bute Care & Repair	231
<b>Total</b>	<b>3,054</b>

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

## Notes to the Financial Statements

### 14. PROPERTY, PLANT AND EQUIPMENT

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

Movements in 2019-20	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2019-20 £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2019</b>	<b>382,592</b>	<b>39,073</b>	<b>297,137</b>	<b>2,363</b>	<b>2,740</b>	<b>23,877</b>	<b>747,782</b>
Additions	8,003	2,254	12,565	3,219	13	10,665	36,719
Additions financed under a new leasing arrangement		-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	35,739	-	-	-	70,184	3,397	109,321
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,936)	-	-	-	(70,024)	-	(102,961)
Derecognition - Disposals	(1,981)	(623)	-	-	(9)	-	(2,613)
Assets reclassified (to)/from Held for Sale	(886)	-	-	-	346	-	(540)
Other movements in cost or valuation	9,966	-	1,059	74	-	(11,133)	(34)
<b>At 31 March 2020</b>	<b>400,497</b>	<b>40,704</b>	<b>310,761</b>	<b>5,656</b>	<b>3,250</b>	<b>26,806</b>	<b>787,674</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 2019</b>	<b>(23,226)</b>	<b>(29,417)</b>	<b>(82,233)</b>	<b>(9)</b>	<b>1</b>	<b>-</b>	<b>(134,884)</b>
Depreciation Charge for 2019-20	(12,998)	(2,283)	(7,374)	-	(6)	-	(22,661)
Depreciation written out to the Revaluation Reserve	4,763	-	-	-	52	-	4,815
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,191	-	-	-	(44)	-	1,147
Derecognition - Disposals	385	623	-	-	1	-	1,009
Other movements in depreciation and impairment	4	-	-	-	-	-	4
<b>At 31 March 2020</b>	<b>(29,881)</b>	<b>(31,077)</b>	<b>(89,607)</b>	<b>(9)</b>	<b>4</b>	<b>-</b>	<b>(150,570)</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>370,616</b>	<b>9,627</b>	<b>221,154</b>	<b>5,647</b>	<b>3,254</b>	<b>26,806</b>	<b>637,104</b>
<b>Balance Sheet amount at 31 March 2019</b>	<b>359,366</b>	<b>9,656</b>	<b>214,904</b>	<b>2,354</b>	<b>2,741</b>	<b>23,877</b>	<b>612,898</b>

Comparative Movements in 2018-19	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2018-19 £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2018</b>	<b>342,439</b>	<b>36,046</b>	<b>277,944</b>	<b>2,333</b>	<b>1,160</b>	<b>66,852</b>	<b>726,774</b>
Additions	5,672	2,279	11,410	30	10	12,647	32,048
Additions financed under a new leasing agreement	4,919	-	-	-	-	-	4,919
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,439)	0	-	-	361	-	(7,078)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,844)	(217)	(8)	-	(86)	(53)	(8,208)
Derecognition - Disposals	-	(477)	-	-	(92)	-	(569)
Assets reclassified (to)/from Held for Sale	(1,019)	-	-	-	1,387	-	368
Other movements in cost or valuation	45,864	1,442	7,791	-	-	(55,569)	(472)
<b>At 31 March 2019</b>	<b>382,592</b>	<b>39,073</b>	<b>297,137</b>	<b>2,363</b>	<b>2,740</b>	<b>23,877</b>	<b>747,782</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 2018</b>	<b>(20,612)</b>	<b>(27,330)</b>	<b>(75,316)</b>	<b>(9)</b>	<b>(4)</b>	<b>-</b>	<b>(123,271)</b>
Depreciation Charge for 2018-19	(12,642)	(2,562)	(6,917)	-	(9)	-	(22,130)
Depreciation written out to the Revaluation Reserve	13,059	-	-	-	5	-	13,064
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,179)	-	-	-	-	-	(3,179)
Derecognition - Disposals	-	475	-	-	7	-	482
Other movements in depreciation and impairment	148	-	-	-	2	-	150
<b>At 31 March 2019</b>	<b>(23,226)</b>	<b>(29,417)</b>	<b>(82,233)</b>	<b>(9)</b>	<b>1</b>	<b>-</b>	<b>(134,884)</b>
<b>Balance Sheet amount at 31 March 2019</b>	<b>359,366</b>	<b>9,656</b>	<b>214,904</b>	<b>2,354</b>	<b>2,741</b>	<b>23,877</b>	<b>612,898</b>
<b>Balance Sheet amount at 31 March 2018</b>	<b>321,827</b>	<b>8,716</b>	<b>202,628</b>	<b>2,324</b>	<b>1,156</b>	<b>66,852</b>	<b>603,503</b>

## Notes to the Financial Statements

### 14.2 Valuation of Property, Plant and Equipment

IAS 16 – Property, Plant and Equipment has been adapted for the public sector by IPSAS 17 – Property, Plant and Equipment. Under IPSAS 17 each category of Property, Plant and Equipment is valued as follows:

- Infrastructure, community assets and assets under construction are valued at historical cost.
- Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for fair value.
- All other classes of assets are valued at fair value. Where there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold then an estimate of fair value is made using a depreciated replacement cost approach.

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is re-valued at least every five years. Assets identified as Corporate Surplus Assets are valued in accordance with IFRS 13 - Fair Value Measurement. The Balance Sheet value of Corporate Surplus assets at 31 March 2020 was £3.254m. Corporate Surplus assets are valued at their fair value on 31 March each year. Level 2 or 3 inputs were used for most Corporate Surplus asset valuations.

Revaluations of Council owned land and property were carried out at 31 March 2020 in accordance with the Council's rolling programme of revaluations. The revaluations have been carried out in house by the Council's Estates Service. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

Valued at Fair Value as at:	Other Land & Buildings £'000
31 March 2020	32,491
31 March 2019	105,986
31 March 2018	158,833
31 March 2017	23,379
31 March 2016	40,251
<b>Total Cost or Valuation</b>	<b>370,616</b>

## Notes to the Financial Statements

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### 14.3 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer (20 to 60 years)
- Infrastructure – straight-line allocation over 40 – 60 years
- Vessels – straight line allocation over 25 years
- Vehicles, Plant and Equipment - straight-line allocation over the useful life of the asset as determined by a suitably qualified officer (5 to 20 years)



## Notes to the Financial Statements

### 14.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and Council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2019-20 total spending on capital projects was £36.772m.

2018-19 £'000		2019-20 £'000
<b>306,433</b>	<b>Opening Capital Financing Requirement</b>	<b>309,994</b>
	<i>Capital Investment:</i>	
5,672	Property Plant and Equipment: Other Land and Buildings	7,672
2,279	Vehicles, Plant, Furniture and Equipment	2,254
11,410	Infrastructure Assets	12,565
30	Community Assets	3,219
10	Surplus Assets	13
12,647	Assets Under Construction	10,665
4,919	Property Plant and Equipment acquired under Finance Leases: Other Land and Buildings - DBFM Schools	331
(8)	Heritage Assets	6
13	Intangible Assets	47
<b>36,972</b>	<b>Total Capital Investment</b>	<b>36,772</b>
	<i>Sources of Finance:</i>	
(383)	Capital Receipts	(1,974)
(19,349)	Government Grants	(31,136)
(575)	Capital Financed from Current Revenue	(812)
(9,211)	Repayment of External Loans	(11,098)
(50)	Capital Element of Finance Lease Payments	(41)
(3,733)	Capital Element of Schools NPDO Payments	(5,610)
383	Capital Receipts transferred to Capital Fund	1,974
(357)	Capital Receipts Used from Capital Fund	(1,947)
(136)	Other	65
<b>(33,411)</b>	<b>Total Funding</b>	<b>(50,579)</b>
<b>309,994</b>	<b>Closing Capital Financing Requirement</b>	<b>296,187</b>

## Notes to the Financial Statements

### 14.5 Commitments under Capital Contracts

At 31 March 2020, the Council had commitments on capital contracts of £7.914m. This expenditure will be funded from a combination of Government Grants, borrowing and income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2019 were £13.860m. The major commitments are:

	£'000
Rothesay Pavilion	1,583
Oban High School Replacement	842
Town Centre Fund	816
Lorn Resource Centre - Office Rationalisation	812
Willow View Community Centre - Early Years 1140 Hours	788
Dunoon Primary School Refurbishment	693
Campbeltown Grammar School Replacement	319
Campbeltown Flood Protection Scheme	306
Kirn Primary School Replacement	295
Helensburgh Office Project Restructure of Departments	238
Dunoon Queens Hall	161
U30 Inverawe Road	151
Cycleways - Helensburgh and Lomond	150
Other small projects each less than £0.150m in value	760

### 15. HERITAGE ASSETS

The main heritage assets held by the Council are two art collections, an archaeology collection and Inveraray Jail and Courthouse. The Council holds other heritage assets which are not valued and shown on the Balance Sheet. Further details on the council's heritage assets policy can be found in note 1.11 on page 61.

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

Movements in 2019-20	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>Net Book Value at 1 April 2019</b>	<b>1,600</b>	<b>480</b>	<b>2,080</b>
Additions	-	6	6
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	-	-
<b>At 31 March 2020</b>	<b>1,600</b>	<b>486</b>	<b>2,086</b>

## Notes to the Financial Statements

### 16. INTANGIBLE ASSETS

Intangible assets comprise software licences and carbon reduction commitment allowances purchased in advance. Purchased software licences are shown at cost and this cost is charged to the relevant service lines within the Comprehensive Income and Expenditure Statement over the economic life of the licences, assessed as five years.

The carbon reduction commitment allowances relate to allowances purchased in advance as part of the Carbon Reduction Energy Efficiency Scheme (Phase 2). These allowances will be surrendered in October of each year on the basis of emissions, i.e. carbon dioxide produced as energy is used.

The movement in intangible assets during the year was:

Movements in 2019-20	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>At 1 April 2019</b>	11	2,082	2,093
Additions	-	47	47
Disposals	(11)	-	(11)
Revaluations	-	-	-
Reclassifications	-	-	-
<b>At 31 March 2020</b>	-	2,129	2,129
<b>Depreciation and Impairments</b>			
<b>At 1 April 2019</b>	-	(1,429)	(1,429)
Charge for 2019-20	-	(117)	(117)
Disposals	-	-	-
<b>At 31 March 2020</b>	-	(1,546)	(1,546)
<b>Balance Sheet amount at 31 March 2020</b>	-	583	583
<b>Balance Sheet amount at 31 March 2019</b>	11	653	664

## Notes to the Financial Statements

Comparative Movements in 2018-19	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>At 1 April 2018</b>	224	1,616	1,840
Additions	-	13	13
Disposals	(213)	-	(213)
Revaluations	-	(12)	(12)
Reclassifications	-	465	465
<b>At 31 March 2019</b>	11	2,082	2,093
<b>Depreciation and Impairments</b>			
<b>At 1 April 2018</b>	-	(1,207)	(1,207)
Charge for 2018-19	-	(222)	(222)
Disposals	-	-	-
<b>At 31 March 2019</b>	-	(1,429)	(1,429)
<b>Balance Sheet amount at 31 March 2019</b>	11	653	664
<b>Balance Sheet amount at 31 March 2018</b>	224	409	633

## 17. INVESTMENT PROPERTY

Investment property has been accounted for in accordance with IAS 4 - Investment Property, except where interpretations or adaptations to fit the public sector are detailed in the Code. The definition of an investment property in the context of the public sector is one that is used solely to earn rentals or for capital appreciation or both.

The value of investment property is initially measured at cost and thereafter measured at fair value. The fair value of investment property reflects market conditions at 31 March 2020. Revaluations of investment properties were carried out at 31 March 2020 in house by the Estates Service.

### 17.1 Movement in Investment Property

The movement in investment property during 2019-20 was:

Movements in 2019-20	Investment Properties £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2019</b>	2,110
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	15
Transfers	324
<b>At 31 March 2020</b>	2,449

## Notes to the Financial Statements

### 17.2 Investment Property Income and Expenditure

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

2018-19 £'000		2019-20 £'000
115	Rental income from investment property	120
26	Direct operating expenses arising from investment property	(4)
<b>141</b>		<b>116</b>

### 18. SCHOOLS BUILT UNDER PUBLIC PRIVATE PARTNERSHIP CONTRACTS (PPP)

Argyll and Bute Council have two schemes:

#### Schools Non-Profit Distributing Organisation (NPDO)

During 2007-08 two secondary schools, two joint campuses and one primary campus, developed as part of the Non-Profit Distributing Organisation (NPDO) variant of a Public Private Partnership (PPP), became operational. When the agreement ends in 2035 the provider will hand the five school complexes back to the Council, it is expected at that point in time each school will have an estimated life of 30 years remaining.

#### Schools Hub Design, Build, Finance and Maintain Contract (DBFM)

Campbeltown and Oban High Schools have been built under this type of arrangement which reached Financial Close in March 2016.

Campbeltown Grammar School Construction Phase 1 was completed on 19 February 2018 and provided a new secondary school for pupils aged between 12 and 18. The new school has capacity for 500 pupils and replaces the existing Campbeltown Grammar School on the current school site at Hutcheon Road, Campbeltown. Phase 2 which included the demolition of the existing school buildings, provision of a car park, landscaping and 3G artificial turf pitch was completed during 2018-19.

Oban High School Construction Phase 1 was completed on 5 April 2018 and provided a new secondary school for pupils between 12 and 18. The new school has capacity for 1300 pupils and replaces the existing Oban High School, on the current school site at Soroba Road, Oban. Phase 2 includes the demolition of the existing school buildings, provision of a car park, landscaping and a pedestrian footway with lighting from the new school facilities to the grass pitches owned by the Council at Glencruitten, Oban was completed during 2018-19.

## Notes to the Financial Statements

### 18.1 Assets Held under Schools NPDO and DBFM Contracts

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 2020 and depreciation to date are included as part of Operational Land and Buildings.

As noted above two schools were completed under the Schools DBFM Contract. Oban High School and Campbeltown Grammar have been included within Operational Land & Buildings and revalued at 31 March 2020.

Movements in 2019-20	Buildings Under Construction £'000	Schools DBFM - Other Land & Buildings £'000	Schools NPDO - Other Land & Buildings £'000	Total Schools Built under PFI Contracts £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2019</b>	-	55,221	130,677	185,898
Additions at Cost	-	358	-	331
Transfers	-	3,318	-	1,593
Revaluations	-	-	-	-
<b>At 31 March 2020</b>	-	58,897	130,677	187,822
<b>Depreciation and Impairments</b>				
<b>At 1 April 2019</b>	-	-	(2,881)	(2,881)
Charge for 2019-20	-	(1,711)	(2,875)	(4,586)
Transfers	-	(2,087)	-	(2,087)
Revaluations	-	-	-	-
<b>At 31 March 2020</b>	-	(3,798)	(5,756)	(9,554)
<b>Balance Sheet amount at 31 March 2020</b>	-	55,099	124,921	178,268
<b>Balance Sheet amount at 31 March 2019</b>	-	55,221	127,796	183,017

## Notes to the Financial Statements

### 18.2 Schools NPDO Finance Lease Liability

The finance lease liability arising from the Schools NPDO contract is as follows:

Movements in 2019-20	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
<b>Balance at 1 April 2019</b>	<b>(59,310)</b>	<b>(69,934)</b>	<b>(129,244)</b>
Additions	-	-	-
Repayments	3,342	2,268	5,610
<b>Schools Finance Lease Liability at 31 March 2020</b>	<b>(55,968)</b>	<b>(67,666)</b>	<b>(123,634)</b>
Split:			
Obligations payable within 1 year	(2,039)	(2,491)	(4,530)
Obligations payable after 1 year	(53,929)	(65,175)	(119,104)
<b>Schools Finance Lease Liability at 31 March 2020</b>	<b>(55,968)</b>	<b>(67,666)</b>	<b>(123,634)</b>

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

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

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2020 - 2021	2,491	-	6,935	5,536	14,962
2021 - 2025	12,397	948	25,079	23,159	61,583
2025 - 2030	22,156	2,901	23,260	32,903	81,220
2030 - 2035	30,622	3,192	9,903	33,912	77,629
<b>Total</b>	<b>67,666</b>	<b>7,041</b>	<b>65,177</b>	<b>95,510</b>	<b>235,394</b>



## Notes to the Financial Statements

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

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

Future Repayment Periods	Repayment of Liability	Payment of Interest	Service Charges	Total Payments
	£'000	£'000	£'000	£'000
2020 - 2021	2,039	2,478	536	5,053
2021 - 2026	8,009	9,132	3,342	20,483
2026 - 2031	10,462	9,659	6,140	26,261
2031 - 2036	12,085	6,790	8,208	27,083
2036 - 2041	15,211	2,465	10,335	28,011
2041 - 2043	8,162	1,227	7,116	16,505
<b>Total</b>	<b>55,968</b>	<b>31,751</b>	<b>35,677</b>	<b>123,396</b>

## 19. OPERATING LEASES

### 19.1 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2019-20 were as follows:

2018-19		2019-20
£'000		£'000
277	Land and Buildings	285
627	Vehicles	730
168	Plant and Equipment	152
<b>1,072</b>	<b>Total</b>	<b>1,167</b>

### 19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2020 to making payments of £2.816m under operating leases comprising the following elements:

	Other Land and Buildings	Vehicles, Plant and Equipment
	£'000	£'000
Due within 1 year	180	315
Due between 1 and 5 years	511	328
Due after 5 years	1,037	-
<b>Value at 31 March 2020</b>	<b>1,728</b>	<b>643</b>

## Notes to the Financial Statements

### 20. FINANCE LEASES

#### 20.1 Finance Leases – Amounts Paid to Lessors

During 2017-18 the Council purchased a new cremator for Cardross Crematorium under a finance lease arrangement. The amount paid under this arrangement in 2019-20 was as follows:

2018-19 £'000		2019-20 £'000
63	Plant and Equipment	63
<b>63</b>	<b>Total</b>	<b>63</b>

#### 20.2 Assets Held Under Finance Leases

Assets purchased under a finance leases are included within the assets of the Council and depreciated over the life of the asset as follows:

Movements in 2019-20	Vehicles, Plant and Equipment £'000
<b>Value at 1 April 2019</b>	<b>529</b>
Additions	-
Depreciation	(51)
<b>Value at 31 March 2020</b>	<b>478</b>

#### 20.3 Finance Lease Liability

The Council was committed at 31 March 2020 to making payments of £0.483m under finance leases comprising the following elements:

Movements in 2019-20	£'000
<b>Balance at 1 April 2019</b>	<b>(523)</b>
Additions	-
Repayments	40
<b>Finance Lease Liability at 31 March 2020</b>	<b>(483)</b>
Split:	
Obligations payable within 1 year	(63)
Obligations payable between 1 and 5 years	(252)
Obligations payable after 5 years	(280)
<b>Finance Lease Obligations at 31 March 2020</b>	<b>(595)</b>
Less Interest element of lease	112
<b>Finance Lease Liability at 31 March 2020</b>	<b>(483)</b>

## Notes to the Financial Statements

## 21. LONG TERM DEBTORS

31st March 2019 £'000		31st March 2020 £'000
15	House Loans	14
750	Waste PPP Historic Contamination Fund	750
1,216	Charging Orders - Care Home Fees	1,199
3,730	Strategic Housing Fund Loans to Registered Social Landlords	3,600
100	Other Long Term Debtors	100
<b>5,811</b>	<b>Total Long Term Debtors</b>	<b>5,663</b>

## 22. DEBTORS

31 March 2019			31 March 2020	
£'000	£'000		£'000	£'000
16,477		Arrears of Local Taxation	17,111	
(13,980)		Less: Provision for Bad Debts	(14,998)	
	2,497			2,113
1,130		Housing Benefits Overpayments	1,100	
(976)		Less: Provision for Bad Debts	(1,016)	
	154			84
2,724		Debtor Accounts	4,151	
(863)		Less: Provision for Bad Debts	(1,177)	
	1,861			2,974
	1,233	Net Debtor to Scottish Government for Non Domestic Rates		-
	3,326	VAT Recoverable from HMRC		1,926
	479	Strategic Housing Fund Loans due within 1 Year		367
	8,057	Other Debtors		10,292
	<b>17,607</b>	<b>Total Debtors</b>		<b>17,756</b>

## Notes to the Financial Statements

### 23. ASSETS HELD FOR SALE

The movement in assets held for sale during 2019-20 was:

2018-19 £'000	Movements	2019-20 £'000
<b>3,061</b>	<b>Balance outstanding at 1st April 2019</b>	<b>2,322</b>
923	Assets newly classified as "Held for Sale" (Property, Plant and Equipment)	217
(261)	Revaluation losses	(8)
-	Revaluation gains	-
-	Impairment losses	-
(1,355)	Assets declassified as "Held for Sale" (Property, Plant and Equipment)	-
(46)	Assets Sold	(1,857)
<b>2,322</b>	<b>Balance outstanding at 31st March 2020</b>	<b>674</b>

### 24. CASH AND CASH EQUIVALENTS

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

31 March 2019 £'000		31 March 2020 £'000
24	Cash held by the Authority	4
(26)	Cash in transit	180
1,043	Short term deposits with banks	242
16,500	Short term deposits in Money Market Funds	15,050
(3,710)	Bank Current Accounts (Overdraft)	(6,691)
<b>13,831</b>	<b>Total Cash and Cash Equivalents</b>	<b>8,785</b>

## Notes to the Financial Statements

### 25. CREDITORS

31 March 2019 £'000		31 March 2020 £'000
6,948	Accrued Payrolls and Superannuation	6,937
3,379	Accrued Employer's National Insurance Contributions and PAYE	2,679
6,112	Accrual for Short Term Accumulating Absences	7,047
1,380	Creditors System Liability	1,268
7,137	Accrued Expenditure	5,841
1,246	RCGF Grant Income	174
779	Housing Benefit Subsidy	228
777	Trust Funds	804
611	A.L.I.E.A - Argyll Affordable Warmth Project	612
-	Net Creditor to Scottish Government for Non Domestic Rates	1,484
6,046	Other Creditors	7,214
<b>34,415</b>	<b>Total Creditors</b>	<b>34,288</b>

## Notes to the Financial Statements

### 26. FINANCIAL INSTRUMENTS DISCLOSURES

#### 26.1 Types of Financial Instruments

Accounting regulations require the “Financial Instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “Financial Instruments”:

31 March 2019			31 March 2020	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
6,303	88,938	<b>Investments and Lending</b>		
		Loans and Receivables	6,155	86,041
		<b>Borrowing</b>		
290,927	59,953	Financial Liabilities at amortised cost	289,513	44,931

#### 26.2 Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2020 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2019			31 March 2020	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
95,241	95,473	<b>Lending</b>		
		Loans and Receivables	92,196	92,507
		<b>Borrowing</b>		
350,880	431,554	Financial Liabilities	334,444	402,357

The fair value is greater than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to receive interest above the current market rates increases the amount the Council would receive if it agreed the early repayment of loans.

