

Public Document Pack

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

Executive Director: Douglas Hendry



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11 June 2021

SUPPLEMENTARY PACK

AUDIT AND SCRUTINY COMMITTEE - BY SKYPE on TUESDAY, 15 JUNE 2021 at 10:00 AM

I enclose herewith **item 14 (UNAUDITED FINANCIAL ACCOUNTS)** which was marked to follow on the Agenda for the above meeting.

Douglas Hendry
Executive Director

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

14. UNAUDITED FINANCIAL ACCOUNTS (Pages 3 - 156)

Report by Chief Financial Officer

Audit and Scrutiny Committee

Martin Caldwell (Chair)
Councillor George Freeman
Councillor Sir Jamie McGrigor
Councillor Richard Trail

Councillor Jim Findlay
Councillor Jim Lynch (Vice-Chair)
Councillor Alan Reid
Councillor Andrew Vennard

Shona Barton, Committee Manager

Contact: Lynsey Innis, Senior Committee Assistant; Tel: 01546 604338

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ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****15 JUNE 2021**

2020-21 UNAUDITED ANNUAL ACCOUNTS

1. EXECUTIVE SUMMARY

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2020-21 and a summary of the significant movements from 2019-20. It also gives information on the revenue outturn for 2020-21 and Council will be asked to approve the Unaudited Annual Accounts for 2020-21 for issue.
- 1.2 The Comprehensive Income and Expenditure statement shows a surplus on the provision of services of £15.746m, a surplus on the revaluation of Long Term Assets of £9.930m and an actuarial loss on the pension fund assets/liability of £3.388m giving an accounting surplus of £22.288m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £22.288m from £325.471m as at 31 March 2020 to £347.759m as at 31 March 2021. The main reason for this increase relates to an increase in cash and cash equivalents due to significant COVID funding provided prior to 31 March 2020 to be used in both 2020-21 and 2021-22 and an increase on the pensions liability.
- 1.4 The balance of unusable reserves has decreased by £8.994m from £269.579m as at 31 March 2020 to £260.585m as at 31 March 2021. The main reasons for the decrease relates to a decrease in the pension fund reserve which matches the increase in the pensions liability referenced above and an increase in the revaluation reserve.
- 1.5 The balance of usable reserves has increased by £31.282m from £55.892m as at 31 March 2020 to £87.174m as at 31 March 2021. This is due to an increase to the General Fund of £30.964m in addition to small increases to the Capital Fund and the Repairs and Renewals Fund.
- 1.6 In respect of the General Fund Balance movement, there has been a significant increase of £30.964m from a balance of £49.670m to £80.634m. The main increase is in respect of the new earmarking at the end of 2021-22, with the most significant being in respect of COVID-19 funding received from the Scottish Government to be used in both 2020-21 and 2021-22 in addition to unspent grant carry forwards and unspent budget carry forward proposals. There are substantial sums earmarked within the general fund amounting to £74.277m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.032m. The remaining unallocated balance amounts to £1.325m.
- 1.7 The performance against budget for financial year 2020-21 was an overall

underspend of £0.188m, 0.07% after accounting for new earmarking. There was a net underspend of £0.003m in relation to Council services departmental expenditure, a net underspend of £0.230m in relation to other central costs and a net under recovery of funding of £0.045m. Social Work, managed by the Health and Social Care Partnership were underspent by £0.907m however this underspend was used to reduce the HSCP's debt to the Council for historic overspends. This is consistent with the Scheme of Delegation.

- 1.8 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2021.

2020-21 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the Unaudited Annual Accounts for 2020-21 and a summary of the significant movements from 2019-20. It also gives information on the revenue outturn for 2020-21 and Council will be asked to approve the Unaudited Annual Accounts for 2020-21 for issue.

3. RECOMMENDATIONS

- 3.1 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2021.

4. DETAIL**Introduction**

- 4.1 The annual accounts set out the financial statements of the Council and its group for the year ended 31 March 2021. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2020-21 accounts have been prepared in accordance with this Code.
- 4.2 There is a statutory requirement to prepare a set of accounts and submit them to the Council and the Controller of Audit. The date set by the Scottish Government for the submission of the unaudited annual accounts is usually 30 June each year. The Scottish Government interpreted provisions within the Coronavirus (Scotland) Act 2020 to modify the Public Finance and Accountability (Scotland) Act 2000 for the financial year ending 31 March 2020 to extend the administrative deadlines for local government accounts. This provision was extended for the 2020-21 accounts, however, the Council continued to work to the 30 June deadline. The deadline for publication of the signed accounts has been delayed until it is 'reasonably practical' with this date considered to be 30 November 2021.
- 4.3 It should be noted that the Annual Accounts have still to be audited and therefore figures are subject to change. Once the audit has been completed the Audit and Scrutiny Committee will be advised by the external auditor of any material issues coming to light during the audit and any changes to the Accounts. The timing of this meeting will depend on when the audit is completed. The Audited Accounts, Audit Certificate and Auditors final report will then be submitted to the Council.
- 4.4 Since 2010-11, Local Authorities have been required to prepare financial statements