## Notes to the Financial Statements

### 26.3 Gains and Losses on Financial Instruments

There are no gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments.

### 26.4 Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

### 26.5 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, money market funds, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and money market funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amount at 31 March 2020 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2020 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Deposits with Banks and Money Market Funds	15,292	-	-

The information in respect of the Council's debtors can be found in note 21 and 22 on page 93. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 22 represents the Council's assessment of the likely recoverability of the debt outstanding.

The credit risk around unprovided for debt is considered to be low. Debtors relate to the normal business of the Council and credit is issued on the Council's standard credit terms. There are no significant amounts past due but not impaired where recoverability is considered to be an issue.

### 26.6 Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under Financial Instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.



## Notes to the Financial Statements

The maturity analysis of financial liabilities is as follows:

31 March 2019 £'000	Maturity analysis of financial liabilities	31 March 2020 £'000
59,944	Less than one year	44,809
8,432	Between one and two years	5,358
24,571	Between two and five years	23,873
257,933	More than five years	260,404
<b>350,880</b>		<b>334,444</b>

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

### 26.7 Market Risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the "fair value" of both lending and borrowing at fixed rates. Changes in "fair value" of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council.

It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.

During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.

The Council takes the daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

Any potential for a financial impact on the Council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the Government Grant support the Council receives for "loan charges".

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2020, with all other variables held constant:

Impact on tax-payer	31 March 2020 £'000
Increase on interest payable on variable rate borrowings	6
Increase in interest receivable on variable rate lending	-
Increases in government grant receivable for "loan charges"	-
<b>Net effect on Statement of Comprehensive Income &amp; Expenditure</b>	<b>6</b>

## Notes to the Financial Statements

	31 March 2020 £'000
<b>Other accounting presentational changes</b>	
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	45,545

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

### 26.8 Price Risk

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

### 26.9 Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

### 26.10 Short-Term Deposits

The short-term deposits arise as a result of the timing of expenditure and associated income and movements in fund and revenue balances. The Council adopts a proactive but prudent approach to its Treasury Management operations, which are governed by the fully revised edition of CIPFA's Code of Practice on Treasury Management.

31 March 2019 £'000		31 March 2020 £'000
17,543	Banks and Money Market Funds	15,292

### 26.11 Soft Loans

The Council has no material soft loans at 31 March 2020, on which no interest was being charged.

### 26.12 Short-Term Borrowing

The Common Good and the various Trust Funds administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2020 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and Trust Funds are shown in notes 36 and 37 on pages 116 to 117.

31 March 2019 £'000		31 March 2020 £'000
124	Common Good	128
777	Trust Funds	804

## Notes to the Financial Statements

### 27. OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £124.867m as at 31 March 2020 and comprise the following:

Movements in 2019-20	Opening Balance 1 April 2019 £'000	Movement in Year £'000	Closing Balance 31 March 2020 £'000
Finance Lease Liability (See note 20.3)	(523)	40	(483)
Schools Finance Lease Liability (See note 18.2)	(129,244)	5,610	(123,634)
Land Contamination	(750)	-	(750)
<b>Total Other Liabilities</b>	<b>(130,517)</b>	<b>5,650</b>	<b>(124,867)</b>
Split:			
Short Term Liabilities (due within 1 year)			(4,573)
Long Term Liabilities (due after 1 year)			(120,294)
<b>Total Other Liabilities</b>			<b>(124,867)</b>

### 28. PROVISIONS

	Opening Balance 1 April 2019 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2020 £'000
VAT Misdeclaration Provision	-	(171)	-	-	(171)
Equal Pay Claims	(124)	-	34	-	(90)
Income due to Registered Social Landlords	(97)	-	3	-	(94)
Commercial Rent Balances	-	(117)	-	-	(117)
Service Choices Redundancy Costs	(1,223)	(182)	1,081	64	(260)
Landfill Sites - Restoration and Aftercare Costs	(1,204)	(98)	-	-	(1,302)
Utilities Provision	(274)	(1)	-	77	(198)
NPDO and Hub DBFM Payments	(1,017)	(829)	317	188	(1,341)
<b>Total Provisions</b>	<b>(3,939)</b>	<b>(1,398)</b>	<b>1,435</b>	<b>329</b>	<b>(3,573)</b>
Split:					
Short Term Provisions (due within 1 year)					(2,177)
Long Term Provisions (due after 1 year)					(1,396)
<b>Total Other Liabilities</b>					<b>(3,573)</b>

A VAT provision was created in 2019-20 in relation to a voluntary disclosure submitted to HMRC in October 2019. This was a result of the Council over claiming input tax of £0.171m while processing third-party supplier invoices for payment as part of the administrative support provided. Payment has not yet been requested from HMRC but it is certain this amount will be required to be settled.

## Notes to the Financial Statements

A provision was created at the end of 2005-06 in relation to employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. There may be further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.

The Council reduced the discount on Council Tax from second homes to 10% during 2005-06. The additional Council Tax income invoiced during 2019-20 amounted to £2.136m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected has been created amounting to £0.94m.

There is a provision for Commercial Rents where arrangements have been put in place for repayment over a number of years. The provision reflects the uncertainty of collection of the debt.

Liabilities have arisen in respect of employees who will be made redundant as a result of savings options agreed. The cost for any employee, whose contract has been terminated on or before 31 March 2020 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2020, a provision of £0.260m has been created.

A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. The landfills sites were revalued at 31 March 2020 and the provision for restoration and aftercare increased to £1.302m. These have been provided for based on the net present value of estimated future costs.

The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.076m has been reversed during 2019-20 resulting in a total provision of £0.198m.

The NPDO provision for withheld sums from the Unitary Charge paid to ABC Schools which relate to disputed performance deductions and unbilled utility costs. The HUB DBFM provision for withheld sums from the Monthly Service Payment paid to Hub North Scotland (O&C) Ltd which relate to disputed performance deductions.

### 29. CAPITAL GRANTS RECEIVED IN ADVANCE

	Opening Balance 1 April 2019 £'000	Capital Grants Received £'000	Amounts Used £'000	Closing Balance 31 March 2020 £'000
Ministry of Defence LIBOR Funding - Helensburgh & Lomond	(5,000)	-	-	(5,000)
Grant in Aid - Gaelic School Capital Fund	(7)	-	-	(7)
<b>Total Other Liabilities</b>	<b>(5,007)</b>	<b>-</b>	<b>-</b>	<b>(5,007)</b>
Split:				
Capital Grant Receipts in Advance (due within 1 year)				(7)
Capital Grant Receipts in Advance (due after 1 year)				(5,000)
<b>Total Other Liabilities</b>				<b>(5,007)</b>

## Notes to the Financial Statements

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The Chancellor of the Exchequer, in his Spring 2016 Budget, awarded Argyll and Bute Council LIBOR funding of £5m. The Ministry of Defence (MOD) are acting on behalf of Her Majesty's Treasury (HMT) with regard to all matters relating to this funding.

The purpose of the grant is to provide a contribution to the costs of the provision of the new Helensburgh Leisure Centre on condition that serving personnel and their families are offered favourable admission terms. This is because the LIBOR funds are to be used to recognise the contribution made by the Armed Forces Community to the nation.

## Notes to the Financial Statements

### 30. DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

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

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

#### *Teachers*

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

#### *Local Government Pension Scheme*

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

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

#### 30.1 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the pension schemes by the 31 March 2020. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2020. The amounts are as follows:

- Local Government Pension Scheme – £1.487m
- Teachers' Scheme – £1.032m

#### 30.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2017. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2020 remains substantially stable with new entrants replacing any leavers.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

## Notes to the Financial Statements

2018-19 £'000		2019-20 £'000
	<b>Comprehensive Income and Expenditure Statement:</b>	
	<b>Cost of Services:</b>	
	<i>Service cost comprising:</i>	
25,710	Current Service Cost	29,590
8,015	Past Service Cost (Including Curtailments)	984
<b>33,725</b>	<b>Net Cost of Services</b>	<b>30,574</b>
1,776	Net Interest Expense	2,913
<b>35,501</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>33,487</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
(21,639)	Return on Assets (excluding amounts included in net interest)	47,073
1,107	Other Experience (see note (i) below)	(4,584)
57,271	Change in Financial and Demographic Assumptions	(107,149)
<b>72,240</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(31,173)</b>
	<b>Statement of Movement in Reserves:</b>	
<b>(20,587)</b>	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(18,238)</b>
	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>	
<b>14,914</b>	Employer's Contributions Payable to the Scheme	<b>15,249</b>

- (i) A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular cost method. (ASOP No. 4)

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

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

2018-19 £'000		2019-20 £'000
<b>724,207</b>	<b>Defined Benefit Obligation at 1 April 19</b>	<b>820,367</b>
25,710	Current Service Cost	29,590
8,015	Past Service Costs including Curtailments	984
19,795	Interest Cost	19,867
3,865	Contributions by Scheme Participants	4,045
58,378	Re-measurement Gains and (Losses)	(111,733)
(19,603)	Estimated Benefits Paid	(19,700)
<b>820,367</b>	<b>Defined Benefit Obligation at 31 March 20</b>	<b>743,420</b>



## Notes to the Financial Statements

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

2018-19 £'000		2019-20 £'000
<b>667,765</b>	<b>Fair Value of Employer Assets at 1 April 19</b>	<b>706,599</b>
	<b>Re-measurement Gains and (Losses):</b>	
21,639	Expected Rate of Return on Pension Fund Assets	(47,073)
-	Actuarial Gains and Losses	-
18,019	Interest Income on Plan Assets	16,954
14,914	Employers Contributions	15,249
3,865	Contributions by Scheme Participants	4,045
(19,603)	Estimated Benefits Paid	(19,700)
<b>706,599</b>	<b>Fair Value of Employer Assets at 31 March 20</b>	<b>676,074</b>

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

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

2018-19 £'000	Local Government Pension Scheme	2019-20 £'000
(790,579)	Present Value of Funded Liabilities	(717,826)
(29,788)	Present Value of Unfunded Liabilities	(25,594)
706,599	Fair Value of Employer Assets	676,074
<b>(113,768)</b>	<b>(Deficit) in the Scheme</b>	<b>(67,346)</b>

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

## Notes to the Financial Statements

### 30.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2020 comprised:

2018-19 £'000		2019-20 £'000
71,431	Cash and Cash Equivalents	68,346
	Equity Instruments (by industry type)	
45,379	Consumer	43,418
36,774	Manufacturing	35,185
9,446	Energy and Utilities	9,038
30,461	Financial Institutions	29,145
18,073	Health and Care	17,293
23,292	Information Technology	22,286
-	Other	-
<b>163,425</b>	<b>Sub-total Equity Instruments</b>	<b>156,365</b>
	Bonds (by sector)	
22,170	Corporate	21,213
-	Government	-
<b>22,170</b>	<b>Sub-total Bonds</b>	<b>21,213</b>
	Real Estate	
63,976	UK Property	61,212
-	Overseas Property	-
<b>63,976</b>	<b>Sub-total Real Estate</b>	<b>61,212</b>
84,436	Private Equity (All)	80,788
	Investment Funds and Unit Trusts	
218,078	Equities	208,656
81,808	Bonds	78,274
354	Commodities	339
-	Infrastructure	-
906	Other	867
<b>301,146</b>	<b>Sub-total Investment Funds and Unit Trusts</b>	<b>288,136</b>
	Derivatives	
-	Forward Foreign Exchange Contracts	-
15	Other	14
<b>15</b>	<b>Sub-total Derivatives</b>	<b>14</b>
<b>706,599</b>	<b>Total Assets</b>	<b>676,074</b>

## Notes to the Financial Statements

2018-19 £'000	Fair Value of Pension Fund Assets	2019-20 £'000
	Equity Securities	
162,998	Quoted in an Active Market	155,956
427	Not Quoted in an Active Market	409
<b>163,425</b>	<b>Sub-total Equity Securities</b>	<b>156,365</b>

### 30.6 Basis for Estimating Assets and Liabilities

The Council's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

2018-19 Years	Mortality assumptions	2019-20 Years
21.4	Longevity at 65 for current pensioners: Men	20.7
23.7	Women	22.9
23.4	Longevity at 65 for future pensioners: Men	22.2
25.8	Women	24.6
2018-19 %	Financial Assumptions	2019-20 %
2.5%	Rate of Inflation (CPI)	1.9%
3.7%	Rate of Increase in Salaries	3.0%
2.5%	Rate of Increase in Pensions (CPI)	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
2018-19 %	Long-term Expected Rate of Return on Assets in the Fund	2019-20 %
2.4%	Equity Investments	2.3%
2.4%	Bonds	2.3%
2.4%	Property	2.3%
2.4%	Cash	2.3%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

### 30.7 Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range.

## Notes to the Financial Statements

### 30.8 Impact on the Council's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2020-2021.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £12.920m. This is based on an assumed pensionable payroll of £66.945m.

The assumed weighted average duration of the defined benefit obligation for the Council falls into the "Medium" duration category which is between 17 and 23 years (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

### 30.9 Impact of McCloud/Sargeant Ruling on Strathclyde Pension Fund

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The 'underpin' ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £7.515m for Argyll & Bute Council. The Council has not requested an updated estimate from the actuary as it is not believed this would produce a material adjustment. As a result, there has been no further revision to this adjusted estimate at 31 March 2020.

### 30.10 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency. The Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The Scheme is financed by payments from employers and from those current employees who are members of the Scheme and

## Notes to the Financial Statements

paying contributions at progressively higher marginal rates based on pensionable pay, as specified by the regulations.

Employers currently pay a contribution rate of 23% - about two thirds of the cost of an individual's pension. This took effect from 1 September 2019.

The Council has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the Scheme or withdrawal from the Scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Authority is unable to identify its share of the underlying assets and liabilities of the scheme.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 23% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2020, the council's own contributions equate to 1.49%

2018-19		2019-20
6,130	Amount Paid Over (£'000)	7,901
17.20%	Rate of Contribution (%) April 2019 - August 2019	17.20%
	Rate of Contribution (%) September 2019 - March 2020	23.00%
528	Amount of Added Years Awarded by the Council (£'000)	520

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £9.100m.

## Notes to the Financial Statements

### 31. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to a Income and Expenditure Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting		
	Adjustments for Capital Purposes Note (i) £'000	Net change for Pension Adjustments Note (ii) £'000	Capital element of Schools NPDO payments Note (iii) £'000
<b>Chief Executive and Strategic Finance</b>	2	750	-
<b>Executive Director (Douglas Hendry)</b>			
Executive Director (Douglas Hendry)	-	51	-
Commercial Services	2,928	1,192	-
Education	6,606	3,059	-
Legal and Regulatory Services	2,911	620	(5,610)
<b>Executive Director (Kirsty Flanagan)</b>			
Executive Director (Kirsty Flanagan)	-	31	-
Head of Customer Support Services	1,225	1,079	-
Head of Development and Economic Growth	387	1,248	-
Roads and Amenity Services	8,026	2,639	-
<b>Social Work</b>	386	4,227	-
<b>Other Non-Departmental Costs</b>	4	430	-
	-	-	-
<b>Net Cost of Services</b>	<b>22,475</b>	<b>15,326</b>	<b>(5,610)</b>
Other Income and Expenditure	(41,540)	2,912	-
<b>Comprehensive Income and Expenditure Statement (Surplus)/Deficit</b>	<b>(19,065)</b>	<b>18,238</b>	<b>(5,610)</b>

### (i) Adjustments for Capital Purposes

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

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

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

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

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

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

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

### (iv) Other Adjustments

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



## Notes to the Financial Statements

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts (Comparative Year)	Adjustments between Funding and Accounting Basis 2018-19				
	Adjustments for Capital Purposes Note (i)	Net change for Pension Adjustments Note (ii)	Capital element of Schools NPDO payment Note (iii)	Other Adjustments Note (iv)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
<b>Chief Executive and Strategic Finance</b>	2	602	-	12	616
<b>Executive Director (Douglas Hendry)</b>					
Executive Director (Douglas Hendry)	-	39	-	(4)	35
Commercial Services	3,885	908		3,565	8,358
Education	14,967	2,134	-	(5,498)	11,603
Legal and Regulatory Services	2,911	554	(3,733)	2,365	2,097
<b>Executive Director (Kirsty Flanagan)</b>					
Executive Director (Kirsty Flanagan)	-	26		(38)	(12)
Head of Customer Support Services	1,604	843		421	2,868
Head of Development and Economic Growth	496	988		(252)	1,232
Roads and Amenity Services	9,028	2,046		1,513	12,587
<b>Social Work</b>	1,234	3,288		(54)	4,468
<b>Other Non-Departmental Costs</b>	4	8,447		47	8,498
<b>Net Cost of Services</b>	<b>34,131</b>	<b>19,875</b>	<b>(3,733)</b>	<b>2,077</b>	<b>52,350</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(29,250)	712	-	(587)	(29,125)
<b>Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit</b>	<b>4,881</b>	<b>20,587</b>	<b>(3,733)</b>	<b>1,490</b>	<b>23,225</b>

## Notes to the Financial Statements

### 32. UNUSABLE RESERVES

Movements in the Council's unusable reserves are detailed in the Statement of Movement in Reserves on pages 51 to 52.