following International Financial Reporting Standards (IFRS). Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement to include a Management Commentary in the Accounts. The contents of the Annual Accounts are noted below:

- Management Commentary
- Statement of Responsibilities for Annual Accounts
- Annual Governance Statement
- The Remuneration Report
- Expenditure and Funding Analysis
- Statement of Comprehensive Income and Expenditure
- Balance Sheet
- Statement of Movement in Reserves
- Cash Flow Statement
- Notes to the Financial Statements
- Council Tax and Non-Domestic Rate Income Accounts
- Group Accounts

- 4.5 **Management Commentary:** The Management Commentary outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced in making Argyll and Bute a place where people want to live, learn, work and do business.
- 4.6 **Statement of Responsibilities for the annual accounts:** this outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.
- 4.7 **Annual Governance Statement:** this statement states its view on the adequacy of its governance and internal control system. It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council during 2020-21 and that there are no significant weaknesses.
- 4.8 **Remuneration Report:** this report provides details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers in addition to detail on employee exit packages.
- 4.9 **Expenditure and Funding Analysis:** this shows how the Council funding is spent across services. It also compares to the expenditure shown in Comprehensive Income and Expenditure Statement (CIES) and details the differences between the two. The differences are as a result of accounting statutory adjustments that are required within the CIES, for example, depreciation, pension adjustments etc.

Comprehensive Income and Expenditure Statement (CIES)

- 4.10 The statement of comprehensive income and expenditure shows the accounting cost of providing services rather than the amount to be funded from taxation. 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. These

accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2021.

- 4.11 The Council ended the year with a surplus of £22.288m for 2020-21, this is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure comprises of a surplus on the provision of services of £15.746m, increased by a surplus on the revaluation of Long Term Assets of £9.930m and decreased by an actuarial loss on the pension fund assets/liability of £3.388m.
- 4.12 The surplus on the provision of services of £15.746m compares to a surplus of £6.234m for 2019-20. The main factors contributing to this change is a decrease in the Net Cost of Services of £4.848m, an increase in other operating income and expenditure of £5.690m, a decrease in financing and investment income and expenditure of £1.651m and an increase in the overall funding of £8.703m.
- 4.13 The table below, sets out a reconciliation of the surplus on the provision of services of £15.746m as noted in the Statement of Comprehensive Income and Expenditure to the revenue budget outturn of £0.188m underspend.

	£000	£000
Surplus/(Deficit) on Provision of Services		15,746
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	22,041	
Impairment of Assets charged to services	(3,142)	
Capital Funding	(13,495)	
CFCR	(744)	
Pension Adjustment	11,580	
Statutory Repayment of Debt	(5,246)	
Repayment of Finance Leases	(2,592)	
Transfers to/from Other Statutory Reserves	(291)	
Other Adjustments	7,107	
		15,218
Movement In General Fund Balance		30,964
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2020-21	7,749	
Supplementary estimates agreed during 2020-21	15	
Revenue Budget 20-21 - investment in Capital	(2,636)	
Repayment of Social Work Overspend by HSCP	(2,590)	
Contributions to earmarked reserves 2020-21	(33,314)	
		(30,776)
Revenue Budget Underspend/(Overspend)		188

- 4.14 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £22.288 from £325.471m as at 31 March 2020 to £347.759m as at 31 March 2021. The major changes are set out in the table below.