#### 32.1 Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

#### 32.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties.

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

#### 32.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

#### 32.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

## Notes to the Financial Statements

### 32.5 Accumulated Absences Account

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

### 33. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Statement of Movement in Reserves on pages 51 to 52.

#### 33.1 Capital Funds

The Council holds two funds which make up the Capital Funds total in the Statement of Movement in Reserves, these are:

##### *Usable Capital Receipts Reserve*

During the 2006-07 financial year and prior to the transfer of the Council's housing stock during November 2006, the receipts from the sale of council houses were transferred to the Usable Capital Receipts Reserve. The amounts held in this reserve can only be used for social housing capital expenditure.

##### *Capital Fund*

During the 2007-08 financial year the Council established a Capital Fund under Section 22 of Schedule 3 of the Local Government (Scotland) Act 1975. All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008.

The movement in the Usable Capital Receipts Reserve and Capital Fund are as follows:

Movements in 2019-20	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
<b>Balance at 1 April 2019</b>	<b>2,829</b>	<b>1,523</b>	<b>4,352</b>
Proceeds of Disposals	-	1,974	1,974
Transfer to Capital Adjustment Account	-	(1,974)	(1,974)
Contribution to Capital Fund From Revenue	-	-	-
Interest Earned	16	11	27
<b>Balance at 31 March 2020</b>	<b>2,845</b>	<b>1,534</b>	<b>4,379</b>

#### 33.2 Repairs and Renewals Fund

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

Movements in 2019-20	Balance at 1 April 2019 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2020 £'000
Education	1,696	485	9	(347)	1,843
<b>Total</b>	<b>1,696</b>	<b>485</b>	<b>9</b>	<b>(347)</b>	<b>1,843</b>

## Notes to the Financial Statements

### 34. CONTINGENT LIABILITIES

#### 34.1 Equal Pay Claims

The Council settled a number of equal pay claims during 2017-18, however there are a small number remaining where the outcome of the applications are unknown and there is insufficient information to allow the potential cost of these claims to be provided for. There is also the potential for other equal pay claims whose costs may be met by the Council.

#### 34.2 Limitation (Childhood Abuse) (Scotland) Act 2017

The Limitation (Childhood Abuse) (Scotland) Act 2017 Section 1 removes the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. At this stage the extent of any potential liability is unknown.

#### 34.3 Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers. At this stage the extent of any potential liability is unknown.

#### 34.4 Other Legal Challenges

There are other legal challenges which are on-going and may result in future liabilities.

### 35. TERMINATION BENEFITS

A number of savings options have been agreed at Council budget meetings to balance the Council budget. A number of these savings options were reliant on a reduction in the Councils staffing levels. The Council had forewarning of the level of savings required to balance the budget and had previously asked all Council employees to express an interest in voluntary redundancy. As a result of the budget savings options approved by the Council a number of employees have had their redundancy application accepted.

Redundancy costs have been incurred by the Council since the 2010-11 financial year in relation to the budget savings agreed. In each year, provision was made within the financial year for the costs of all employees who had accepted redundancy as at 31 March ending that year, including accounting for costs for employees who confirmed redundancy by 31 March but left or were leaving after this date. The total cost accounted for in 2019-20 is £2.521m for 55 employees and in 2018-19 was £1.490m for 28 employees. These costs are detailed further in the Remuneration Report on page 43.

Termination costs for all Council employees who have accepted redundancy by 31 March 2020 have been accounted for in 2019-20, or in previous financial years.

The reduction in the staffing establishment includes posts from all services across the Council and reductions were in line with the savings agreed by the Council. There will be further redundancy costs

## Notes to the Financial Statements

incurred as the Council is required to make further savings to balance the budget in future years and the council have earmarked monies from the loans fund one-off reprofiling gain.

### 36. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 57 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

Funds for which the Council act as sole trustee:

	Income £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	17	1	538	538
GM Duncan Trust	-	2	75	75
MacDougall Trust	23	-	843	843
Various Other Trust Funds	3	1	480	480
<b>Total Trust Funds</b>	<b>43</b>	<b>4</b>	<b>1,936</b>	<b>1,936</b>

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

Further information on the Trust Funds, administered by the Council, can be obtained from Financial Services within the Chief Executive's Unit.

A number of the trust funds administered by the Council are charitable trusts and as such are required to comply with current Office of the Scottish Charities Regulator (OSCR) financial reporting requirements. Arrangements have been put in place to ensure that all charities administered by the Council comply and will continue to comply with these requirements.

### 37. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2020. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Financial Services within the Chief Executive's Unit.

#### 37.1 Common Good Income and Expenditure Account for the year ended 31 March 2020

2018-19 Actual £'000		2019-20 Actual £'000
203	Expenditure	205
(277)	Income	(11)
<b>(74)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>194</b>

## Notes to the Financial Statements

### 37.2 Common Good Balance Sheet at 31 March 2020

2018-19 Actual £'000		2019-20 Actual £'000
5,145	Tangible Fixed Assets	5,022
2,531	Investments	2,452
260	Current Assets	253
(37)	Current Liabilities	(21)
<b>7,899</b>	<b>Total Assets less Liabilities</b>	<b>7,706</b>
5,149	Revaluation Reserve	5,026
2,750	Common Good Fund	2,680
<b>7,899</b>	<b>Total Net Worth</b>	<b>7,706</b>

## Notes to the Financial Statements

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### 38. Tax Incremental Financing (TIF) Projects

The Council entered into an agreement with the Scottish Government in May 2014 in respect of the Lorn Arc Tax Incremental Finance (TIF) scheme. This agreement essentially allows for the repayment of debt arising from infrastructure investment from incremental Non-Domestic Rates (NDR) revenue. The assets to be funded by the TIF project largely comprise public realm and infrastructure improvements within the Lorn Arc area of Oban. The project is for 25 years, with the first material capital investment incurred during the financial year ended 31 March 2015.

During the TIF project period, the Council is entitled to retain the TIF revenue from its NDR revenue, a pro-rate amount of NDR equal to the amount (if any) by which the collected amount exceeds the collectable amount. The Council is required to apply 100% of the TIF revenue towards repayment of the TIF debt. Following repayment in full, and until the end of the project period, the Council is entitled to retain 50% of the TIF revenue for further infrastructure investment.

Net capital expenditure incurred in the year to 31 March 2020, to be funded from borrowing, in respect of TIF assets totalled £0.002m. This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 14.4 on page 84. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2020, has been calculated in accordance with finance circular No. 4/2014 at £1.057m.

There is a retention of £0.301m of TIF income during 2019-20 to repay the notional borrowing for TIF. Principal sums accumulated by 2019-20 amount to £0.124m and cumulative interest £0.110m resulting in a net cumulative surplus of £0.623m which will be used to pay down TIF debt per the TIF agreement.

## Notes to the Financial Statements

### 39. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The Net Cash Flows for Operating Activities can be reconciled to the Net (Surplus)/Deficit on the Provision of Services as follows:

2018-19 £'000		2019-20 £'000
24,086	<b>Net (Surplus)/Deficit on Provision of Services</b>	(6,234)
	<b>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</b>	
(23,431)	Statutory Adjustments through Statement of Movement in Reserves	5,870
207	Transfer to/from Other Statutory Reserves	174
273	Increase/(Decrease) in Inventories	(63)
276	Increase/(Decrease) in Debtors	1,389
(2,640)	(Increase)/Decrease in Creditors and Provisions	4,439
(8,078)	Other Revenue Adjustments	(14,000)
(33,393)		(2,191)
	<b>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</b>	
9,583	Non Cash Capital	10,832
(3,783)	Capital Element of Finance Lease Payments	(5,651)
5,800		5,181
(3,507)	<b>Net Cash Flows from Operating Activities</b>	(3,244)
	<b>The cash flows for Operating Activities include the following items:</b>	
8,233	Interest Paid on Borrowings	8,474
8,413	Interest Paid on Finance Leases	9,748
(649)	Interest Received on Bank Deposits	(358)
15,997	<b>Net Cash Outflow from Servicing of Finance</b>	17,864

### 40. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

2018-19 £'000		2019-20 £'000
22,022	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	26,784
2,498	Investments made/(disposed of) during year	2,000
(3,033)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,974)
(19,261)	Other Receipts from Investing Activities	(31,290)
2,226	<b>Net Cash Outflow from Investing Activities</b>	(4,480)



## Notes to the Financial Statements

### 41. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

2018-19 £'000		2019-20 £'000
(7,673)	Cash Receipts of Short and Long Term Borrowing	(7,052)
(919)	Other Receipts from Financing Activities	(2,717)
3,783	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	5,650
2,685	Repayments of Short and Long Term Borrowing	16,889
<b>(2,124)</b>	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>	<b>12,770</b>

## Council Tax Income Account

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

2018-19 Actual £'000		2019-20 Actual £'000
64,148	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	67,472
	Less:	
(13,413)	Other Discounts and Reductions	(13,970)
(1,210)	Provision for Bad and Doubtful Debts	(1,430)
<b>49,525</b>	<b>Total</b>	<b>52,072</b>
343	Adjustment to Previous Years' Community Charge and Council Tax	461
<b>49,868</b>	<b>Transfers to General Fund</b>	<b>52,533</b>

## Notes to the Council Tax Income Account

### 1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2019-20 was as follows:

Band	Valuation Band	Ratio Band D	£ per year
A	Up to £27,000	6/9	872.55
B	£27,001 - £35,000	7/9	1,017.98
C	£35,001 - £45,000	8/9	1,163.40
D	£45,001 - £58,000	9/9	1,308.83
E	£58,001 - £80,000	473/360	1,719.66
F	£80,001 - £106,000	585/360	2,126.85
G	£106,001 - £212,000	705/360	2,563.13
H	Over £212,000	882/360	3,206.63

### 2. CALCULATION OF THE COUNCIL TAX BASE 2019-20

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,627	10,022	9,473	6,075	7,506	4,209	2,860	248	48,020
<b>Less</b> - Exemptions / Deductions	1,080	771	1,020	496	592	248	153	49	4,409
- Adjustment for Single Chargepayers	872	1,041	733	434	428	211	105	6	3,830
<b>Effective Number of Properties</b>	<b>5,675</b>	<b>8,210</b>	<b>7,720</b>	<b>5,145</b>	<b>6,486</b>	<b>3,750</b>	<b>2,602</b>	<b>193</b>	<b>39,781</b>
Band D Equivalent Factor (ratio)	67%	78%	89%	100%	131%	163%	196%	245%	
<b>Band D Equivalent Number of Properties</b>	<b>3,783</b>	<b>6,386</b>	<b>6,862</b>	<b>5,145</b>	<b>8,522</b>	<b>6,094</b>	<b>5,096</b>	<b>473</b>	<b>42,361</b>
<b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									499
<b>Nominal Tax Yield</b>									<b>42,860</b>
<b>Less</b> Provision for Non-Collection	-	2.377%							1,019
<b>Council Tax Base 2019-20 - Number of Band D equivalents</b>									<b>41,841</b>

## Non Domestic Rate Income Account

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

2018-19 Actual £'000		2019-20 Actual £'000
54,516	Gross rates levied and Contributions in Lieu	55,754
	Less:	
(15,742)	Reliefs and other deductions	(16,233)
-	Payment of Interest	-
(388)	Provision for Bad and Doubtful Debts	(395)
<b>38,386</b>	<b>Total Net Non-Domestic Rate Income</b>	<b>39,126</b>
(2,570)	Adjustments for prior years	(1,349)
-	Business Rate Incentivisation Scheme (BRIS) NDR Income Retained	(102)
(251)	Tax Incremental Finance (TIF) Scheme NDR Income Retained	(301)
<b>35,565</b>	<b>Contribution to National Non-Domestic Rate Pool</b>	<b>37,374</b>
(2,530)	Difference between Distributable and Contributable NDR Income amounts	(1,740)
<b>33,035</b>	<b>Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement</b>	<b>35,634</b>

## Notes to the Non Domestic Rate Income Account

### 1. ANALYSIS OF RATEABLE VALUES

2018-19 £		2019-20 £
8,890,440	Industrial and freight transport subjects	9,413,245
75,057,432	Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	74,628,497
	Commercial subjects:	
14,115,815	Shops	13,990,775
5,923,670	Offices	5,913,520
9,083,300	Hotels, Boarding Houses etc.	9,038,350
1,996,030	Others	2,001,650
<b>115,066,687</b>	<b>Total Rateable Value</b>	<b>114,986,037</b>

### 2. NON-DOMESTIC RATE CHARGE

2018-19 Pence		2019-20 Pence
48.0p	Rate Per Pound	49.0p
2.6p	Supplementary Rate Per Pound for Properties over £51,000	2.6p

### 3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

The rates charge for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the Rate per £ announced each year by the Government.

## Group Accounts - Introduction

### INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20: Based on International Financial Reporting Standards, places a requirement on Councils to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the Council is required to prepare a full set of group accounts in addition to those prepared for Argyll and Bute Council. The Group Accounts are designed to show “a true and fair view” of the financial performance and position of the Council’s Group.

### THE GROUP ACCOUNTS

The Group Accounts comprise the following financial statements:

- Group Statement of Comprehensive Income and Expenditure:** this statement shows the accounting cost in the year of providing the Council’s services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves on pages 51 to 52.
- Group Balance Sheet:** The Balance Sheet is a snapshot of the value at the 31 March 2020 of the assets and liabilities recognised by the Council and its share of the net assets or liabilities of its associates and Common Good funds. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).
- Group Statement of Movement in Reserves:** this statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Common Good reserves are also fully consolidated into the Group Accounts. The Council’s reserves are analysed into those which are “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council’s share of the reserves of Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation). The Council’s Statement of Movement in Reserves on pages 51 to 52 gives a more detailed analysis of the movement in the Council’s usable and unusable reserves during 2019-20.
- Group Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its associates Common Good Funds. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

## Group Statement of Comprehensive Income and Expenditure

2018-19			Service	2019-20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
30,217	24,399	5,818	Chief Executive and Financial Services	26,915	21,165	5,750
129,158	13,833	115,325	Executive Director - Douglas Hendry	128,175	18,493	109,682
96,205	31,043	65,162	Executive Director - Kirsty Flanagan	95,736	33,701	62,035
142,074	78,258	63,816	Health and Social Care Integration	143,515	79,231	64,284
17,939	1,007	16,932	Other Non-Departmental Costs	10,654	257	10,397
(70)		(70)	Associates and Joint Ventures Accounted for on an Equity Basis	9,383	8,485	898
<b>415,523</b>	<b>148,540</b>	<b>266,983</b>	<b>Net Cost of Services</b>	<b>414,378</b>	<b>161,332</b>	<b>253,046</b>
			<b>Other Operating Income and Expenditure:</b>			
		(222)	Net (Gain)/loss on Disposal of Fixed Assets			1,487
		1,256	Other Operating Income and Expenditure			1,390
		<b>1,034</b>	<b>Total Other Operating Income and Expenditure</b>			<b>2,877</b>
			<b>Financing and Investment Income and Expenditure:</b>			
		16,452	Interest Payable and Similar charges			17,943
		(1,269)	Interest and Investment Income			(1,478)
		3,196	Net Pension Interest Expense			2,913
		<b>18,379</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>19,378</b>
			<b>Taxation and Non-Specific Grant Income:</b>			
		(159,277)	General Government Grants			(160,081)
		(19,339)	Government Capital Grants and Other Capital Contributions			(31,136)
		(33,286)	Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS)			(36,037)
		(49,868)	Council Tax Income			(52,533)
		<b>(261,770)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(279,787)</b>
		<b>24,626</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>(4,486)</b>
		(7,865)	(Surplus)/Deficit on revaluation of Fixed Assets			(11,910)
		37,477	Other Post Employment Benefits (Pensions)			(66,240)
		799	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			(1,510)
		<b>30,411</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(79,660)</b>
		<b>55,037</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(84,146)</b>

## Group Balance Sheet



31 March 2019			31 March 2020	
£'000	£'000		£'000	£'000
		<b>Long Term Assets</b>		
		<b>Property Plant &amp; Equipment</b>		
359,366		- Other Land and Buildings	370,616	
9,656		- Vehicles, Plant, Furniture and Equipment	9,627	
214,904		- Infrastructure Assets	221,154	
7,499		- Community Assets	10,669	
2,741		- Surplus Assets	3,254	
23,877		- Assets Under Construction	26,806	
	<b>618,043</b>	<b>Total Property Plant &amp; Equipment</b>		<b>642,126</b>
	2,080	Heritage Assets		2,086
	664	Intangible Assets		583
	2,110	Investment Property		2,449
	5,811	Long-Term Debtors		5,663
	3,023	Long-Term Investments		2,943
	5,425	Investment in Associates and Joint Ventures		5,062
	<b>637,156</b>	<b>Total Long Term Assets</b>		<b>660,912</b>
		<b>Current Assets</b>		
828		Inventories	765	
17,774		Short Term Debtors (Net of Impairment)	17,902	
2,322		Assets Held for Sale	674	
57,500		Short Term Investments	59,500	
14,647		Cash and Cash Equivalents	9,781	
	<b>93,071</b>	<b>Total Current Assets</b>		<b>88,622</b>
		<b>Current Liabilities</b>		
(19,619)		Short-term Borrowing	(5,944)	
(34,973)		Short-term Creditors	(34,821)	
(7)		Capital Grant Receipts in Advance	(7)	
(2,638)		Provisions	(2,177)	
(5,652)		Other Short Term Liabilities	(4,573)	
	<b>(62,889)</b>	<b>Total Current Liabilities</b>		<b>(47,522)</b>
		<b>Long-term Liabilities</b>		
(166,071)		Borrowing Repayable within a Period in Excess of 12 Months	(169,219)	
(124,865)		Other Long-term liabilities	(120,294)	
(1,301)		Provisions	(1,396)	
(5,000)		Capital Grant Receipts in Advance	(5,000)	
(115,729)		Other Long-term liabilities (Pensions)	(68,562)	
(1,935)		Liabilities in Associates and Joint Ventures	(958)	
	<b>(414,901)</b>	<b>Total Long-term Liabilities</b>		<b>(365,429)</b>
	<b>252,437</b>	<b>Total Assets less Liabilities</b>		<b>336,583</b>



## Group Balance Sheet



31 March 2019			31 March 2020	
£'000	£'000		£'000	£'000
115,150		<b>Unusable Reserves</b>		
195,045		- Revaluation Reserve	126,560	
(3,176)		- Capital Adjustment Account	220,263	
(115,729)		- Financial Instruments Adjustment Account	(2,850)	
(6,112)		- Pensions Reserve	(68,562)	
		- Accumulated Absences Account	(7,048)	
	<b>185,178</b>			268,363
		<b>Usable Reserves</b>		
4,352		- Capital Funds	4,379	
1,696		- Repairs and Renewals Funds	1,843	
49,480		- General Fund Balance	49,670	
	<b>55,528</b>			55,892
	<b>3,831</b>	<b>Group Reserves</b>		4,624
	<b>7,900</b>	<b>Common Good Reserves</b>		7,704
	<b>252,437</b>	<b>Total Reserves</b>		<b>336,583</b>

The Unaudited Annual Accounts were issued on 25 June 2020 and the Audited Annual Accounts were authorised for issue on 26 November 2020.