	31/03/2020 £000	31/03/2021 £000	Change £000	Main Reason
Long Term Assets	648,377	653,832	5,455	Asset revaluations
Current Assets	87,464	121,349	33,885	Increase in cash and cash equivalents due to COVID funding provided at year end and carried forward into 2021/22 and reduced expenditure on the capital programme.
Current Liabilities	(47,115)	(53,278)	(6,163)	Increase in short-term creditors partially offset by a reduction in short term borrowing.
Long Term Liabilities	(363,255)	(374,144)	(10,889)	Increase in pension liability.
Total	325,471	347,759	22,288	

- 4.15 **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).
- 4.16 The total Council reserves have increased from £325.471m at 31 March 2020 to £347.759m at 31 March 2021, an increase of £22.288m.
- 4.17 The balance of unusable reserves has decreased by £8.994m from £269.579m as at 31 March 2020 to £260.585m as at 31 March 2021. The main reasons for the decrease relates to an decrease in the pension fund reserve of £14.968m which matches the increase in the pensions liability referenced above and an increase in the revaluation reserve of £9.732m which arises from revaluations of properties within the Council's 5 year rolling programme.
- 4.18 In respect of the General Fund Balance movement, there has been a significant increase of £30.964m from a balance of £49.670m to £80.634m and the detail on the movement in the balance is summarised within the table below. The main increase is in respect of the new earmarking at the end of 2021-22, with the most significant being in respect of COVID-19 funding received from the Scottish Government to be used in both 2020-21 and 2021-22 in addition to unspent grant carry forwards and unspent budget carry forward proposals. This increase in the General Fund balance will be mirrored across other Scottish Councils who will also have significant elements of COVID-19 funding earmarked within their General Fund.

- 4.19 The General Fund balance at 31 March 2021 is £80.634m. The total earmarked balances amount to £74.227m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.032m. The remaining General Fund balance ("unallocated balance") amounts to £1.325m.

	£000
Balance on General Fund as at 31 March 2020	49,670
Part repayment of Social Work overspends	2,589
Supplementary Estimate Agreed	(15)
Revenue Budget 2020-21 – investment in capital	2,636
Released sums earmarked to service budgets 2020-21	(7,751)
Contributions to earmarked reserves 2020-21	33,314
2020/21 revenue budget underspend	188
Rounding Adjustment	3
Balance on General Fund as at 31 March 2021	80,634
Earmarked balances as at 31 March 2021	(74,277)
Contingency Balance 2% of budget	(5,032)
Unallocated Balances as at 31 March 2021	1,325

- 4.20 **Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. This is analysed into Operating, Investing and Financing Activities. The Cash and Cash Equivalents balance increased by £26.853m to £35.638m.
- 4.21 **Notes to the Financial Statement:** The notes section provides further information and explanation on some of key figures included within the Accounts. The notes conform to the guidance issued by CIPFA/LASAAC within the Code of Practice on Local Authority Accounting.
- 4.22 **Council Tax Income Account:** This accounts 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 CIES. Council Tax rate for Band D was £1,367.73 for 2020-21 compared to £1,308.83 for 2019-20. The income transferred to the general fund for Council Tax in 2020-21 was £54.437m. This compared to £52.533m in 2019-20.
- 4.23 **Non Domestic Rate Income Account:** This account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. Non Domestic Rate Income amounted to a share of £23.284m for 2020-21 allocated from the national pool. This compares to £35.634m in 2019-20. The movement in Non-Domestic Rate Income between years is related to the application of Coronavirus relief for the Retail Hospitality and Leisure sectors in 2020-21. Our own net income amounted to £24.736m and we made a contribution to the national pool of £1.452m for 2020-21. These figures compared to income of £37.374m and a contribution to the national pool of £1.740m for 2019-20.
- 4.24 **Group Accounts:** Argyll and Bute Council Group comprise the following entities:

- Argyll and Bute Council
- Dunbartonshire and Argyll and Bute Valuation Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Live Argyll (Leisure Trust).

In addition, the council's Common Good Funds have been fully consolidated into the Group Accounts.

- 4.25 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 £9.307m. This gives an overall net asset position for the Group of £357.066m, an increase of £20.483m from the previous year. As with the single entity Balance Sheet, the increase is mainly due to the increase in cash and cash equivalents and partially offset by an increase in the pension liability.

Performance Against Budget

- 4.26 The performance against budget for financial year 2020-21, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £0.188m, 0.07% (2019-20 underspend of £0.502m, 0.20%).
- 4.27 There was a net underspend of £0.003m in relation to Council services departmental expenditure, a net underspend of £0.230m in relation to other central costs and a net under recovery of funding of £0.045m. Social Work, managed by the Health and Social Care Partnership were underspent by £0.907m however this underspend was used to reduce the HSCP's debt to the Council for historic overspends. This is consistent with the Scheme of Delegation.

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

Chief Executive's Unit - there was an under-recovery of Local Tax Commission due to reduced recoveries. This was partially offset by an underspend in Community Planning as planned project work had to be delayed due to the team's involvement in the Caring for People response to COVID.