Kirsty Flanagan  
Section 95 Officer

## Group Statement of Movement in Reserves

Movements in 2019-20	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2019	(49,480)	(1,696)	(4,352)	(55,528)	(187,139)	(242,667)	(3,490)	(341)	1,961	(7,900)	(252,437)
(Surplus)/Deficit on Provision of Services	(6,234)	-	-	(6,234)	-	(6,234)	897	656	-	195	(4,486)
Other Comprehensive Income and Expenditure	-	-	-	-	(76,570)	(76,570)	(1,510)	(1,580)	-	-	(79,660)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,234)</b>	<b>-</b>	<b>-</b>	<b>(6,234)</b>	<b>(76,570)</b>	<b>(82,804)</b>	<b>(613)</b>	<b>(924)</b>	<b>-</b>	<b>195</b>	<b>(84,146)</b>
<b>Total Statutory Adjustments (See Page 48 to 49)</b>	<b>5,870</b>	<b>-</b>	<b>(1,974)</b>	<b>3,896</b>	<b>(3,896)</b>	<b>-</b>	<b>-</b>	<b>745</b>	<b>(745)</b>	<b>-</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(364)</b>	<b>-</b>	<b>(1,974)</b>	<b>(2,338)</b>	<b>(80,466)</b>	<b>(82,804)</b>	<b>(613)</b>	<b>(179)</b>	<b>(745)</b>	<b>195</b>	<b>(84,146)</b>
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	174	(147)	1,947	<b>1,974</b>	(1,974)	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(190)</b>	<b>(147)</b>	<b>(27)</b>	<b>(364)</b>	<b>(82,440)</b>	<b>(82,804)</b>	<b>(613)</b>	<b>(179)</b>	<b>(745)</b>	<b>195</b>	<b>(84,146)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(49,670)</b>	<b>(1,843)</b>	<b>(4,379)</b>	<b>(55,892)</b>	<b>(269,579)</b>	<b>(325,471)</b>	<b>(4,103)</b>	<b>(520)</b>	<b>1,216</b>	<b>(7,705)</b>	<b>(336,583)</b>

## Group Statement of Movement in Reserves

Comparative Movements in 2018-19	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2018	(50,342)	(1,515)	(4,326)	(56,183)	(240,962)	(297,145)	(4,219)	(208)	406	(6,308)	(307,474)
Surplus/(Deficit) on Provision of Services	24,086	-	-	24,086	-	24,086	(70)	444	-	(74)	24,386
Other Comprehensive Expenditure and Income	-	-	-	-	30,392	30,392	799	738	-	(1,518)	30,411
<b>Total Comprehensive Expenditure and Income</b>	<b>24,086</b>	<b>-</b>	<b>-</b>	<b>24,086</b>	<b>30,392</b>	<b>54,478</b>	<b>729</b>	<b>1,182</b>	<b>-</b>	<b>(1,592)</b>	<b>54,797</b>
<b>Total Statutory Adjustments (See Page 50 to 51)</b>	<b>(23,431)</b>	<b>-</b>	<b>(383)</b>	<b>(23,814)</b>	<b>23,814</b>	<b>-</b>	<b>-</b>	<b>(1,315)</b>	<b>1,555</b>	<b>-</b>	<b>240</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>655</b>	<b>-</b>	<b>(383)</b>	<b>272</b>	<b>54,206</b>	<b>54,478</b>	<b>729</b>	<b>(133)</b>	<b>1,555</b>	<b>(1,592)</b>	<b>55,037</b>
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	207	(181)	357	383	(383)	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>862</b>	<b>(181)</b>	<b>(26)</b>	<b>655</b>	<b>53,823</b>	<b>54,478</b>	<b>729</b>	<b>(133)</b>	<b>1,555</b>	<b>(1,592)</b>	<b>55,037</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(49,480)</b>	<b>(1,696)</b>	<b>(4,352)</b>	<b>(55,528)</b>	<b>(187,139)</b>	<b>(242,667)</b>	<b>(3,490)</b>	<b>(341)</b>	<b>1,961</b>	<b>(7,900)</b>	<b>(252,437)</b>

2018-19 £'000		Group Note	2019-20 £'000
<b>24,626</b>	<b>Net Deficit on the Provision of Services</b>		<b>(4,486)</b>
(33,681)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(3,251)
5,339	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,191
<b>(3,716)</b>	<b>Net Cash OutFlow from Operating Activities</b>	9	<b>(2,546)</b>
2,262	Investing Activities	10	(5,361)
(2,117)	Financing Activities	11	12,773
<b>(3,571)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>4,866</b>
(11,076)	Cash and Cash Equivalents at the beginning of the Reporting Period		(14,647)
<b>(14,647)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>		<b>(9,781)</b>

## Notes to the Group Financial Statements

### 1. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements on pages 56 to 69.

- The Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee financial statements have been prepared under the historic cost convention.

### 2. COMBINING ENTITIES

The Council has an interest in a number of Associate Entities. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's significant influence over Joint Boards and other entities.

The Associates which have been incorporated are:

- Dunbartonshire and Argyll & Bute Valuation Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

Under accounting standards, the Council is required to include the results of the above organisations as "associates" because it has "significant influence" over their financial and operating policies. The Council has no shares in or ownership of any of these organisations which are entirely independent of the Council under law and for taxation.

Two of the three Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent Councils and the Joint Boards.

Live Argyll is a wholly owned subsidiary of Argyll and Bute Council and is consolidated within the group accounts on a line by line basis.

The accounting period for all entities is 31 March 2020.

### 3. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council has an interest in Scotland Excel. Scotland Excel took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish Local Authority sector on 1 April 2008. Renfrewshire Council prepare the financial statements for Scotland Excel in its role as lead authority. Scotland Excel is a not-for-profit organisation funded mainly by the 32 participating Scottish Local Authorities. The Council contributed £0.068m towards Scotland Excel in the 2019-20 financial year.

The Council also has an interest in the Highlands and Islands Transport Partnership (HITRANS). The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport (Scotland) Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic well-being; promote safety; social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other partnerships.

These entities are part of the Council's group for the purposes of Group Accounts. As such it is recognised that the nature of the relationship with these bodies should be included within these notes. However, it has been decided that the Council's share of the net worth of these entities is not material to a fair understanding of the financial position of the Council, and so they have not been consolidated into the Group Accounts.

## Notes to the Group Financial Statements

### 4. ARGYLL AND BUTE INTEGRATION JOINT BOARD

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between the Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working)(Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the Strategic Planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. The Council contributed £59.946m towards the Argyll and Bute Integration Joint Board in the 2019-20 financial year.

The Council and NHS Highland are required to treat the IJB as a Joint Venture in their annual accounts and recognise a share of the overall surplus or deficit of the IJB for the year. All transactions are accounted for and shown within the single entity statements and therefore there is no material impact on the group accounts.

### 5. NATURE OF COMBINATION

The Council inherited its interest in these entities following the reorganisation of local government in 1996. An acquisition basis has been used as the basis of consolidation. However, as no consideration was given for this interest there is no goodwill involved in these instances.

### 6. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates, Subsidiaries and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £11.003m. This gives an overall net asset position for the Group of £337.374m.

All associates and subsidiaries have prepared their accounts on a 'going concern' basis. For Strathclyde Partnership for Transport and the Joint Valuation Board funding arrangements between the Scottish Government and constituent authorities remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue.

### 7. FURTHER DETAILS ON CONSOLIDATION

#### Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.417m or 1.18% of the Board's estimated net running costs during 2019-20 and accounted for £5.010m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

#### Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. During 2019-20 the Council contributed £0.207m or 5.11% of the net annual running costs and accounted for £0.037m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

## Notes to the Group Financial Statements

### Live Argyll

Live Argyll was established by Argyll and Bute Council and is limited by guarantee and was fully incorporated and commenced trading on 2 October 2017. The Trust is a charitable company registered in Scotland and provides a wide range of services within the Argyll and Bute area including libraries, leisure facilities, halls, sports development and community centres the assets of which are owned by the Council. During 2019-20 Argyll and Bute Council paid £3.615m in the form of a Management Fee to Live Argyll and accounted for £1.216m of Balance Sheet Liabilities within the Group Balance Sheet.

The board is made up of 3 independent board members, 3 Councillors and a Trade Union representative.

### Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in October 1995 at Local Government reorganisation by a Statutory Instrument and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2019-20 Argyll and Bute Council contributed £1.377m towards estimated running costs and accounted for £0.958m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

The following disclosures are also required for Dunbartonshire and Argyll and Bute Valuation Joint Board because the Council's interest exceeds the 25% threshold for accounting purposes:-

2018-19 £'m		2019-20 £'m
	Argyll and Bute Council has a 48.1% share of:	
2.686	Gross Income	2.823
0.358	Net (Surplus)/Deficit	0.295
0.635	Long Term Assets	0.636
0.682	Current Assets	0.711
(0.121)	Liabilities due within one year	(0.113)
-	Liabilities due over one year	-
(4.821)	Pension Liability	(3.190)
(3.625)	Capital and Revenue Reserves	(1.956)

## 8. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 47 to 48) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 37 of the Notes to the Financial Statements on pages 116 to 117 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £7.706m.

## Notes to the Group Financial Statements

### 9. GROUP CASH FLOW STATEMENT – OPERATING ACTIVITIES

2018-19 £'000		2019-20 £'000
24,626	<b>Net (Surplus)/Deficit on Provision of Services</b>	(4,486)
	<b>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</b>	
(23,431)	Statutory Adjustments through Statement of Movement in Reserves	5,870
207	Transfer to/from Other Statutory Reserves	174
(1,727)	Transfer Group Other Comprehensive Income and Expenditure	(2,345)
289	Increase/(Decrease) in Inventories	(63)
315	Increase/(Decrease) in Debtors	1,368
(2,721)	(Increase)/Decrease in Creditors and Provisions	4,464
(6,613)	Other Revenue Adjustments	(12,719)
<b>(33,681)</b>		<b>(3,251)</b>
	<b>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</b>	
9,122	Non Cash Capital	10,842
(3,783)	Capital Element of Finance Lease Payments	(5,651)
<b>5,339</b>		<b>5,191</b>
<b>(3,716)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(2,546)</b>
	<b>The cash flows for Operating Activities include the following items:</b>	
8,233	Interest Paid on Borrowings	8,474
8,413	Interest Paid on Finance Leases	9,748
(649)	Interest Received on Bank Deposits	(358)
<b>15,997</b>	<b>Net Cash Outflow from Servicing of Finance</b>	<b>17,864</b>

### 10. GROUP CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018-19 £'000		2019-20 £'000
22,022	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	26,784
2,498	Investments made/(disposed of) during year	2,000
(3,033)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,974)
36	Net Receipts from Investment in Associates and Joint Ventures	(881)
(19,261)	Other Receipts from Investing Activities	(31,290)
<b>2,262</b>	<b>Net Cash Outflow from Investing Activities</b>	<b>(5,361)</b>



## Notes to the Group Financial Statements

### 11. GROUP CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018-19 £'000		2019-20 £'000
(7,666)	Cash Receipts of Short and Long Term Borrowing	(7,052)
(919)	Other Receipts from Financing Activities	(2,717)
3,783	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	5,651
2,685	Repayments of Short and Long Term Borrowing	16,891
-	Other Payments from Financing Activities	-
<b>(2,117)</b>	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>	<b>12,773</b>

## Independent auditor's report to the members of Argyll and Bute Council and the Accounts Commission

### Report 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 Argyll and Bute Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Expenditure and Funding Analysis, the group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements and Cash-Flow Statements, the Council Tax Income Account, and the Non-Domestic Rate Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is two years. I am independent of the council and its group 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.

#### Emphasis of matter: valuation of land and buildings

I draw attention to Note 4 in the financial statements, Assumptions made about the future and other major sources of estimation uncertainty, which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 95 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### Responsibilities of the Section 95 Officer and Argyll and Bute Council's Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Section 95 Officer 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 Section 95 Officer 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 Section 95 Officer 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 deemed inappropriate.

The Audit and Scrutiny 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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### Other information in the annual accounts

The Section 95 Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. 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 matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### Report on other requirements

#### Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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; or
- there has been a failure to achieve a prescribed financial objective.

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 120 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.

John Cornett FCPFA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

## Glossary of Terms

**Existing Use Value.** The market value of a particular Council property, less the difference between the average rental income between public and private sector properties.

**Expected Rate of Return on Pension Assets.** The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the Scheme.

**Fair Value.** This is the price at which an asset could be exchanged in an arm's length transaction less any grants receivable towards the purchase or use of the asset.

**Financial Asset.** A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash from another entity or a financial right to exchange financial instruments under conditions that are potentially favourable to the Council.

**Financial Instrument.** Any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another.

**Financial Instruments Adjustment Account.** This holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

**Financial Liability.** An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments under conditions which are potentially unfavourable to the Council.

**Financial Reporting Standard (FRS).** Financial Reporting Standards are issued by the Accounting Standard Board and define proper accounting practice for a given transaction or event.

**Fixed Assets.** Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

**Gains/losses on settlements and curtailments.** The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is charged or credited to Non Distributed costs in the Comprehensive Income and Expenditure Statement.

**General Fund Balance.** This contains the net surplus on the provision of Council services combined with any balances from previous years and any contributions to other funds or reserves made during the year.

**Group Accounts.** The purpose of group accounts is to show the Council's interest in organisations and companies within the Financial Statements. The Council's shares of the assets and liabilities of these other entities are shown in the Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Group Balance Sheet.

**Government Grants.** Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the Council.

**Heritage Assets.** Assets which are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations and are held by the Council of the maintenance of heritage.

**International Accounting Standards (IAS).** International Accounting Standards are issued by the International Accounting Standards Board and define proper accounting practice for a given transaction or event. IAS's take precedence over other accounting standards in the hierarchy of technical accounting standards.

**International Public Sector Accounting Standards (IPSAS),** a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

**Impairment.** A reduction in the value of fixed or financial asset below the valuation held on the balance sheet.

**Infrastructure Assets.** Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

**Intangible Assets.** Non-financial assets which do not have physical substance but are identifiable and are controlled by the Council.

**Interest Cost (Pensions).** The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Inventories.** Inventories may comprise the following: goods or other assets purchased for re-sale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances; and finished goods.

**Liquid Resources.** Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded on the active market.

## Glossary of Terms

**Materiality.** Information is included where the information is of such significance as to justify its inclusion, and omission or misstatement could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

**National Non-Domestic Rates Pool.** All non-domestic rates collected by Council's are remitted to the national pool and, thereafter, distributed to Councils by the Scottish Government.

**Net Book Value.** The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

**Net Realisable Value.** The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

**Non-Current Assets.** Non-current assets are not expected to be realised within 12 months and are held to provide future economic benefits to the Council.

**Non-operational assets.** Are assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Officers' Remuneration.** All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax).

**Operating Leases.** A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

**Operating Assets.** All items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Past Service Costs (Pensions).** The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Pensions Reserve.** The Pensions Reserve absorbs the timing differences arising from different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

**Prior Period Adjustments.** Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Public Private Partnerships (PPP).** Those partnerships enable the Council to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the building or refurbishment of the assets.

**Residual Value.** The net realisable value of an asset at the end of its useful life.

**Related Party Transactions.** A related party transaction is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Renewal and Repairs fund.** This contains funds credited at the Council's discretion from the General Fund and is available for use on capital or revenue expenditure on Council assets.

**Revaluation Reserve.** Records unrealised gains arising since 1 April 2007 from holding fixed assets not yet realised through sales.

**Service Expenditure Analysis (SEA).** An analysis which groups together expenditure on services within headings or divisions as defined in the Service Reporting Code of Practice (SeRCOP).

**Specific Government Grants.** These are grants received from Central Government in respect of a specific purpose or service.

**Unusable Reserves.** Those reserves which hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences.

**Usable Reserve.** Those reserves which the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

**Useful Life.** The period over which the Council will derive benefits from the use of a fixed asset.

### Trade Union Facility Time Statement 2019-20

*This information is published under the Trade Union (Facility Time Publication Requirements) Regulations 2017*

*Schedule 2 (Regulation 8)*

**Table 1: Relevant Union Officials**

Total number of employees who were relevant union officials during the relevant period.

Number of employees who were relevant union officials during the relevant period		Full time equivalent employee number
Central Function	22	23.65
Education Function	3	2.6

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

**Table 2: Percentage of Time Spent on Facility Time**

Number of employees who were relevant union officials employed during the relevant period who 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	
	Central Function	Education Function
0%	1	0
1% - 50%	20	2
51% - 99%	1	1
100%	0	0

## Appendix A

**Table 3: Percentage of Pay Bill Spent on Facility Time**

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

	Central Function	Education Function
The total cost of facility time	£98,738	£45,009
The total pay bill	£93,965,299	£51,766,795
The percentage of the total pay bill spent on facility time	0.11%	0.09%

**Table 4: Paid Trade Union Activities**

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

	Central Function	Education Function
Time spent on paid trade union activities as percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	7%	8%





**AUDITED**

**Annual Report and Financial Statements**

**2019-2020**

**For the Year ended 31 March 2020**

<b>SC019599</b>	<b>McCaig Trust</b>
<b>SC019607</b>	<b>Marquess of Bute Silver Wedding Dowry</b>
<b>SC013578</b>	<b>Baillie Gillies Bequest</b>
<b>SC013600</b>	<b>Kidston Park Trust</b>
<b>SC018697</b>	<b>Miss Annie Dickson Bequest</b>
<b>SC018698</b>	<b>Logie Baird Prize Fund</b>
<b>SC020382</b>	<b>Argyll Education Trust</b>
<b>SC021328</b>	<b>Oban Common Good</b>

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



# **McCaig Trust**

**AUDITED**

## **Annual Report and Financial Statements 2019-2020**

**For the Year ended 31 March 2020**

**Scottish Charity Number: SC019599**

**McCaig Trust**  
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**McCaig Trust****Trustees' Annual Report – For the Year ended 31 March 2020**

The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	McCaig Trust
<b>Scottish Charity Number:</b>	SC019599
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8RT
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson



<b>Current Trustees continued:</b>	Councillor Len Scoullar Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA,CPFA,ACIBS Section 95 Officer Argyll and Bute Council
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### Governing Document

Towards the cost of library and institute, Oban

### Appointment of Trustees

The trustees of the charities are the elected members (councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

### Organisational Structure

The trustees (as the elected members of the council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of trust funds. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.

### Related Parties

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the Charity at no cost to the Trust.

### Risk Management

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that systems are in place to mitigate the exposure to the major risks.

**McCaig Trust****Trustees' Annual Report – For the Year ended 31 March 2020****Management of Funds and Investment Policy**

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the Charity. In this way, the income stream for the future benefit of the charity is protected.

The Section 95 Officer of the Council is responsible for securing the proper management of the investments of the Charity. The day-to-day management of investments is performed by external investment managers under a discretionary agreement.

**OBJECTIVES AND ACTIVITIES**

The object of the fund is to contribute towards the cost of a library and institute in Oban.

**ACHIEVEMENTS AND PERFORMANCE**

In the year to 31 March 2020, there were no grants made.

**FINANCIAL REVIEW****Investments and Reserves**

The funds Increased by £545 (2018-19 increased by £594). The reserves of the trust at 31 March 2020 amount to £83,654, £48,516 in unrestricted (revenue) funds and £35,138 in endowment (capital) funds. These funds are invested as follows:

	31 March 2019	31 March 2020
	£	£
Local Government Bonds	7,600	7,600
<b>Investments in Endowment Funds</b>	<b>7,600</b>	<b>7,600</b>
Debtor Barclays Wealth Undistributed income	-	-
Cash and Bank - Argyll & Bute Council	75,509	76,054
	<b>83,109</b>	<b>83,654</b>
Current Assets in Restricted Funds	35,138	35,138
Current Assets in Unrestricted Funds	47,971	48,516
<b>Total Funds</b>	<b>83,109</b>	<b>83,654</b>

Over the year, the value of investments remained at £7,600 and £76,054 was invested in the Councils loans fund.

The change in cash balances from £75,509 to £76,054 is due to investment income receivable of £118 and interest from deposits held with Argyll and Bute Council of £427.



### Reserves Policy

Unrestricted free reserves at 31 March 2020 were £48,516. The Trust has no explicit reserves policy, but the endowment funds of the Charity are held for capital growth and to provide an annual income. Income only from the investments may be distributed on an annual basis to ensure that the original funds grow over time. No specific targets have been set for either the endowment or unrestricted funds. Any unspent income is held in the unrestricted funds.

### Income and Expenditure

The Statement of Financial Activities on page 10 provides an analysis of the income and expenditure for the twelve months to 31 March 2020.

Income for the year amounted to £545 (2018-19 - £594). £427 (2018-19 - £476) came from deposits with Argyll and Bute Council and £118 (2018-19 - £118) Local Bond interest.

### TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

The law applicable to charities in Scotland requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

### CONCLUSION

The reserves of the Charity increased by £545 in the year.

The trust made no awards during the year.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973.

The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.