Executive Director Douglas Hendry - the main underspends were due to positive contract management within NPDO and Hub Schools, delays in filling vacancies within Procurement and savings on bank staff within Cleaning. The main overspends were on minor repairs, residential placements and clothing grants.

Executive Director Kirsty Flanagan - main underspends were Waste Variation monies from Renewi, over-recovered vacancy savings, an underspend in SPT and a decrease in the bad debt provision. The main overspends were in Winter Maintenance, Street Lighting Electricity and Glass Collection.

Central costs - underspends on Elected Members due to COVID travel restrictions, and on the Loans Fund due to slippage within the capital programme. These were partially offset by an overspend on insurance costs.

4.28 A summary of the final outturn position is noted within the table below:

2020-21 Final Revenue Budget Outturn

	Actuals	Budget Adjusted for Earmarkings	Variance (Overspend) Underspend	Percentage
	£000	£000	£000	%
Chief Executive's Unit	5,312	5,273	(39)	(0.74%)
Executive Director (Douglas Hendry)	109,632	109,651	19	0.02%
Executive Director (Kirsty Flanagan)	50,088	50,111	23	0.05%
Total Departmental Expenditure	165,032	165,035	3	0.00%
Joint Boards	1,470	1,472	2	0.14%
Loans Charges	12,120	12,380	260	2.10%
Pension Costs	1,810	1,755	(55)	(3.13%)
Other	7,812	7,835	23	0.29%
Total Central Expenditure	23,212	23,442	230	0.98%
Social Work	55,789	55,789	0	0.0%
Total Social Work Expenditure	55,789	55,789	0	0.0%
Total Expenditure	244,033	244,266	233	0.10%
Total Funding	278,625	278,670	(45)	(0.02%)
UNDERSPEND			188	

5. CONCLUSION

5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has increased by £30.964m, after taking into consideration the movement during the year, the end of year outturn position and the new earmarkings. The net worth per the balance sheet has increased by £22.288m to £347.759m. Overall the financial position of the Council remains stable.

6. IMPLICATIONS

6.1	Policy –	None.
6.2	Financial -	None, summarises the financial position for 2020-21
6.3	Legal -	None.
6.4	HR -	None.
6.5	Fairer Scotland Duty -	None.
6.5.1	Equalities -	None
6.5.2	Socio-Economic -	None
6.5.3	Islands Duty -	None

6.6	Risk -	None.
6.7	Customer Service -	None.

Kirsty Flanagan
Executive Director/Section 95 Officer
11 June 2021

Gary Mulvaney - Policy Lead for Financial Services and Major Projects

Appendix 1 – Unaudited Annual Accounts 2020-21

Argyll and Bute Council



Comhairle Earra Ghàidheal agus Bhòid



Unaudited Annual Accounts
for the year ended 31 March 2021

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.

本文件可以翻譯為另一語文版本，或製作成另一格式，如有此需要，或需要傳譯員的協助，請與我們聯絡。

यह दस्तावेज़ यदि आपको किसी अन्य भाषा या अन्य रूप में चाहिये, या आपको आनुवाद-सेवाओं की आवश्यकता हो तो हमसे संपर्क करें