**McCaig Trust****Trustees' Annual Report – For the Year ended 31 March 2020****DECLARATION**

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20



**Independent auditor's report to the trustees of the McCaig Trust and the Accounts Commission**

**Report on the audit of the financial statements**

**Opinion on financial statements**

I certify that I have audited the financial statements in the statement of accounts of the McCaig Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

**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 am independent of the charity 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. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Responsibilities of the trustees for the financial statements**

The trustees are 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 trustees determine 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 trustees are responsible for assessing the charity'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 deemed inappropriate.

#### **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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

#### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### **Report on other requirements**

##### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

##### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

**McCaig Trust**  
**Independent Auditors 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 120 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.

John Cornett  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

**McCaig Trust**  
**Statement of Financial Activities**



**STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDING MARCH 2020**

	Note	Total Funds 2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generating funds:</b>					
Investment income from managed funds	5	118	118	-	118
Interest from short-term deposits		476	427	-	427
<b>Total Incoming Resources</b>		<b>594</b>	<b>545</b>	<b>-</b>	<b>545</b>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds:</b>					
Investment management costs	6	-	-	-	-
Audit fee	7	-	-	-	-
<b>Charitable Activities:</b>					
Grants awarded	8	-	-	-	-
<b>Governance costs</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Resources Expended</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Incoming/(Outgoing) Resources before Other Recognised Gains/(Losses)</b>		<b>594</b>	<b>545</b>	<b>-</b>	<b>545</b>
<b>OTHER RECOGNISED GAINS AND (LOSSES)</b>					
<b>Gains and (losses) on investment assets</b>					
Realised gains/(losses)	9	-	-	-	-
Unrealised gains/(losses)		-	-	-	-
<b>Total Gains and (Losses) on Investment Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Movement in Funds</b>		<b>594</b>	<b>545</b>	<b>-</b>	<b>545</b>
Total funds brought forward	13	82,515	47,971	35,138	83,109
<b>Total funds carried forward</b>		<b>83,109</b>	<b>48,516</b>	<b>35,138</b>	<b>83,654</b>

All incoming resources and resources expended derive from continuing activities.

The notes on pages 13 to 16 form an integral part of these financial statements.

**McCaig Trust**  
**Balance Sheet as at 31 March 2020**



**BALANCE SHEET AS AT 31 MARCH 2020**

	Note	Unrestricted Funds £	Permanent Endowment Funds £	2019 £	Unrestricted Funds £	Permanent Endowment Funds £	2020 £
<b>Fixed Assets</b>							
Investments	10	-	7,600	7,600	-	7,600	7,600
<b>Total Fixed Assets</b>		<b>-</b>	<b>7,600</b>	<b>7,600</b>	<b>-</b>	<b>7,600</b>	<b>7,600</b>
<b>Current Assets</b>							
Debtors	12	-	-	-	-	-	-
Cash at Bank and at Hand	11	47,971	27,538	75,509	48,516	27,538	76,054
<b>Total Current Assets</b>		<b>47,971</b>	<b>27,538</b>	<b>75,509</b>	<b>48,516</b>	<b>27,538</b>	<b>76,054</b>
<b>Current Liabilities</b>							
Creditors: amounts falling due within one year		-	-	-	-	-	-
<b>Net Current Assets or Liabilities</b>		<b>47,971</b>	<b>27,538</b>	<b>75,509</b>	<b>48,516</b>	<b>27,538</b>	<b>76,054</b>
<b>Total Assets less Current Liabilities</b>		<b>47,971</b>	<b>35,138</b>	<b>83,109</b>	<b>48,516</b>	<b>35,138</b>	<b>83,654</b>
<b>Funds of the Charity</b>							
Unrestricted Funds	13	47,971	-	47,971	48,516	-	48,516
Endowment Funds		-	35,138	35,138	-	35,138	35,138
<b>Total Charity Funds</b>		<b>47,971</b>	<b>35,138</b>	<b>83,109</b>	<b>48,516</b>	<b>35,138</b>	<b>83,654</b>

The notes on pages 13 to 16 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

## **1. Basis of Preparation**

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

### **1.1. Basis of Accounting**

The financial statements are prepared under the historic cost convention and in accordance with:

- a) Accounting and Reporting by Charities – Statement of Recommended Practice (SORP 2005 - 2<sup>nd</sup> Edition); and the Financial Reporting Standard for Smaller Entities FRS102
- b) The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

## **2. Accounting Policies**

### **2.1. Form of Financial Statements**

- a) Unrestricted funds are those that may be used at the discretion of the trustees in the furtherance of the objects of the charity.
- b) The permanent endowment funds are invested in perpetuity and derive an annual investment income which is available for distribution.

### **2.2 Incoming Resources**

- a) All incoming resources are recognised and included in the Statement of Financial Activities when the charity becomes entitled to the resources; the trustees are virtually certain they will receive the resources and the monetary value can be measured with sufficient reliability. The following specific policies are applied to particular categories of income.
- b) Income from investments is included in the year to which it relates.
- c) Investments gains and losses includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.
- d) The value of the services provided free of charge by Argyll and Bute Council has not been included in the accounts but is described in the trustees' annual report.

### **2.3 Resources Expended**

- a) All expenditure is included in the Statement of Financial Activities on an accrual basis and is recognised when there is a legal or constructive obligation to pay out resources.

### **2.4 Investments**

The charity holds two three-year fixed term deposit local bonds from Argyll and Bute Council, one for £600 with a rate of 1.35% repayable on 31<sup>st</sup> March 2021, and the other for £7,000 with a rate of 1.57% repayable on 30<sup>th</sup> September 2021 in a continuation of historic practice.

## **3. Taxation**

The charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

## McCaig Trust

### Notes to the Financial Statements



#### 4. Trustee Remuneration, Expenses and Related Party Transactions

- (a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).
- (b) The trust received interest of £427 (2018-19 £476) from Argyll & Bute Council on unrestricted reserves placed on short-term deposit with them and also local bond interest of £118 (2018-19 - £118). All transactions incoming and outgoing are made via the Council's accounts.
- (c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19 - Nil).

#### 5. Investment Income

	Total Funds 2019 £	Unrestricted Funds £	Permanent Endowment Fund £	Total Funds 2020 £
Income from Local Government Bond	118	118	-	118
Interest on Short-term deposits with Argyll and Bute Council	476	427	-	427
<b>Total Investment Income</b>	<b>594</b>	<b>545</b>	<b>-</b>	<b>545</b>

#### 6. Investment Management Costs

In the year to 31 March 2020 there were no investment management fees (2018-19 - Nil).

#### 7. Audit Fees.

The independent auditor's fee is not charged to the charity, the cost is borne by the Council.

#### 8. Grants Awarded

During the year to 31 March 2020 no grants were awarded.

#### 9. Gains and Losses on Investment Assets

There were no gains or losses on investment assets during 2019-2020.

## 10. Fixed Asset Investments

	£
<b>Carrying (market) value at 1 April 2019</b>	<b>7,600</b>
Add: additions to investments at cost	-
Add/(deduct): net gain/loss on revaluation	
Add/(deduct): change in uninvested cash balance in Capital Account	-
Deduct sales proceeds	
<b>Carrying (market) value at 31 March 2020</b>	<b>7,600</b>
<b>Analysis of Investments</b>	
Investments listed on recognised stock exchange	-
Local Government Bonds	7,600
Cash held as part of the investment portfolio	-
<b>Total</b>	<b>7,600</b>

The charity holds two three-year fixed term deposit local bonds from Argyll & Bute Council, one for £7,000 with a rate of 1.57% repayable on 30<sup>th</sup> September 2021, and the other for £600 with a rate of 1.35% repayable on 31 March 2021 in a continuation of historic practice.

An analysis of the net assets between funds for current and comparative figures is provided in the balance sheet.

## 11. Cash and Bank Balances

	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds £
<b>Short-term deposits with Argyll and Bute Council:</b>			
<b>Carrying value at 1 April 2019</b>	<b>47,971</b>	<b>27,538</b>	<b>75,509</b>
Add: lodgements during year	545	-	545
(Less): withdrawals during year	-	-	-
Gains/losses	-	-	-
<b>Cash and Bank at 31 March 2020</b>	<b>48,516</b>	<b>27,538</b>	<b>76,054</b>

During the year the above short term deposits were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. No costs were incurred by the trust for this work. The balances are repayable on demand. Interest is payable on balances.



## 12. Debtors: Amounts Falling Due within One Year

There are no debtor's amounts falling due within one year.

## 13. Movement in Funds

	At 1 April 2019 £	Incoming Resources £	Outgoing Resources	Gains/ Losses £	At 31 March 2020 £
Unrestricted Revenue Funds	47,971	545	0	0	48,516
Permanent Endowment Funds	35,138	-	0	0	35,138
<b>Total Funds</b>	<b>83,109</b>	<b>545</b>	<b>-</b>	<b>-</b>	<b>83,654</b>

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



# **Marquess of Bute Silver Wedding Dowry**

**AUDITED**

## **Annual Report and Financial Statements**

**2019-2020**

**For the Year ended 31 March 2020**

**Scottish Charity Number SC019607**

# Marquess of Bute Silver Wedding Dowry

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**Marquess of Bute Silver Wedding Dowry****Trustees' Annual Report – For the Year ended 31 March 2020**

The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	Marquess of Bute Silver Wedding Dowry
<b>Charity Number:</b>	SC019607
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8RT
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson
<b>Current Trustees continued:</b>	Councillor Len Scoullar

**Marquess of Bute Silver Wedding Dowry****Trustees' Annual Report – For the Year ended 31 March 2020**

	Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA,CPFA,ACIBS Section 95 Officer Argyll and Bute Council
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Governing Document**

£1,000 was given by John Patrick Crichton-Stuart, 3rd Marquess of Bute, on 12 April 1897 (the date of his silver wedding) to Rothesay Town Council. Noted in the Rothesay Town Council Minutes 12/04/1897 and 10/05/1897.

**Appointment of Trustees**

The trustees of the charities are the elected members (councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

**Organisational Structure**

The trustees (as the elected members of the council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of Charities. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.

**Related Parties**

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the Charity.

**Risk Management**

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that systems are in place to mitigate the exposure to the major risks.



## Marquess of Bute Silver Wedding Dowry

### Trustees' Annual Report – For the Year ended 31 March 2020

#### Management of Funds and Investment Policy

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the charity. In this way, the income stream for the future benefit of the charity is protected.

The funds of the charity are deposited with Argyll and Bute Council. There are two local bonds with a total of £2,400 (see note 8). For the balance of the funds the charity receives interest at the average market rate for the Council's borrowing. The interest received from Argyll and Bute Council is shown in the Statement of Receipts and Payments.

#### OBJECTIVES AND ACTIVITIES

The objective of the fund is to provide a donation to one or two girls from the poorer classes on their wedding.

#### ACHIEVEMENTS AND PERFORMANCE

In the year to 31 March 2020 no grants were issued.

#### FINANCIAL REVIEW

##### Overview

No grants were issued during 2019-20. Income during 2019-20 came from interest from deposits with Argyll and Bute Council of £43 (2018-19: £57) and local bond interest of £31 (2018-19: £29). The Charity held cash and bank of £7,703 as at 31 March 2020 (2018-19: £7,629) and local bonds totalling £2,400 (2018-19: £2,400).

##### Reserves Policy

The unrestricted free reserves at the financial year-end were £6,703 (2018-19 £6,629). This includes cash and bank only repayable on demand. The Charity has no explicit reserves policy, but the "capital" of the fund (as identified from the governing documents or available evidence) is held effectively as a permanent endowment, with only the annual income available for disbursement in the year via the unrestricted reserve. The unrestricted reserves are available for the objects of the Charity.

#### CONCLUSION

The charity made no grants during 2019-20.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973.

The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.

**Marquess of Bute Silver Wedding Dowry****Trustees' Annual Report – For the Year ended 31 March 2020****DECLARATION**

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

## Marquess of Bute Silver Wedding Dowry Independent Auditor's Report

### Independent auditor's report to the trustees of the Marquess of Bute Wedding Dowry and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Marquess of Bute Wedding Dowry for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### 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 am independent of the charity 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### 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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.



## Marquess of Bute Silver Wedding Dowry Independent Auditor's Report

### Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### Report on other requirements

#### Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities Accounts (Scotland) Regulations 2006.

#### Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

### 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 120 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.

John Cornett  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

**Marquess of Bute Silver Wedding Dowry  
Statement of Receipts and Payments – For the Year ended March 2020**



**Receipts and Payments Account for the Year Ended 31 March 2020**

	<i>Note</i>	<b>2019</b>	<b>Unrestricted Funds</b>	<b>Permanent Endowment Funds</b>	<b>2020</b>
		£	£	£	£
<b>RECEIPTS</b>					
Income from investments other than land and buildings	<b>4</b>	<b>86</b>	<b>74</b>	<b>-</b>	<b>74</b>
<b>Total Receipts</b>		<b>86</b>	<b>74</b>	<b>-</b>	<b>74</b>
<b>PAYMENTS</b>					
Charitable Activities - Grants and donations	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Payments</b>			<b>-</b>	<b>-</b>	
<b>Surplus / (Deficit) for Year</b>		<b>86</b>	<b>74</b>	<b>-</b>	<b>74</b>

All income in 2019-20 and 2018-19 relate to unrestricted funds.

The notes on page 11 form an integral part of these financial statements.

**Marquess of Bute Silver Wedding Dowry**  
**Statement of Balances as at 31 March 2020**



**Statement of Balances as at 31 March 2020**

	Note	Unrestricted Funds £	Permanent Endowment Funds £	2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>Cash and Bank Balances</b>	<b>6</b>						
Opening Balances		6,543	1,000	7,543	6,629	1,000	7,629
Surplus for year		86	-	86	74	-	74
<b>Closing Balances</b>		<b>6,629</b>	<b>1,000</b>	<b>7,629</b>	<b>6,703</b>	<b>1,000</b>	<b>7,703</b>
<b>Investments</b>	<b>8</b>						
Market value		2,400	-	2,400	2,400	-	2,400
Cost		2,400	-	2,400	2,400	-	2,400

The notes on page 11 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20



## Marquess of Bute Silver Wedding Dowry

### Notes to the Financial Statements

#### 1. Basis of Accounting

These accounts have been prepared on the Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 2. Fund Accounting

(a) Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity.

(b) Permanent endowment funds are those that the original capital cannot be spent as income and must remain in the form of investments. Any income return generated by the invested endowment may be spent on the activities of the trust.

#### 3. Taxation

The Charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

#### 4. Trustee Remuneration, Expenses and Related Party Transactions

(a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).

(b) The Charity received interest of £43 (2018-19 - £57) from Argyll and Bute Council and also local bond interest of £31 (2018-19 - £29). All transactions incoming and outgoing are made via the Council's accounts.

(c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19 - Nil).

#### 5. Grants

In the year to 31 March 2020, no grants were made.

#### 6. Cash and Bank Balances

During the year the Charity's balances were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Charity for this administration. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is payable on balances.

#### 7. Investments

The charity holds two three-year fixed term deposit local bonds from Argyll and Bute Council, one for £2,000 with a rate of 1.29% repayable on 31 March 2022, and the other for £400 with a rate of 1.42% repayable on 30 September 2021 in a continuation of historic practice.

#### 8. Audit Fees.

The independent auditor's fee is not charged to the Charity, the cost is borne by the council.

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



# **Baillie Gillies Bequest**

**AUDITED**

## **Annual Report and Financial Statements**

**2019-2020**

**For the Year ended 31 March 2020**

**Baillie Gillies Bequest  
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**Baillie Gillies Bequest****Trustees' Annual Report – For the Year ended 31 March 2020**

The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	Baillie Gillies Bequest	
<b>Charity Number:</b>	SC013578	
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8RT	
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson	

**Baillie Gillies Bequest****Trustees' Annual Report – For the Year ended 31 March 2020**

<b>Current Trustees continued:</b>	Councillor Len Scoullar Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard	
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council	
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA, CPFA, ACIBS Section 95 Officer Argyll and Bute Council	
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN	

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Governing Documents**

The charity was 'inherited' from Bute County Council. William Gillies, Cooper and Fish curer in Rothesay, and at some time a Baillie and Chief Magistrate of that Burgh, bequeathed £200 for the benefit of the poor of Rothesay. He was elected to the Town Council in 1812 and retired in 1835.

Mrs Margaret Stevenson, or Lochhead, died circa 1947. Bequest of £50 to Rothesay Town Council, the income of which is to provide coals for the deserving poor of the Burgh.

Archibald Brown, Clerk in the Bute Savings Bank Rothesay, died 1903. Will confirmed and recorded in 1903, detailing bequest of £100. The interest to be divided annually at Candlemas among the deserving old and infirm poor of Rothesay.

James Duncan, Merchant in Valparaiso, Chile, thereafter residing in Rothesay died in 1874. He bequeathed £2,000 to Rothesay Town Council. Noted in the Minute Book of the Charity, 1875-1894 in the District Archives. The income was to be distributed half yearly to 10 older women of good character and honest repute, over 60 years of age and not in parochial relief, whose parents as well as themselves have been born in Rothesay or the Island of Bute.

Misses Gibson, Ardmory, Rothesay. Janet Gibson died in 1893 her will was confirmed and recorded in 1894 with a bequest of £200 to the Minister of the Parish of Rothesay and to Rothesay Town Council. The interest was to be paid out at Candlemas to the most deserving of the poor and each recipient was to get 25 pence.

Mrs Ann Taylor, or Jackson, residing at Easterhouse, Baillieston, died 1892 and her will was confirmed and recorded 1892. She made a bequest of £100, the annual income of which was to





## Baillie Gillies Bequest

### Trustees' Annual Report – For the Year ended 31 March 2020

be expended from time to time providing coals for the poor persons of the name Taylor residing in Rothesay and who were born in Skipness (Kintyre) or Rothesay. Minute Book of the Bequest 1892-94 in District Archives.

Annie McMillan - Minutes of Rothesay Town Council 28/11/1947, a bequest of £100 to Rothesay Town Council to provide coals for the deserving poor of Rothesay.

Jane Paterson of Whinny Brae, Rothesay, died 1902. Will confirmed and recorded in 1903 with a bequest of £300 made to Rothesay Town Council. The income from the bequest was to be divided at Candlemas among the old and infirm poor of Rothesay.

#### Appointment of Trustees

The trustees of the charities are the elected members (councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

#### Organisational Structure

The trustees (as the elected members of the council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of trust funds. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.

#### Related Parties

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the Charity.

#### Risk Management

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that the systems are in place to mitigate the exposure to the major risks.

#### Management of Funds and Investment Policy

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the charity. In this way, the income stream for the future benefit of the charity is protected.

The funds of the charity are deposited with Argyll and Bute Council and receive interest at the average market rate for the Council's borrowing. The interest received from Argyll and Bute Council is shown in the Statement of Receipts and Payments.

### OBJECTIVES AND ACTIVITIES

The objectives of the various funds that make up the Baillie Gillies fund are as follows:

- Baillie Gillies Bequest - Prevention and relief of poverty in Rothesay.
- Margaret Lochhead Bequest - Prevention and relief of poverty in Rothesay through grants to individuals for purchase of coals.
- Archibald Brown Bequest - The interest is to be divided annually at Candlemas among the deserving old and infirm poor of Rothesay.



## Baillie Gillies Bequest

### Trustees' Annual Report – For the Year ended 31 March 2020

- James Duncan Bequest - Prevention and relief of poverty in Rothesay through distribution to ten old women whose parents as well as themselves were born in Rothesay
- Janet Gibson Bequest - Prevention and relief of poverty in Rothesay.
- Ann Jackson Bequest - Prevention and relief of poverty in Rothesay, by providing coals for poor persons of the name Taylor residing in Rothesay who were born in Skipness (Kintyre) or Rothesay.
- Annie McMillan Bequest - Prevention and relief of poverty in Rothesay through grants to individuals for coal.
- Jane Paterson Bequest - The objective of the fund is for the prevention and relief of poverty in Rothesay.

### ACHIEVEMENTS AND PERFORMANCE

In the year to 31 March 2020, there were no grants made.

### FINANCIAL REVIEW

#### Overview

The Charity is dormant. The only source of income during 2019-20 came from interest from deposits with Argyll and Bute Council of £56 (2018-19 - £56) and Local Bond Interest £1 (2018-19 - £1). The trust held cash at bank of £9,988 as at 31 March 2020 (2018-19 - £9,931).