本文件可以翻譯為另一語文版本，或製作成另一格式，如有此需要，或需要傳譯員的協助，請與我們聯絡。

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

**Financial Services
Argyll and Bute Council
Kilmory
Lochgilphead
Argyll
PA31 8RT**

Tel: 01546 605522

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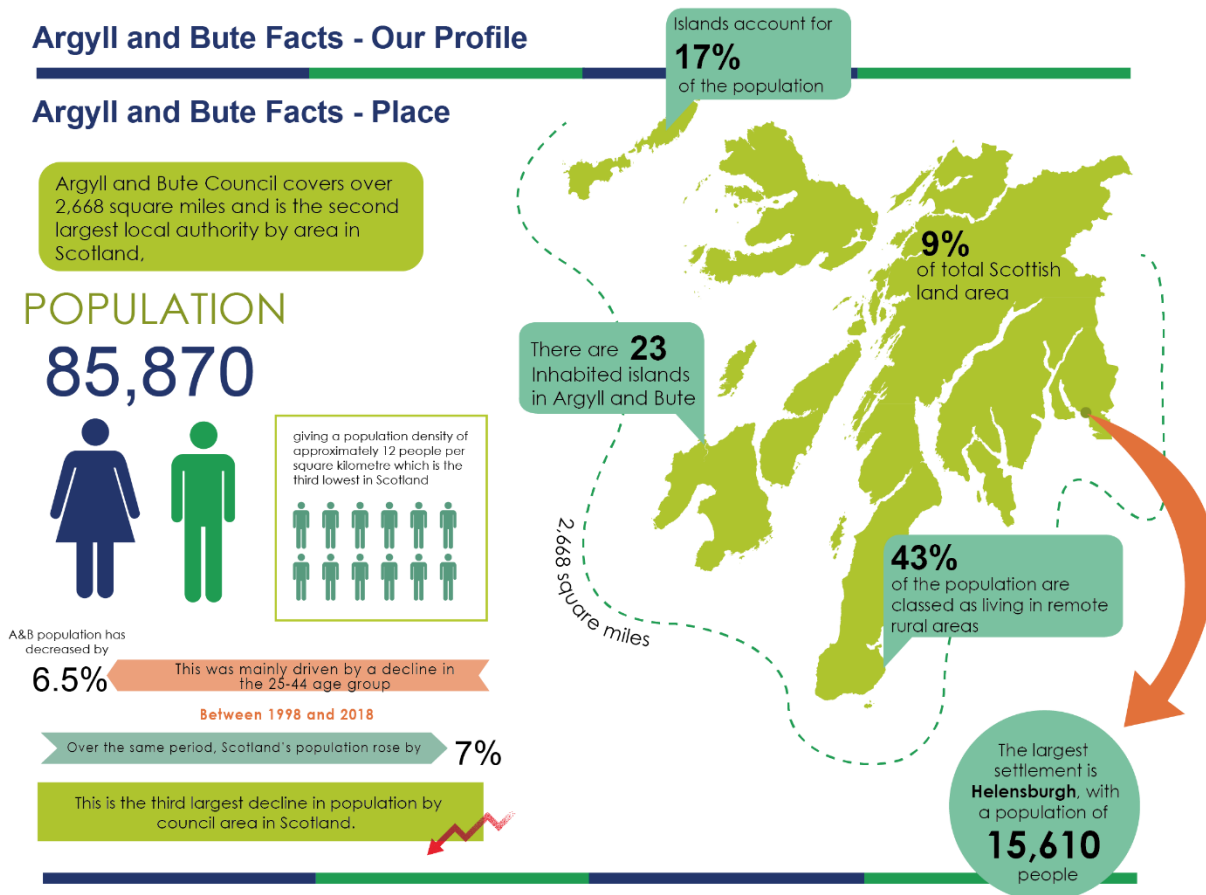
Management Commentary

1. INTRODUCTION

Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2021. 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 2020-21 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

ELECTED MEMBERS



36

in total across
Argyll and Bute

ELECTORAL WARDS



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

4,897

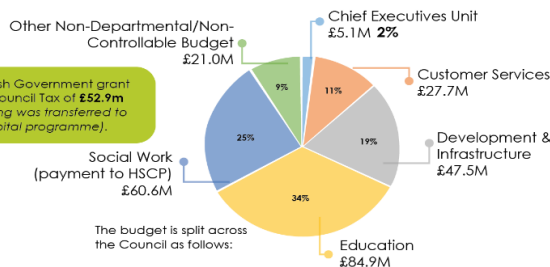
Employed across
Argyll and Bute Area
(per staffing watch
FQ4 2020-21).

There are
3,589
full time
equivalent
employees

The Council set the revenue budget for 2020-21 on 27 February 2020

The total revenue budget is
£247.9M

Financed by Scottish Government grant of **£198.0m** and Council Tax of **£52.9m** (some of this funding was transferred to support the capital programme).



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 found on the Council website.

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.