#### Reserves Policy

The unrestricted free reserves in cash at bank at the financial year-end were £6,938 (2018-19 - £6,881). The Charity has no explicit reserves policy, but the “capital” of the fund (as identified from the governing document or available evidence) is held effectively as a permanent endowment, with only the annual income available for disbursement in the year via the unrestricted reserve. The unrestricted reserves are available for the objects of the trust.

### CONCLUSION

The charity did not undertake any activities during the year.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973.

The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.

### DECLARATION

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA, CPFA, ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

# Baillie Gillies Bequest

## Independent Auditor's Report



### Independent auditor's report to the trustees of the Baillie Gillies Bequest and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Baillie Gillies Bequest for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### 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 am independent of the charity 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

**Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

**Report on other requirements****Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities Accounts (Scotland) Regulations 2006.

## Baillie Gillies Bequest Independent Auditor's Report

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### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

### **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 120 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.

John Cornett  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

## Baillie Gillies Bequest

## Statement of Receipts and Payments – For the Year ended March 2020



## Receipts and Payments Account for the Year Ended 31 March 2020

	<i>Note</i>	<b>2019</b> £	<b>Unrestricted Funds</b> £	<b>Permanent Endowment Funds</b> £	<b>2020</b> £
<b>RECEIPTS</b>					
Income from investments other than land and buildings	<b>4</b>	<b>57</b>	<b>57</b>	<b>-</b>	<b>57</b>
<b>Total Receipts</b>		<b>57</b>	<b>57</b>	<b>-</b>	<b>57</b>
<b>PAYMENTS</b>					
Charitable Activities - Grants and donations	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Payments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus / (Deficit) for Year</b>		<b>57</b>	<b>57</b>	<b>-</b>	<b>57</b>

All income in 2019-20 and 2018-19 relates to unrestricted funds.

The notes on page 12 form an integral part of these financial statements.

## Baillie Gillies Bequest

## Statement of Balances as at 31 March 2020



## Statement of Balances as at 31 March 2020

	Note	Unrestricted Funds £	Permanent Endowment Funds £	2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>Cash and Bank Balances</b>	<b>6</b>						
Opening Balances		6,824	3,050	9,874	6,881	3,050	9,931
Surplus for year		57	-	57	57	-	57
<b>Closing Balances</b>		<b>6,881</b>	<b>3,050</b>	<b>9,931</b>	<b>6,938</b>	<b>3,050</b>	<b>9,988</b>
<b>Investments</b>	<b>7</b>						
Market value		50	-	50	50	-	50
Cost		50	-	50	50	-	50

The notes on page 12 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA, CPFA, ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20



## Baillie Gillies Bequest

### Notes to the Financial Statements

#### 1. Basis of Accounting

These accounts have been prepared on the Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 2. Fund Accounting

- (a) Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity.
- (b) Permanent endowment funds are those that the original capital cannot be spent as income and must remain in the form of investments. Any income return generated by the invested endowment may be spent on the activities of the Charity.

#### 3. Taxation

The charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

#### 4. Trustee Remuneration, Expenses and Related Party Transactions

- (a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).
- (b) The Charity received interest from deposits with Argyll and Bute Council of £56 (2018-19 - £56) and Local Bond Interest of £1 (2018-19 £1). All transactions incoming and outgoing are made via the Council's accounts.
- (c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19 - Nil).

#### 5. Grants

In the year to 31 March 2020, there were no grants made.

#### 6. Cash and Bank Balances

During the year the Charity's balances were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is payable on balances.

#### 7. Investments

The charity holds a three-year fixed term deposit £50 local bond from Argyll and Bute Council, repayable on 30 September 2021. The rate of interest is 1.42%. This is a continuation of historic practice.

#### 8. Audit Fees.

The independent auditor's fee is not charged to the charity, the cost is borne by the Council.



**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



**Kidston Park Trust**

**AUDITED**

**Annual Report and Financial Statements**

**2019-2020**

**For the Year ended 31 March 2020**

**Scottish Charity Number SC013600**

**Kidston Park Trust**  
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**Kidston Park Trust****Trustees' Annual Report – For the Year ended 31 March 2020**

The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	Kidston Park Trust
<b>Charity Number:</b>	SC013600
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8RT
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson

**Kidston Park Trust****Trustees' Annual Report – For the Year ended 31 March 2020**

<b>Current Trustees continued:</b>	Councillor Len Scoullar Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA, CPFA, ACIBS Section 95 Officer Argyll and Bute Council
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Governing Document**

A bequest of £1,000 was made by William Kidston towards the upkeep of Kidston Park (formerly Cairndow or Cairndhu Park) in April 1889. It was noted in the minutes of a meeting of the Town Council of the Burgh of Helensburgh.

**Appointment of Trustees**

The trustees of the charities are the elected members (councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

**Organisational Structure**

The trustees (as the elected members of the council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of Charity funds. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.

**Related Parties**

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the Charity.



### **Risk Management**

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that systems are in place to mitigate the exposure to the major risks.

### **Management of Funds and Investment Policy**

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the charity. In this way, the income stream for the future benefit of the charity is protected.

The funds of the charity are deposited with Argyll and Bute Council. The charity receives interest at the average market rate for the Council's borrowing. The interest received from Argyll and Bute Council is shown in the Statement of Receipts and Payments.

### **OBJECTIVES AND ACTIVITIES**

The objective of the fund is to provide a public park, or recreation ground for the inhabitants of Helensburgh and for the purposes of boating and bathing in the Gareloch.

### **ACHIEVEMENTS AND PERFORMANCE**

In the year to 31 March 2020, the trust spent funds on the upkeep of the park.

### **FINANCIAL REVIEW**

#### **Overview**

Income during 2019-20 came from interest from deposits with Argyll and Bute Council of £24 (2018-19 - £25). The trust held cash and bank of £3,708 as at 31 March 2020 (2018-19 - £4,233).

#### **Reserves Policy**

The unrestricted free reserves at the financial year-end were £2,708 (2018-19 - £3,233). This includes cash and bank only repayable on demand. The Charity has no explicit reserves policy, but the "capital" of the fund (as identified from the governing documents or available evidence) is held effectively as a permanent endowment, with only the annual income available for disbursement in the year via the unrestricted reserve. The unrestricted reserves are available for the objects of the Charity.

### **CONCLUSION**

The reserves of the Charity decreased by £525 in the year.

The trust spent £549 on annual grass cutting, weed spraying and treatment of epicormic growth.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973.

The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.

**Kidston Park Trust****Trustees' Annual Report – For the Year ended 31 March 2020****DECLARATION**

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA, CPFA, ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

**Independent auditor's report to the trustees of the Kidston Park Trust and the Accounts Commission**

**Report on the audit of the financial statements**

**Opinion on financial statements**

I certify that I have audited the financial statements in the statement of accounts of the Kidston Park Trust for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

**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 am independent of the charity 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Responsibilities of the trustees for the financial statements**

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report on other requirements**

#### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities Accounts (Scotland) Regulations 2006.

#### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

### **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 120 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.

John Cornett  
 Audit Director  
 Audit Scotland  
 4th Floor  
 102 West Port  
 Edinburgh  
 EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973





### Receipts and Payments Account for the Year Ended 31 March 2020

	<i>Note</i>	2019 £	Unrestricted Funds £	Permanent Endowment Funds £	2020 £
<b>RECEIPTS</b>					
Income from investments other than land and buildings	4	25	24	-	24
<b>Total Receipts</b>		<b>25</b>	<b>24</b>	<b>-</b>	<b>24</b>
<b>PAYMENTS</b>					
Charitable Activities - Grants and donations	5	-	549	-	549
<b>Total Payments</b>			<b>549</b>	<b>-</b>	<b>549</b>
<b>Surplus / (Deficit) for Year</b>		<b>25</b>	<b>(525)</b>	<b>-</b>	<b>(525)</b>

All income in 2019-20 and 2018-19 relates to unrestricted funds.

The notes on page 11 form an integral part of these accounts.

## Statement of Balances as at 31 March 2020

	Note	Unrestricted Funds £	Permanent Endowment Funds £	2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>Cash and Bank Balances</b>	<b>6</b>						
Opening Balances		3,208	1,000	4,208	3,233	1,000	4,233
Surplus for year		25	-	25	(525)	-	(525)
<b>Closing Balances</b>		<b>3,233</b>	<b>1,000</b>	<b>4,233</b>	<b>2,708</b>	<b>1,000</b>	<b>3,708</b>
<b>Investments</b>	<b>7</b>						
Market value		-	-	-	-	-	-
Cost		-	-	-	-	-	-

The notes on page 11 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA, CPFA, ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20



## Kidston Park Trust

### Notes to the Financial Statements

#### 1. Basis of Accounting

These accounts have been prepared on the Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 2. Fund Accounting

(a) Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity.

(b) Permanent endowment funds are those that the original capital cannot be spent as income and must remain in the form of investments. Any income return generated by the invested endowment may be spent on the activities of the Charity.

#### 3. Taxation

The charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

#### 4. Trustee Remuneration, Expenses and Related Party Transactions

(a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).

(b) The trust received interest of £24 (2018-19 - £25) from deposits with Argyll and Bute Council. All transactions incoming and outgoing are made via the Council's accounts.

(c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19 - Nil)

#### 5. Grants / Expenditure on Charitable Activities

In the year to 31 March 2020, the trust spent £549 on annual grass cutting, weed spraying and treatment of epicormic growth.

#### 6. Cash and Bank Balances

During the year the Charity balances were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the trust for this administration. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is payable on balances.

#### 7. Investments

The charity hold no investments.

#### 8. Audit Fees.

The independent auditor's fee is not charged to the charity, the cost is borne by the Council.

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



**Miss Annie Dickson Burgh Bequest**  
**AUDITED**  
**Annual Report and Financial Statements**  
**2019-2020**  
**For the Year ended 31 March 2020**

**Scottish Charity Number SC018697**

## Miss Annie Dickson Burgh Bequest Contents

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**Miss Annie Dickson Burgh Bequest****Trustees' Annual Report – For the Year ended 31 March 2020**

The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	Miss Annie Dickson Burgh Bequest
<b>Charity Number:</b>	SC018697
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8RT
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson
<b>Current Trustees continued:</b>	Councillor Len Scoullar

**Miss Annie Dickson Burgh Bequest****Trustees' Annual Report – For the Year ended 31 March 2020**

	Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA, CPFA, ACIBS Section 95 Officer Argyll and Bute Council
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Governing Documents**

A bequest by Miss Mary Ann Dickson dated 4<sup>th</sup> April, 1927 to the Town Council of the Burgh of Helensburgh. Noted in an Excerpt from Copy Will and Codicils.

Miss LA Colvil's bequest - A Legacy of £200 was passed by Mr J Percival Agnew to the Town Council to perpetuate his cousin's name in Helensburgh by means of a fund for necessitous cases. Noted in the minutes of a meeting of the Finance Committee of Helensburgh Town Council on 22<sup>nd</sup> December 1969.

**Appointment of Trustees**

The trustees of the charities are the elected members (councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

**Organisational Structure**

The trustees (as the elected members of the council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of charity funds. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.



## Miss Annie Dickson Burgh Bequest

### Trustees' Annual Report – For the Year ended 31 March 2020

#### Related Parties

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the charity.

#### Risk Management

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that the systems are in place to mitigate the exposure to the major risks.

#### Management of Funds and Investment Policy

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the charity. In this way, the income stream for the future benefit of the charity is protected.

The funds of the charity are deposited with Argyll and Bute Council. The funds of the charity receives interest at the average market rate for the Council's borrowing. The interest received from Argyll and Bute Council is shown in the Statement of Receipts and Payments.

#### OBJECTIVES AND ACTIVITIES

The objective of the fund is for the relief of distress in the Burgh of Helensburgh.

#### ACHIEVEMENTS AND PERFORMANCE

In the year to 31 March 2020, there were no grants made.

#### FINANCIAL REVIEW

##### Overview

The charity is dormant. Income during 2019-20 came from interest from deposits with Argyll and Bute Council of £24 (2018-19 - £25). The trust held cash and bank of £4,201 as at 31 March 2020 (2018-19 - £4,177).

##### Reserves Policy

The unrestricted free reserves at the financial year-end were £1,253 (2018-19 - £1,229). This includes cash and bank only repayable on demand. The charity has no explicit reserves policy, but the "capital" of the fund (as identified from the governing documents or available evidence) is held effectively as a permanent endowment, with only the annual income available for disbursement in the year via the unrestricted reserve. The unrestricted reserves are available for the objects of the trust.

#### CONCLUSION

The charity did not undertake any activities during the year.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973.

The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.



**Miss Annie Dickson Burgh Bequest****Trustees' Annual Report – For the Year ended 31 March 2020****DECLARATION**

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA, CPFA, ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

## Miss Annie Dickson Burgh Bequest Independents Auditors Report



### Independent auditor's report to the trustees of the Miss Annie Dickson Burgh Bequest and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Miss Annie Dickson Burgh Bequest for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### 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 am independent of the charity 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### 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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

##### Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report

## Miss Annie Dickson Burgh Bequest Independents Auditors Report



thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### Report on other requirements

#### Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities Accounts (Scotland) Regulations 2006.

#### Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

### 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 120 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.

John Cornett  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

## Miss Annie Dickson Burgh Bequest

## Statement of Receipts and Payments – For the Year ended March 2020


**Receipts and Payments Account for the Year Ended 31 March 2020**

	<i>Note</i>	2019 £	Unrestricted Funds £	Permanent Endowmen t Funds £	Total Funds 2020 £
<b>RECEIPTS</b>					
Income from investments other than land and buildings	4	25	24	-	24
<b>Total Receipts</b>		<b>25</b>	<b>24</b>	<b>-</b>	<b>24</b>
<b>PAYMENTS</b>					
Charitable Activities - Grants and donations	5	-	-	-	-
<b>Total Payments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus / (Deficit) for Year</b>		<b>25</b>	<b>24</b>	<b>-</b>	<b>24</b>

All income in 2018-19 and 2019-20 relates to unrestricted funds.

The notes on page 11 form an integral part of these financial statements.

**Miss Annie Dickson Burgh Bequest**  
**Statement of Balances as at 31 March 2020**



**Statement of Balances as at 31 March 2020**

	<i>Not e</i>	Unrestricted Funds	Permanent Endowmen t Funds	2019	Unrestrict ed Funds	Permanent Endowmen t Funds	2020
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>	<b>6</b>						
Opening Balances		1,204	2,948	4,152	1,229	2,948	4,177
Surplus for year		25	-	25	24	-	24
<b>Closing Balances</b>		<b>1,229</b>	<b>2,948</b>	<b>4,177</b>	<b>1,253</b>	<b>2,948</b>	<b>4,201</b>

The notes on page 11 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA, CPFA, ACIBS
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20



## Miss Annie Dickson Burgh Bequest

### Notes to the Financial Statements

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#### 1. Basis of Accounting

These accounts have been prepared on the Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 2. Fund Accounting

(a) Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity.

(b) Permanent endowment funds are those that the original capital cannot be spent as income and must remain in the form of investments. Any income return generated by the invested endowment may be spent on the activities of the charity.

#### 3. Taxation

The charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

#### 4. Trustee Remuneration, Expenses and Related Party Transactions

(a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).

(b) The trust received interest of £24 (2018-19 - £25) from deposits with Argyll & Bute Council. All transactions incoming and outgoing are made via the Council's accounts.

(c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19 Nil).

#### 5. Grants

In the year to 31 March 2020, there were no grants made.

#### 6. Cash and Bank Balances

During the year the charities balances were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the trust for this administration. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is payable on balances.

#### 7. Investments

The charity holds no investments.

#### 8. Audit Fees.

The independent auditor's fee is not charged to the charity, the cost is borne by the Council.

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



**Logie Baird Prize Fund**

**AUDITED**

**Annual Report and Financial Statements**

**2019-2020**

**For the Year ended 31 March 2020**

**Scottish Charity Number SC018698**

**Logie Baird Prize Fund  
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**Logie Baird Prize Fund****Trustees' Annual Report – For the Year ended 31 March 2020**

The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	Logie Baird Prize Fund
<b>Charity Number:</b>	SC018698
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8TL
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson

**Logie Baird Prize Fund****Trustees' Annual Report – For the Year ended 31 March 2020**

<b>Current Trustees continued:</b>	Councillor Len Scoullar Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA,CPFA,ACIB Section 95 Officer Argyll and Bute Council
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Governing Document**

Ex-Bailie J. Arnold Fleming of Locksley, Helensburgh, invested the sum of £200 in the names of the Provost, Magistrates and Councillors of the Burgh of Helensburgh, for the Logie Baird Prize Fund. Noted in the minutes of the Town Council of Helensburgh, January 1956.

**Appointment of Trustees**

The trustees of the charities are the elected members (Councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

**Organisational Structure**

The trustees (as the elected members of the Council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of Charity funds. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.

**Related Parties**

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the Charity.



## Logie Baird Prize Fund

### Trustees' Annual Report – For the Year ended 31 March 2020

#### Risk Management

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that systems are in place to mitigate the exposure to the major risks.

#### Management of Funds and Investment Policy

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the charity. In this way, the income stream for the future benefit of the charity is protected.

The funds of the charity are deposited with Argyll and Bute Council and receive interest at the average market rate for the Council's borrowing. The interest received from Argyll and Bute Council is shown in the Statement of Receipts and Payments.

#### OBJECTIVES AND ACTIVITIES

The objective of the fund is for the advancement of education by providing an annual prize to a pupil at Hermitage Academy, Helensburgh.

#### ACHIEVEMENTS AND PERFORMANCE

In the year to 31 March 2020, there were no grants made.

#### FINANCIAL REVIEW

##### Overview

The Charity is dormant. The only source of income during 2019-20 came from interest from deposits with Argyll and Bute Council of £11 (2018-19 - £10). The Charity had cash and bank of £1,944 as at 31 March 2020 (2018-19 - £1,933).

##### Reserves Policy

The unrestricted free reserves in cash and bank at the financial year-end were £1,744 (2018-19 - £1,733). The Charity has no explicit reserves policy, but the "capital" of the fund (as identified from the governing document or available evidence) is held effectively as a permanent endowment, with only the annual income available for disbursement in the year via the unrestricted reserve. The unrestricted reserves are available for the objects of the Charity.

#### CONCLUSION

The charity did not undertake any activities during the year.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973. The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.

**Logie Baird Prize Fund****Trustees' Annual Report – For the Year ended 31 March 2020****DECLARATION**

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIB
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

## Logie Baird Prize Fund

### Independent Auditor's Report



#### Independent auditor's report to the trustees of the Logie Baird Prize Fund and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Logie Baird Prize Fund for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### 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 am independent of the charity 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### 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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Logie Baird Prize Fund

### Independent Auditor's Report



#### Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### Report on other requirements

##### Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities Accounts (Scotland) Regulations 2006.

##### Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

#### 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 120 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.

John Cornett  
 Audit Director  
 Audit Scotland  
 4th Floor  
 102 West Port  
 Edinburgh  
 EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

## Logie Baird Prize Fund

## Statement of Receipts and Payments – For the Year ended March 2020



## Receipts and Payments Account for the Year Ended 31 March 2020

	Note	2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>RECEIPTS</b>					
Income from investments other than land and buildings	4	10	11	-	11
<b>Total Receipts</b>		<b>10</b>	<b>11</b>	<b>-</b>	<b>11</b>
<b>PAYMENTS</b>					
Charitable Activities - Grants and donations	5	-	-	-	-
<b>Total Payments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus / (Deficit) for Year</b>		<b>10</b>	<b>11</b>	<b>-</b>	<b>11</b>

All income in 2018-19 and 2019-20 relates to unrestricted funds.

The notes on page 11 form an integral part of these financial statements.