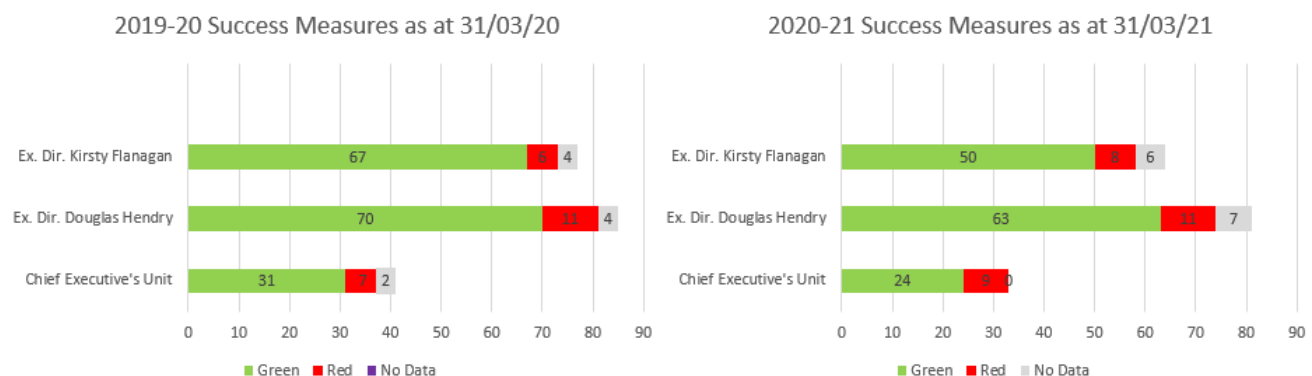
Management Commentary



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 2020-21 we have tracked our progress on delivering our outcomes through 17 business outcomes and 178 success measures which are recorded on the Council's scorecard. Progress is identified using the RAG (Red, Amber, Green) status to track performance. There were 178 success measures in 2020-21 of which 137 were green (77%), 28 were red (16%) and for 13 (7%) no data is currently available. Of the 41 success measures that are red / no data, 25 (60%) are directly attributable to COVID. For comparison purposes as at 31 March 2020, there were 202 success measures and 168 were green (83%), 24 were red (12%) and 10 had no data (5%). An analysis by department is shown below. It should be noted that COVID has had an impact not just on our performance but also the ability for collecting and collating data. As a result the status of some measures that are currently displaying red or off-track may change in due course as data becomes available.

2019-20 and 2020-21 Success Measures Performance as at 31 March



Some of our achievements are highlighted below

During 2020-21 Council officers administered 20 different COVID grant funds, processed in excess of 11,600 grant fund applications and awarded in excess of £86.2 million to support local businesses, protect the local economy and jobs, prevent business closure and promote economic recovery as lockdown restrictions eased and businesses started to re-open.





The Council was able to deliver 1140 hours of Early Learning and Childcare to all entitled children by the original deadline of August 2020, one of only eleven councils who managed to do so. This was delivered through strong partnership working between the Council's Early Years Team, and officers in property services and catering. This not only led to increased child care and education spaces for children but also increased employment opportunities across all localities.

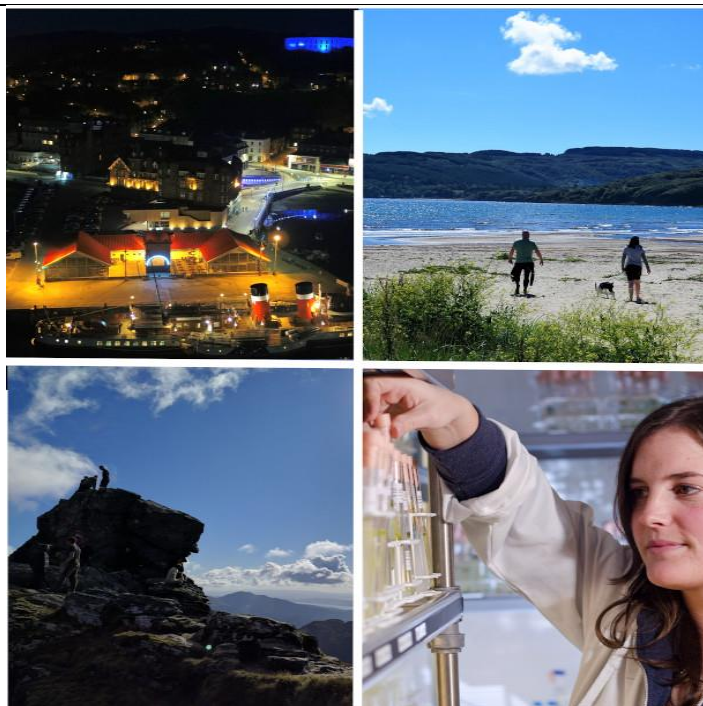
Furthermore partnership working with private and third sector nurseries along with our growing relationship with child minders has enabled us to offer parents access to a range of attendance patterns and settings to ensure families and our youngest children are well supported.

Campbeltown was named Scotland's most improved place following our extensive regeneration programme. The vibrancy of Campbeltown's town centre has been significantly improved with investment of £13 million to repair over 40 buildings, improve shopfronts and deliver supporting projects. The accolade was awarded by SURF, Scotland's Regeneration Forum and recognises best practice in community regeneration.



The Council agreed a £70 million rural growth deal investment in economic growth for Argyll and Bute with the Scottish and UK Governments, creating opportunities for people living in the region and attracting future investment.

The deal will develop sectors such as aquaculture, tourism, housing, digital connectivity and skills for a rural economy and will provide for transformational investment and focus on connecting our high value business sectors with national and international business markets, on attracting additional skills, residents, visitors and businesses, and on growing benefit from our fantastic natural assets.



Our well established digital working practices meant we could move seamlessly from delivering essential services from offices to working effectively from home, as soon as COVID lockdown began. As part of developing sustainable services, the Council also agreed an ICT Digital Strategy to make digital innovation work for our employees who deliver services and our local communities who use them. The strategy will shape the work of the Council's ICT Services over the period 2021 to 2024. During 2020-21 the ICT service was recognised as the number one ranked UK local authority ICT service for the previous year.

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 and the Accounts Commission published the final report with their findings on 21 May 2020. The Commission welcomed the progress made by the Council and highlighted 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.

Management Commentary

As for all councils, the Accounts Commission also identified areas for the Council to focus its continued improvement upon. A report on the BV Review was presented to the Council on 30 June 2020 with an associated Action Plan committing to a range of improvement activity categorised into seven key themes. Progress against the action plan is monitored and reported to full Council and the Audit and Scrutiny Committee. The most recent update was reported to the Audit and Scrutiny Committee on 16 March 2021.



5. FINANCIAL PERFORMANCE 2020-21



The Council has a robust financial reporting framework in place and a comprehensive monitoring pack is prepared and presented to every Policy and Resources Committee. 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.

Revenue: Outturn against Budget

The performance against budget for financial year 2020-21, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £0.188m, 0.07% (2019-20 underspend of £0.502m, 0.20%). There was a net underspend of £0.003m in relation to Council services departmental expenditure, a net underspend of £0.230m in relation to other central costs and a net under recovery of funding of £0.045m. Social Work, managed by the Health and Social Care Partnership, were underspent by £0.907m however this underspend was used to reduce the HSCP's debt to the Council for historic overspends. This is consistent with the Scheme of Delegation. A summary of the final outturn position is summarised in the table on the next page.

2020-21 Final Revenue Budget Outturn

	Actuals	Budget Adjusted for Earmarkings	Variance (Overspend) Underspend	Percentage
	£000	£000	£000	%
Chief Executive's Unit	5,312	5,273	(39)	(0.74%)
Executive Director (Douglas Hendry)	109,632	109,651	19	0.02%
Executive Director (Kirsty Flanagan)	50,088	50,111	23	0.05%
Total Departmental Expenditure	165,032	165,035	3	0.00%
Joint Boards	1,470	1,472	2	0.14%
Loans Charges	12,120	12,380	260	2.10%
Pension Costs	1,810	1,755	(55)	(3.13%)
Other	7,812	7,835	23	0.29%
Total Central Expenditure	23,212	23,442	230	0.98%
Social Work	55,789	55,789	0	0.0%
Total Social Work Expenditure	55,789	55,789	0	0.0%
Total Expenditure	244,033	244,266	233	0.10%
Total Funding	278,625	278,670	(45)	(0.02%)
UNDERSPEND			188	

Within the Chief Executive's Unit there was an under-recovery of Local Tax Commission due to reduced recoveries. This was partially offset by an underspend in Community Planning as planned project work had to be delayed due to the team's involvement in the Caring for People response to COVID.

Within the remit of Executive Director Douglas Hendry the main underspends were due to positive contract management within NPDO and Hub Schools, delays in filling vacancies within Procurement and savings on bank staff within Cleaning. The main overspends were on minor repairs, residential placements and clothing grants.

Within the remit of Executive Director Kirsty Flanagan the main underspends were Waste Variation monies from Renewi, over-recovered vacancy savings, an underspend in SPT and a decrease in the bad debt provision. The main overspends were in Winter Maintenance, Street Lighting Electricity and Glass Collection.

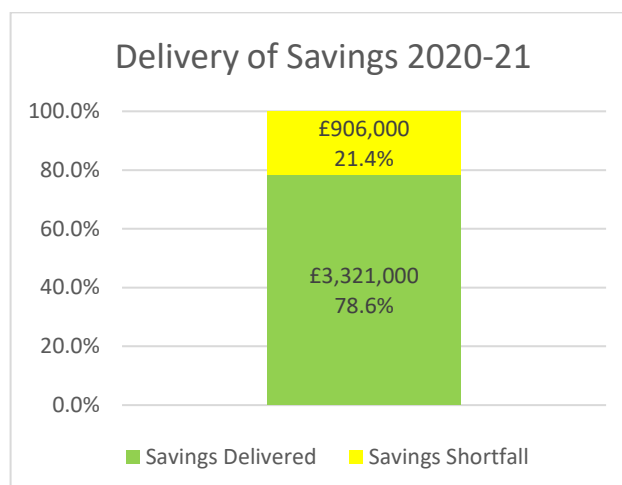
The main reasons giving rise to the underspend in central costs was underspends on Elected Members due to COVID travel restrictions, and on the Loans Fund due to slippage within the capital programme. These were partially offset by an overspend on insurance costs.