**Logie Baird Prize Fund**  
**Statement of Balances as at 31 March 2020**



**Statement of Balances as at 31 March 2020**

	<i>Note</i>	Unrestricted Funds	Permanent Endowment Funds	2019	Unrestricted Funds	Permanent Endowment Funds	Total Funds 2020
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>	<b>6</b>						
Opening Balances		1,723	200	1,923	1,733	200	1,933
Surplus for year		10	-	10	11	-	11
<b>Closing Balances</b>		<b>1,733</b>	<b>200</b>	<b>1,933</b>	<b>1,744</b>	<b>200</b>	<b>1,944</b>

The notes on page 12 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIB
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20





## Logie Baird Prize Fund

### Notes to the Financial Statements

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#### 1. Basis of Accounting

These accounts have been prepared on the Receipts and Payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 2. Fund Accounting

(a) Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity.

(b) Permanent endowment funds are those that the original capital cannot be spent as income and must remain in the form of investments. Any income return generated by the invested endowment may be spent on the activities of the trust.

#### 3. Taxation

The charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

#### 4. Trustee Remuneration, Expenses and Related Party Transactions

(a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).

(b) The Charity received interest of £11 (2018-19 - £10) from Argyll and Bute Council. All transactions incoming and outgoing are made via the Council's accounts.

(c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19- Nil).

#### 5. Grants

In the year to 31 March 2020, there were no grants made.

#### 6. Cash and Bank Balances

During the year the Charity balances were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Charity for this administration. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is payable on balances.

#### 7. Audit Fees.

The independent auditor's fee is not charged to the charity, the cost is borne by the Council.

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



**County of Argyll Educational Trust  
Scheme, 1960**

**AUDITED**

**Annual Report and Financial Statements  
2019-2020**

**For the Year ended 31 March 2020**

**Scottish Charity Number: SC020382**

**County of Argyll Educational Trust Scheme, 1960**  
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**County of Argyll Educational Trust Scheme, 1960**  
**Trustees' Annual Report – For the Year ended 31 March 2020**



The Trustees present their annual report together with the financial statements and the Independent Auditor's report for the year ended 31 March 2020.

**REFERENCE AND ADMINISTRATION INFORMATION**

<b>Charity Name:</b>	County of Argyll Educational Trust Scheme, 1960
<b>Scottish Charity Number:</b>	SC020382
<b>Principal Office:</b>	Argyll and Bute Council Kilmory Lochgilphead Argyll PA31 8RT
<b>Current Trustees:</b>	Councillor James Anderson Councillor John Armour Councillor William Blair Councillor Rory Colville Councillor Robin Currie Councillor Mary-Jean Devon Councillor Lorna Douglas Councillor James Findlay Councillor Audrey Forrest Councillor George Freeman Councillor Bobby Good Councillor Kieron Green Councillor Graham Hardie Councillor Anne Horn Councillor Donald Kelly Councillor David Kinniburgh Councillor James Lynch Councillor Donald MacMillan Councillor Roderick Mccuish Councillor James McGrigor Councillor Julie McKenzie Councillor Yvonne McNeilly Councillor Jean Moffat Councillor Barbara Morgan Councillor Ellen Morton Councillor Aileen Morton Councillor Gary Mulvaney Councillor Iain Paterson Councillor Douglas Philand Councillor Alastair Redman Councillor Alan Reid Councillor Elaine Robertson

**County of Argyll Educational Trust Scheme, 1960**  
**Trustees' Annual Report – For the Year ended 31 March 2020**



<b>Current Trustees continued:</b>	Councillor Len Scoullar Councillor Alexander Taylor Councillor Richard Trail Councillor Andrew Vennard
<b>Honorary Secretary:</b>	Douglas Hendry Executive Director Argyll and Bute Council
<b>Honorary Treasurer:</b>	Kirsty Flanagan FCCA,CPFA,ACIB Section 95 Officer Argyll and Bute Council
<b>Independent Auditor:</b>	John Cornett FCPFA Audit Director Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Governing Document**

The Trust is a scheme under the Education (Scotland) Acts, 1939 to 1956, for the future government and management of certain educational endowments in the County of Argyll. Formed by the amalgamation of fourteen individual endowments and approved by His Late Majesty King George V in Council on 24<sup>th</sup> July, 1933.

Robert MacFie of Airds and Oban, Sugar Refiner in Liverpool, died 1899. His will confirmed and recorded in 1899 a bequest of £150.

### **Appointment of Trustees**

The trustees of the charities are the elected members (councillors) of Argyll and Bute Council. Trustees are appointed through their election to Argyll and Bute Council.

### **Organisational Structure**

The trustees (as the elected members of the council) meet once a year at the AGM to consider and approve the annual report and financial statements and any other business such as future plans and the reorganisation of trust funds. The trustees delegate the day to day administration of the charities to officers of the Council. The Council has established a range of committees with delegated powers to allow it to discharge its business effectively. This includes the management of charities. The Council has an approved constitution that governs the conduct of business by the Council and covers standing orders for meetings, a scheme of administration and delegation, financial and security regulations, contract standing orders and an ethical framework.

## County of Argyll Educational Trust Scheme, 1960

### Trustees' Annual Report – For the Year ended 31 March 2020



#### Related Parties

Trustees hold this position because they are elected members of Argyll and Bute Council. Argyll and Bute Council provides administration services to the Trust at no cost to the trust.

#### Risk Management

The Section 95 Officer of Argyll and Bute Council has taken the steps required by trustees to consider the major risks to which the charity is exposed, in particular those related to its operation and finance, and to be satisfied that systems are in place to mitigate the exposure to the major risks.

#### Management of Funds and Investment Policy

The Trustees rely upon the expertise of Argyll and Bute Council to manage the investments to ensure the maximum return at least risk to the charity. The investment approach is a moderate risk tolerance with a balanced portfolio to achieve the primary objectives of capital growth and income for awards. In this way, the capital and income stream for the future benefit of the trust is protected.

The Section 95 Officer of the Council is responsible for securing the proper management of the investments of the trust. The day-to-day management of investments is performed by an external firm of stockbrokers under a discretionary agreement.

#### OBJECTIVES AND ACTIVITIES

The objective of the fund is for the advancement of education for children and young people within the former County of Argyll. This objective is met by the issuing of grants to individuals and organisations.

Robert MacFie - The objective of the fund is for the advancement of education by providing a gold Dux medal to Oban High School.

#### ACHIEVEMENTS AND PERFORMANCE

In the year to 31 March 2020, there were 9 grants made to individuals across Argyll totalling £1,250 (2018-19 - £5,235).

#### FINANCIAL REVIEW

##### Investments and Reserves

The funds increased by £3,411 (2018-19 increased by £39,130). The increase was due to interest received on investment assets offset by a loss on the re-valuation of the investment assets and grants paid out. The reserves of the trust at 31 March 2020 amount to £538,088; £158,620 in unrestricted funds and £379,468 in permanent endowment funds. These funds are held as follows:

	31 March 2019	31 March 2020
	£	£
COIF Charities Investment Fund	391,877	379,468
<b>Investments in Endowment Funds</b>	<b>391,877</b>	<b>379,468</b>
Debtor Barclays Wealth Undistributed income	-	-
Cash and Bank - Argyll & Bute Council	142,800	158,620
	<b>534,677</b>	<b>538,088</b>
Current Assets in Restricted Funds	391,877	379,468
Current Assets in Unrestricted Funds	142,800	158,620
<b>Total Funds</b>	<b>534,677</b>	<b>538,088</b>

**County of Argyll Educational Trust Scheme, 1960**  
**Trustees' Annual Report – For the Year ended 31 March 2020**



Over the year, the value of investments decreased by £12,409 from £391,877 to £379,468. The Charities original investment fund (COIF) valuation at 31 March 2020 was 25,542.41 units held with a unit value of 1,485.64 pence.

The increase in cash and bank from £142,800 to £158,620 is due to investment income received of £16,262, interest from deposits held with Argyll and Bute Council of £808, less grants awarded of £1,250.

**Reserves Policy**

Unrestricted free reserves at 31 March 2020 were £158,620. The Trust has no explicit reserves policy, but the “capital” of the trust is held effectively as a permanent endowment for capital growth and to provide an annual income. Income only from the investments may be distributed on an annual basis to ensure that the original funds grow over time. No specific targets have been set. Any unspent income net of all expenses is held in the unrestricted funds and is available for the objectives of the trust.

**Income and Expenditure**

The Statement of Financial Activities on page 10 provides an analysis of the income and expenditure for the twelve months to 31 March 2020.

Income for the year amounted to £17,070 (2018-19 - £15,704). Expenditure was incurred on grants awarded of £1,250 (2018-19 - £5,235). There was a loss of £12,409 in 2019-20 for changes in the market value of investments (a gain in 2018-19 of £28,661). The Charities original investment fund (COIF) valuation at 31 March 2020 was 25,542.41 units held with a unit value of 1,485.64 pence (31 March 2019 - 1,534.22).

**TRUSTEES' RESPONSIBILITIES STATEMENT**

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

The law applicable to charities in Scotland requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

**CONCLUSION**

The reserves of the trust increased by £3,411 which was due to investment revaluation and Interest received. The trust made 9 awards with total value of £1,250 the trust is well placed to continue to deliver its charitable objects for the foreseeable future.

Since 2013-14 an audit is required to be carried out by the appointed auditor of Argyll and Bute Council in accordance with the requirements of the Local Government (Scotland) Act 1973.

**County of Argyll Educational Trust Scheme, 1960**  
**Trustees' Annual Report – For the Year ended 31 March 2020**



The appointed auditor of Argyll and Bute Council is Audit Scotland and the Trustees would like to thank them for undertaking this task.

**DECLARATION**

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIB
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20



# County of Argyll Educational Trust Scheme, 1960

## Independent Auditor's Report



### Independent auditor's report to the trustees of the County of Argyll Educational Trust Scheme, 1960 and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the County of Argyll Educational Trust Scheme, 1960 for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

##### 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 am independent of the charity 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. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Responsibilities of the trustees for the financial statements

The trustees are 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# County of Argyll Educational Trust Scheme, 1960

## Independent Auditor's Report



In preparing the financial statements, the trustees are responsible for assessing the charity'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 deemed inappropriate.

### **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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report on other requirements**

#### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

#### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

**County of Argyll Educational Trust Scheme, 1960**  
**Independent Auditor's 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 120 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.

John Cornett  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

County of Argyll Educational Trust Scheme, 1960  
Statement of Financial Activities – for the Year ended March 2020



## STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDING MARCH 2020

	Note	Total Funds 2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generating funds:</b>					
Investment income from managed funds	5	12,854	16,262	-	16,262
Interest from short-term deposits		2,850	808	-	808
<b>Total Incoming Resources</b>		<b>15,704</b>	<b>17,070</b>	<b>-</b>	<b>17,070</b>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds:</b>					
Investment management costs	6	-	-	-	-
Audit fee	7	-	-	-	-
<b>Charitable Activities:</b>					
Grants awarded	8	5,235	1,250	-	1,250
<b>Governance costs</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Resources Expended</b>		<b>5,235</b>	<b>1,250</b>	<b>-</b>	<b>1,250</b>
<b>Net Incoming/(Outgoing) Resources before Other Recognised Gains/(Losses)</b>		<b>10,469</b>	<b>15,820</b>	<b>-</b>	<b>15,820</b>
<b>OTHER RECOGNISED GAINS AND (LOSSES)</b>					
<b>Gains and (losses) on investment assets</b>					
Realised gains/(losses)	9	-	-	-	-
Unrealised gains/(losses)		28,661	-	(12,409)	(12,409)
<b>Total Gains and (Losses) on Investment Assets</b>		<b>28,661</b>	<b>-</b>	<b>(12,409)</b>	<b>(12,409)</b>
<b>Net Movement in Funds</b>		<b>39,130</b>	<b>15,820</b>	<b>(12,409)</b>	<b>3,411</b>
Total funds brought forward		495,547	142,800	391,877	534,677
<b>Total funds carried forward</b>		<b>534,677</b>	<b>158,620</b>	<b>379,468</b>	<b>538,088</b>

All incoming resources and resources expended derive from continuing activities.

The notes on pages 12 to 14 form an integral part of these financial statements.

## County of Argyll Educational Trust Scheme, 1960

## Balance Sheet as at 31 March 2020



## BALANCE SHEET AS AT 31 MARCH 2020

	Note	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2019 £	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds 2020 £
<b>Fixed Assets</b>							
Investments	10	-	391,877	391,877	-	379,468	379,468
<b>Total Fixed Assets</b>		<b>-</b>	<b>391,877</b>	<b>391,877</b>	<b>-</b>	<b>379,468</b>	<b>379,468</b>
<b>Current Assets</b>							
Debtors	12			-			-
Cash at Bank and at Hand	11	142,800	-	142,800	158,620	-	158,620
<b>Total Current Assets</b>		<b>142,800</b>	<b>-</b>	<b>142,800</b>	<b>158,620</b>	<b>-</b>	<b>158,620</b>
<b>Current Liabilities</b>							
Creditors: amounts falling due within one year		-	-	-	-	-	-
<b>Net Current Assets or Liabilities</b>		<b>142,800</b>	<b>-</b>	<b>142,800</b>	<b>158,620</b>	<b>-</b>	<b>158,620</b>
<b>Total Assets less Current Liabilities</b>		<b>142,800</b>	<b>391,877</b>	<b>534,677</b>	<b>158,620</b>	<b>379,468</b>	<b>538,088</b>
<b>Funds of the Charity</b>							
Unrestricted Funds	13	142,800	-	142,800	158,620	-	158,620
Endowment Funds		-	391,877	391,877	-	379,468	379,468
<b>Total Charity Funds</b>		<b>142,800</b>	<b>391,877</b>	<b>534,677</b>	<b>158,620</b>	<b>379,468</b>	<b>538,088</b>

The notes on pages 12 to 14 form an integral part of these financial statements.

Approved and authorised for issue by the trustees on 22<sup>nd</sup> September 2020 and signed on their behalf by:

Signature(s):		
Full names(s):	Alexander Taylor	Kirsty Flanagan FCCA,CPFA,ACIB
Position:	Trustee	Honorary Treasurer
Date:	22/09/20	22/09/20

# County of Argyll Educational Trust Scheme, 1960

## Notes to the Financial Statements



### 1. Basis of Preparation

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

#### 1.1. Basis of Accounting

The financial statements are prepared under the historic cost convention and in accordance with:

- a) Accounting and Reporting by Charities – Statement of Recommended Practice (SORP 2005 - 2<sup>nd</sup> Edition); and the Financial Reporting Standard for Smaller Entities FRS102.
- b) The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

### 2. Accounting Policies

#### 2.1 Form of Financial Statements

- a) Unrestricted funds are those that may be used at the discretion of the trustees in the furtherance of the objects of the charity.
- b) The permanent endowment funds are invested in perpetuity and derive an annual investment income which is available for distribution.

#### 2.2 Incoming Resources

- a) All incoming resources are recognised and included in the Statement of Financial Activities when the charity becomes entitled to the resources; the trustees are virtually certain they will receive the resources and the monetary value can be measured with sufficient reliability. The following specific policies are applied to particular categories of income.
- b) Income from investments is included in the year to which it relates.
- c) Investments gains and losses includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.
- d) The value of the services provided free of charge by Argyll and Bute Council has not been included in the accounts but is described in the trustees' annual report.

#### 2.3 Resources Expended

- a) All expenditure is included in the Statement of Financial Activities on an accrual basis and is recognised when there is a legal or constructive obligation to pay out resources.

#### 2.4 Investments

The Charities original investment fund (COIF) valuation at 31 March 2020 was 25,542.41 units held with a unit value of 1,485.64

### 3. Taxation

The charity is not liable to income or capital gains tax on its charitable activities. Irrecoverable VAT is included in the expense to which it relates.

### 4. Trustee Remuneration, Expenses and Related Party Transactions

- (a) No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year (2018-19 - Nil).

## County of Argyll Educational Trust Scheme, 1960

## Notes to the Financial Statements



- (b) The trust received interest of £808 (2018-19 £2,850) from Argyll and Bute Council on unrestricted reserves placed on short-term deposit with them. All transactions incoming and outgoing are made via the Council's accounts.
- (c) There were no other transactions between the charity and any trustee or any connected person during the year (2018-19 - Nil).

**5. Investment Income**

	<b>Total Funds 2019 £</b>	<b>Unrestricted Funds £</b>	<b>Permanent Endowment Fund £</b>	<b>Total Funds 2020 £</b>
Investment Interest from CCLA	12,854	16,262	-	16,262
Interest on Short-term deposits with Argyll and Bute Council	2,850	808	-	808
<b>Total Investment Income</b>	<b>15,704</b>	<b>17,070</b>	<b>-</b>	<b>17,070</b>

**6. Investment Management Costs**

In the year to 31 March 2020 there were no investment management fees (2018-19 - £Nil).

**7. Audit Fees**

The independent auditor's fee is not charged to the charity, the cost is borne by the Council.

**8. Grants Awarded**

During the year to 31 March 2020, £1,250 of grants were awarded to 9 individuals in accordance with the trust's objective of the advancement of education for children and young people within the former County of Argyll.

**9. Gains and Losses on Investment Assets**

Over the year, the value of investments decreased by £12,409 from £391,877 to £379,468 due to yearend valuation of Charities Original Investment Fund (COIF) unit trust investments.

**10. Fixed Asset Investments**

There were 25,542.41 units held in the Charities Original Investment Fund (COIF) at a unit price of 1,485.64 at 31 March 2020.

## County of Argyll Educational Trust Scheme, 1960

## Notes to the Financial Statements



## 11. Cash and Bank Balances

	Unrestricted Funds £	Permanent Endowment Funds £	Total Funds £
<b>Short-term deposits with Argyll and Bute Council:</b>			
<b>Carrying value at 1 April 2019</b>	<b>142,800</b>	-	<b>142,800</b>
Add: lodgements during year	17,070	-	17,070
(Less): withdrawals during year	(1,250)	-	(1,250)
Gains/losses	-	-	-
<b>Cash and Bank at 31 March 2020</b>	<b>158,620</b>	-	<b>158,620</b>

During the year the above short term deposits were held by Argyll and Bute Council, which manages the administration of the funds on behalf of the Trustees. The Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. No costs were incurred by the trust for this work. The balances are repayable on demand. Interest is payable on the balance.

## 12. Debtors: Amounts Falling Due within One Year

At 31 March 2020 there were no debtors falling due within one year (at 31 March 2019 - Nil).

## 13. Movement in Funds

	At 1 April 2019 £	Incoming Resources £	Outgoing Resources	Gains/ Losses £	At 31 March 2020 £
Unrestricted Revenue Funds	142,800	17,070	(1,250)	0	158,620
Permanent Endowment Funds	391,877	-	0	(12,409)	379,468
<b>Total Funds</b>	<b>534,677</b>	<b>17,070</b>	<b>(1,250)</b>	<b>12,409</b>	<b>538,088</b>



CHARITY REGISTRATION NUMBER: SC021328

**Oban Common Good Fund  
Financial Statements  
31 March 2020**

**Oban Common Good Fund**

**Financial Statements**

**Year ended 31 March 2020**

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**Oban Common Good Fund**

**Trustees' Annual Report**

**Year ended 31 March 2020**

The trustees present their report and the financial statements of the charity for the year ended 31 March 2020.

**Reference and administrative details**

**Registered charity name**           Oban Common Good Fund  
**Charity registration number**    SC021328  
**Principal office**                   Argyll & Bute Council Area office  
  Lorn House  
  Albany Street  
  Oban

**The trustees**

Councillor E Robertson  
Councillor Sir J McGrigor  
Councillor J Lynch  
Councillor K Green

**Company secretary**               Ms Kirsty Flanagan FCCA CPFA ACIBS

**Auditor**                               John Cornett FCPFA  
  Audit Scotland  
  4<sup>th</sup> Floor, 102 West Port  
  Edinburgh  
  EH3 9DN

**Bankers**                               Royal Bank of Scotland  
  Oban

## Oban Common Good Fund

### Trustees' Annual Report *(continued)*

Year ended 31 March 2020

#### **Structure, governance and management**

##### Legal and Administrative Status

The Oban Common Good Fund is regulated by the Local Government Scotland Act 1973. It is registered as a charity in Scotland, and is recognised as a charity for taxation purposes by H M Revenue & Customs

##### Recruitment and Appointment of Management Committee

The management committee consisted of three councillor who represent the two wards of Oban plus one further councillor.

The councillors are charity trustees for the purposes of charity law and are replaced by their successors during each local government election.

##### Trustee Induction and Training

Most councillors are already familiar with the work of the charity and attend an introductory meeting with those councillors who continue as trustees to introduce the most recent work of the charity and to introduce current objectives and plans.

##### Organisational structure

The trustees meet on a quarterly basis to review grant applications and monitor the fund's financial position. The trustees use an agreed distribution policy in order to determine the approval and level of grant assistance made available to the applicant. Approval for grants over £6,000 requires the agreement of all trustees.

The trustees delegate day to day responsibility for the running of the fund to the secretary and fund administrators. The fund administrators were appointed in 2015 and again in 2018 following a competitive tender process and are currently Simmers & Co, Chartered Accountants.

##### Risk Management

The trustees have assessed the major risks to which the charity is exposed, and in particular those related to the finance of the fund, and are satisfied that systems are in place to mitigate exposure to the major risks.

#### **Objectives and activities**

The fund consists of a Revenue Account and a Capital Account, with the Capital Account being held in perpetuity with no distribution permitted therefrom without the prior consent of Argyll & Bute Council as parent body.

The Revenue Account represents income available for distribution and the Capital invested in perpetuity derives an annual investment income which is available for distribution annually once associated fund costs have been accounted for.

The objectives are to administer the fund having regard to the interests of the inhabitants of the town of Oban. A comprehensive distribution policy provides a framework for grant distributions.

**Oban Common Good Fund****Trustees' Annual Report** *(continued)***Year ended 31 March 2020****Achievements and performance**

The Fund agreed to the distribution of 18 grants totalling £45,269 in grants as detailed in Note 3 on page 10 of the financial statements. Projects support covered a wide spectrum of community activity in Oban arts, sports, economic development and cultural heritage. In the current climate of severe financial constraints, the Trustees recognise that there will continue to be substantial pressures placed on the Fund in terms of the number of applications, which must be balanced against the income to the Fund, which is subject to the vagaries of the stock market. In terms of this latter issue, management of the funds is delegated to CCLA for Charities to increase the ethical approach to investment whilst maintaining a positive return.

**Financial review**

The funds result for the year was a deficit on unrestricted funds of £4,134 (2019 - surplus £21,111) and a deficit on restricted funds of £164,548 (2019 - £29,514), the latter due, in part, to property depreciation as well as a loss in the value of the investment fund in the final quarter due to global decline in share prices which adversely affected both the restricted and unrestricted fund results.

**Reserves policy**

The Oban Common Good Fund invests the capital account in perpetuity in order to generate investment income to distribute annually, the balance of undistributed funds in any year is maintained in a revenue account. This can be used to increase the capital account where the return from the capital account investments shows signs of diminishing in real terms value due to the economic climate.

Including the revaluation reserve, the restricted (Investment and Capital) Funds amounted to £5,959,769 (2019 - £6,124,317) and the unrestricted (Income/ Revenue) funds amounted to £362,391 (2019 - £366,525). Included within capital funds is property with a net book value of £4,702,500.

**Plans for future periods**

The trustees recognise that the current pandemic is having serious impacts on the town of Oban and will look to assist where possible to mitigate the effects whilst carefully monitoring the fund's investment performance to ensure its long term sustainability

**Trustees' responsibilities statement**

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period.

**Oban Common Good Fund**

**Trustees' Annual Report** *(continued)*

**Year ended 31 March 2020**

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustees Investments (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006, and the provisions of the Trust Deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees' annual report was approved on 22<sup>nd</sup> September 2020 and signed on behalf of the board of trustees by:

Councillor E Robertson  
Trustee

Ms Kirsty Flanagan FCCA CPFA ACIBS  
Charity Secretary

## Oban Common Good Fund

### Independent Auditor's Report to the Members of Oban Common Good Fund

Year ended 31 March 2020

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Oban Common Good Fund for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

##### 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 am independent of the charity 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. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Responsibilities of the trustees for the financial statements

The trustees are 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 trustees determine 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 trustees are responsible for assessing the charity'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 deemed inappropriate.

## Oban Common Good Fund

### Independent Auditor's Report to the Members of Oban Common Good Fund

Year ended 31 March 2020

#### **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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

#### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### **Report on other requirements**

##### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

##### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

#### **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 120 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.



**Oban Common Good Fund**

**Independent Auditor's Report to the Members of Oban Common Good Fund**

**Year ended 31 March 2020**

John Cornett  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

John Cornett is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

## Oban Common Good Fund

## Statement of Financial Activities

Year ended 31 March 2020

		2020			2019
	Note	Unrestricted funds £	Restricted funds £	Total funds £	Total funds £
<b>Income and endowments</b>					
Investment income	4	52,738	–	<b>52,738</b>	51,638
<b>Total income</b>		<u>52,738</u>	<u>–</u>	<u><b>52,738</b></u>	<u>51,638</u>
<b>Expenditure</b>					
Expenditure on charitable activities	5,6	47,916	123,750	<b>171,666</b>	174,963
<b>Total expenditure</b>		<u>47,916</u>	<u>123,750</u>	<u><b>171,666</b></u>	<u>174,963</u>
Net (losses)/gains on investments	8	8,956	40,798	<b>49,754</b>	(114,923)
<b>Net expenditure</b>		<u>(4,134)</u>	<u>(164,548)</u>	<u><b>(168,682)</b></u>	<u>(8,402)</u>
<b>Other recognised gains and losses</b>					
Other gains/(losses) user defined 1		–	–	–	1,477,440
<b>Net movement in funds</b>		<u>(4,134)</u>	<u>(164,548)</u>	<u><b>(168,682)</b></u>	<u>1,469,038</u>
<b>Reconciliation of funds</b>					
Total funds brought forward		366,525	6,124,316	<b>6,490,841</b>	5,021,803
<b>Total funds carried forward</b>		<u>362,391</u>	<u>5,959,768</u>	<u><b>6,322,159</b></u>	<u>6,490,841</u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

The notes on pages 11 to 20 form part of these financial statements.

## Oban Common Good Fund

## Statement of Financial Position

31 March 2020

	Note	2020		2019
		£	£	£
<b>Fixed assets</b>				
Tangible fixed assets	13		<b>4,702,500</b>	4,826,250
Investments	14		<b>1,541,543</b>	1,591,297
			<b>6,244,043</b>	6,417,547
<b>Current assets</b>				
Debtors	15	<b>13,509</b>		13,514
Cash at bank and in hand		<b>84,660</b>		95,916
		<b>98,169</b>		109,430
<b>Creditors: amounts falling due within one year</b>	17	<b>20,053</b>		36,136
<b>Net current assets</b>			<b>78,116</b>	73,294
<b>Total assets less current liabilities</b>			<b>6,322,159</b>	6,490,841
<b>Net assets</b>			<b>6,322,159</b>	6,490,841
<b>Funds of the charity</b>				
Restricted funds			<b>5,959,768</b>	6,124,316
Unrestricted funds			<b>362,391</b>	366,525
<b>Total charity funds</b>	18		<b>6,322,159</b>	6,490,841

These financial statements were approved by the board of trustees and authorised for issue on 22<sup>nd</sup> September 2020, and are signed on behalf of the board by:

Councillor E Robertson  
Trustee

The notes on pages 11 to 20 form part of these financial statements.

## Oban Common Good Fund

## Statement of Cash Flows

Year ended 31 March 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
Net expenditure		(168,682)	(8,402)
<i>Adjustments for:</i>			
Depreciation of tangible fixed assets		123,750	123,750
Net losses/(gains) on investments		49,754	(114,923)
Dividends, interest and rents from investments		(52,565)	(51,537)
Other interest receivable and similar income		(173)	(101)
Accrued (income)/expenses		(16,890)	27,123
<i>Changes in:</i>			
Trade and other debtors		(5)	(6)
Cash generated from operations		(64,801)	(24,096)
Interest received		173	101
Net cash used in operating activities		<u>(64,628)</u>	<u>(23,995)</u>
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments		52,565	51,537
Net cash from investing activities		<u>52,565</u>	<u>51,537</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(12,063)</b>	27,542
<b>Cash and cash equivalents at beginning of year</b>		<b>89,908</b>	62,366
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b><u>77,845</u></b>	<b><u>89,908</u></b>

The notes on pages 11 to 20 form part of these financial statements.

**Oban Common Good Fund**  
**Notes to the Financial Statements**  
**Year ended 31 March 2020**

**1. General information**

The charity is a public benefit entity and a registered charity in Scotland and is unincorporated. The address of the principal office is Argyll & Bute Council, Kilmory, Lochgilphead, PA31 8RT.

**2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)) and the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006 (as amended).

**3. Accounting policies**

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through income or expenditure.

The financial statements are prepared in sterling, which is the functional currency of the entity.

**Going concern**

There are no material uncertainties about the charity's ability to continue.

**Fund accounting**

Unrestricted funds are available for use at the discretion of the trustees to further any of the charity's purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular future project or commitment.

Restricted funds are subjected to restrictions on their expenditure declared by the donor or through the terms of an appeal, and fall into one of two sub-classes: restricted income funds or endowment funds.

**Oban Common Good Fund****Notes to the Financial Statements** *(continued)***Year ended 31 March 2020****3. Accounting policies** *(continued)***Incoming resources**

All incoming resources are included in the statement of financial activities when entitlement has passed to the charity; it is probable that the economic benefits associated with the transaction will flow to the charity and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- income from donations or grants is recognised when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably.
- legacy income is recognised when receipt is probable and entitlement is established.
- income from donated goods is measured at the fair value of the goods unless this is impractical to measure reliably, in which case the value is derived from the cost to the donor or the estimated resale value. Donated facilities and services are recognised in the accounts when received if the value can be reliably measured. No amounts are included for the contribution of general volunteers.
- income from contracts for the supply of services is recognised with the delivery of the contracted service. This is classified as unrestricted funds unless there is a contractual requirement for it to be spent on a particular purpose and returned if unspent, in which case it may be regarded as restricted.

**Resources expended**

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is classified under headings of the statement of financial activities to which it relates:

- expenditure on raising funds includes the costs of all fundraising activities, events, non-charitable trading activities, and the sale of donated goods.
- expenditure on charitable activities includes all costs incurred by a charity in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including those support costs and costs relating to the governance of the charity apportioned to charitable activities.
- other expenditure includes all expenditure that is neither related to raising funds for the charity nor part of its expenditure on charitable activities.

All costs are allocated to expenditure categories reflecting the use of the resource. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs are apportioned between the activities they contribute to on a reasonable, justifiable and consistent basis.

**Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**Oban Common Good Fund****Notes to the Financial Statements** *(continued)***Year ended 31 March 2020****3. Accounting policies** *(continued)***Tangible assets** *(continued)*

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other recognised gains and losses, unless it reverses a charge for impairment that has previously been recognised as expenditure within the statement of financial activities. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other recognised gains and losses, except to which it offsets any previous revaluation gain, in which case the loss is shown within other recognised gains and losses on the statement of financial activities.

**Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property - Straight line over 40 years

**Investments**

Unlisted equity investments are initially recorded at cost, and subsequently measured at fair value. If fair value cannot be reliably measured, assets are measured at cost less impairment.

Listed investments are measured at fair value with changes in fair value being recognised in income or expenditure.

**Investments in associates**

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value taken through income or expenditure. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

**Investments in joint ventures**

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value taken through income or expenditure. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

**Oban Common Good Fund****Notes to the Financial Statements** *(continued)***Year ended 31 March 2020****3. Accounting policies** *(continued)***Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the charity are assigned to those units.

**Financial instruments**

A financial asset or a financial liability is recognised only when the charity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the amount receivable or payable including any related transaction costs.

Current assets and current liabilities are subsequently measured at the cash or other consideration expected to be paid or received and not discounted.

Where investments in shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in income and expenditure. All other such investments are subsequently measured at cost less impairment.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the statement of financial activities, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised under the appropriate heading in the statement of financial activities in which the initial gain was recognised.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.



## Oban Common Good Fund

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

3. Accounting policies *(continued)*Financial instruments *(continued)*

Any reversals of impairment are recognised immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

## 4. Investment income

	Unrestricted Funds £	<b>Total Funds 2020 £</b>	Unrestricted Funds £	Total Funds 2019 £
Income from listed investments	52,565	<b>52,565</b>	51,537	51,537
Bank interest	173	<b>173</b>	101	101
	<u>52,738</u>	<u><b>52,738</b></u>	<u>51,638</u>	<u>51,638</u>

## 5. Expenditure on charitable activities by fund type

	Unrestricted Funds £	Restricted Funds £	<b>Total Funds 2020 £</b>
Grants awarded	45,267	–	<b>45,267</b>
Support costs	2,649	123,750	<b>126,399</b>
	<u>47,916</u>	<u>123,750</u>	<u><b>171,666</b></u>

	Unrestricted Funds £	Restricted Funds £	Total Funds 2019 £
Grants awarded	47,752	–	47,752
Support costs	3,461	123,750	127,211
	<u>51,213</u>	<u>123,750</u>	<u>174,963</u>

## 6. Expenditure on charitable activities by activity type

	Grant funding of activities £	Support costs £	<b>Total funds 2020 £</b>	Total fund 2019 £
Grants awarded	45,267	–	<b>45,267</b>	47,752
Governance costs	–	126,399	<b>126,399</b>	127,211
	<u>45,267</u>	<u>126,399</u>	<u><b>171,666</b></u>	<u>174,963</u>

## Oban Common Good Fund

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

## 7. Analysis of grants

<b>Grants awarded</b>	<b>£</b>
Family Mediation	1,300
Camanachd Association	4,300
Oban Vikings	3,574
Oban Bowling Club	1,500
Argyll & Bute Rape Crisis	2,000
Argyllshire Gathering	4,000
Oban FM	4,822
Oban Winter Festival	4,000
Oban & Lorn Tourism Association	2,500
Lorn Group – SWI	1,250
Oban Gaelic Choir	800
Martyn's Monday Club	6,000
Crossroads	2,000
Oban Saints	2,000
Footprint Alba	2,038
Oban Pipe Band	1,500
Police Scotland Volunteers	6,033
Grants awarded not fully drawn down	(4,350)
	<b><u>45,267</u></b>

## 8. Net (losses)/gains on investments

	Unrestricted Funds £	Restricted Funds £	Total Funds 2020 £
Gains/(losses) on other investment assets	<u>(8,956)</u>	<u>(40,798)</u>	<u>(49,754)</u>
	Unrestricted Funds £	Restricted Funds £	Total Funds 2019 £
Gains/(losses) on other investment assets	<u>20,687</u>	<u>94,236</u>	<u>114,923</u>

## 9. Net expenditure

Net expenditure is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	<u>123,750</u>	<u>123,750</u>

## 10. Staff costs

The average head count of employees during the year was Nil (2019: Nil). No employee received employee benefits of more than £60,000 during the year (2019: Nil).

## 11. Trustee remuneration and expenses

No remuneration or other benefits from employment with the charity or a related entity were received by the trustees.

## 12. Transfers between funds

There were no fund transfers in the year.

## Oban Common Good Fund

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

## 13. Tangible fixed assets

	Land and buildings £
<b>Cost</b>	
At 1 April 2019 and 31 March 2020	<u>4,950,000</u>
<b>Depreciation</b>	
At 1 April 2019	123,750
Charge for the year	<u>123,750</u>
<b>At 31 March 2020</b>	<u>247,500</u>
<b>Carrying amount</b>	
At 31 March 2020	<u>4,702,500</u>
At 31 March 2019	<u>4,826,250</u>

Oban Common Good Fund have leased the Oban Swimming Pool to Oban and Lorn Community Enterprise Ltd (OLCE) for a peppercorn rent. The Oban Common Good Fund has classified this as an operating lease recognising the totality of the arrangement with OLCE:-

- OLCE have since 1994, fundraised and built a multi-purpose sports facility to compliment the original swimming pool.
- Argyll and Bute Council provide an annual operating subsidy, (£436k – 2017/18), towards the running costs of the facility.
- At expiry of the lease in 2037, the facility will revert back to the Oban Common Good.

The Oban Swimming Pool was transferred to the Oban Common Good Fund in 1995 but only recognised in the 2013 accounts with an effective transfer date of 1 April 2012. At that date, the building was transferred at a historic cost of £1,088,392 and accumulated depreciation of £424,323. The building was subsequently revalued by Argyll and Bute Council on 31 March 2019 on a Depreciation Replacement Costs basis.

## 14. Investments

	Other investments £
<b>Cost or valuation</b>	
At 1 April 2019	1,591,297
Additions	–
Other movements	<u>(49,754)</u>
<b>At 31 March 2020</b>	<u>1,541,543</u>
<b>Impairment</b>	
At 1 April 2019 and 31 March 2020	<u>–</u>
<b>Carrying amount</b>	
At 31 March 2020	<u>1,541,543</u>
At 31 March 2019	<u>1,591,297</u>

All investments shown above are held at valuation.

## Oban Common Good Fund

Notes to the Financial Statements *(continued)*

## Year ended 31 March 2020

## 15. Debtors

	<b>2020</b>	2019
	£	£
Other debtors	<b><u>13,509</u></b>	<u>13,514</u>

## 16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	<b>2020</b>	2019
	£	£
Cash at bank and in hand	<b>84,660</b>	95,916
Bank overdrafts	<b><u>(6,815)</u></b>	<u>(6,008)</u>
	<b><u>77,845</u></b>	<u>89,908</u>

## 17. Creditors: amounts falling due within one year

	<b>2020</b>	2019
	£	£
Bank loans and overdrafts	<b>6,815</b>	6,008
Accruals and deferred income	<b><u>13,238</u></b>	<u>30,128</u>
	<b><u>20,053</u></b>	<u>36,136</u>

## Oban Common Good Fund

## Notes to the Financial Statements (continued)

## Year ended 31 March 2020

## 18. Analysis of charitable funds

## Unrestricted funds

	At 1 April 2019 £	Income £	Expenditure £	Gains and losses £	At 31 March 2020 £
General funds	366,525	52,738	(47,916)	(8,956)	362,391

	At 1 April 2018 £	Income £	Expenditure £	Gains and losses £	At 31 March 2019 £
General funds	345,413	51,638	(51,213)	20,687	366,525

## Restricted funds

	At 1 April 2019 £	Income £	Expenditure £	Gains and losses £	At 31 March 2020 £
Investment funds	1,298,066	-	-	(40,798)	1,257,268
Oban swimming pool	4,826,250	-	(123,750)	-	4,702,500
	<u>6,124,316</u>	<u>-</u>	<u>(123,750)</u>	<u>(40,798)</u>	<u>5,959,768</u>

	At 1 April 2018 £	Income £	Expenditure £	Gains and losses £	At 31 March 2019 £
Investment funds	1,203,830	-	-	94,236	1,298,066
Oban swimming pool	3,472,560	-	(123,750)	1,477,440	4,826,250
	<u>4,676,390</u>	<u>-</u>	<u>(123,750)</u>	<u>1,571,676</u>	<u>6,124,316</u>

## Oban Common Good Fund

Notes to the Financial Statements *(continued)*

Year ended 31 March 2020

## 19. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total Funds 2020 £
Tangible fixed assets	–	4,702,500	<b>4,702,500</b>
Investments	284,275	1,257,268	<b>1,541,543</b>
Current assets	98,169	–	<b>98,169</b>
Creditors less than 1 year	(20,053)	–	<b>(20,053)</b>
<b>Net assets</b>	<u>362,391</u>	<u>5,959,768</u>	<u><b>6,322,159</b></u>

	Unrestricted Funds £	Restricted Funds £	Total Funds 2019 £
Tangible fixed assets	–	–	–
Investments	–	–	–
Current assets	–	–	–
Creditors less than 1 year	–	–	–
<b>Net assets</b>	<u>–</u>	<u>–</u>	<u>–</u>

## 20. Analysis of changes in net debt

	At 1 Apr 2019 £	Cash flows £	At 31 Mar 2020 £
Cash at bank and in hand	95,916	(11,256)	<b>84,660</b>
Bank overdrafts	(6,008)	(807)	<b>(6,815)</b>
	<u>89,908</u>	<u>(12,063)</u>	<u><b>77,845</b></u>