The overall favourable position for Departmental and Central Expenditure Budgets has provided the opportunity to earmark unspent budget for specific purposes aligned to the objectives, priorities and targets of the Council. More information on this is detailed in the Statement of Movement in Reserves section of the management commentary.

Delivery of 2020-21 Agreed Savings

The Council has been required to make significant budget savings for a number of years in order to ensure 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 £2.777m (67 saving options) were agreed for 2020-21. These, and savings agreed in previous years which had to be delivered in 2020-21 totalling £1.450m (41 saving options), were 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.



Loans Fund Review

As referenced in the 2019-20 management commentary a review of the Council's loans fund identified recurring re-profiling gains of £2.500m per annum over the next 10 years. The £2.500m was applied to the 2020-21 budget in addition to the savings options referenced above.

Capital: Outturn against Budget

The net 2020-21 capital expenditure is £16.176m compared to an annual budget of £16.608m, (adjusted for previously agreed slippages, accelerations and virements) giving rise to a year end slippage/underspend of £0.432m (2.6%). There are a number of under and (overspends) within the outturn position, the most significant are noted below:

Project	(Over) / Under Variance (£m)
CHORD Programme	(0.588)
Fleet Management	(0.237)
Early Learning and Childcare	(0.240)
Primary Schools	0.148
Legionella Control Works	0.121
Eilean Dhiura Ferry Engine Replacement	0.100
Harbour Investment Programme	0.209

There are 155 projects within the Capital Plan: 127 of the projects are complete or on track which equates to 82%.

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 2020-21 budget on 27 February 2020 and the amount approved for Social Work services transferring to the Integration Joint Board for 2020-21 was £60.577m. The budget figures quoted in the previous outturn table include in-year adjustments.

In terms of the outturn position, the HSCP has reported an underspend of £1.089m (£0.907m in Social Work and £0.182m in Health). As per the Scheme of Integration the HSCP can only retain any underspend to build up reserves if there are no outstanding payments due to the partner bodies. As the HSCP had a year end debt to the Council of £3.848m the £1.089m underspend has been used to repay an element of the overall debt leaving a revised debt of £2.759m. The HSCP are required to repay this amount back to the Council and a repayment plan was agreed by the Policy and Resources Committee

on 13 May 2021. The repayments are £0.200m in 2021-22, £0.900m in 2022-23, £0.900m in 2023-24, and £0.759m in 2024-25. Within the accounts, the repayment is not recognised as a debtor as it is a commitment against future funding, consequently, it 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 (CIES)

The CIES 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 2020-21. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2021. Internal income also requires to be removed between segments within the CIES.

During 2020-21 the Council managed a range of COVID support funding made available by the Scottish Government. The disclosure of these transactions in the Council's financial statements depends on whether the Council is acting as an agent (i.e. acting as an intermediary) or a principal (acting on its own behalf). LASAAC Guidance on Accounting for Coronavirus Grants has confirmed that where the Council is acting as an agent it should not recognise the transactions as income or expenditure in the Comprehensive Income and Expenditure Statement although it is necessary to recognise a creditor (where funding from the Scottish Government has been provided in advance) or debtor (where funding is provided in arrears) in the Balance Sheet. This guidance has been applied to the Council's 2020-21 financial statements.

Reconciliation of CIES to Revenue Budget Outturn

A reconciliation of the Surplus on the Provision of Services of £15.746m as noted in the CIES to the revenue budget outturn of £0.188m underspend is shown below.

Reconciliation of CIES to Revenue Budget Outturn

	£000	£000
Surplus/(Deficit) on Provision of Services		15,746
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	22,041	
Impairment of Assets charged to services	(3,142)	
Capital Funding	(13,495)	
CFCR	(744)	
Pension Adjustment	11,580	
Statutory Repayment of Debt	(5,246)	
Repayment of Finance Leases	(2,592)	
Transfers to/from Other Statutory Reserves	(291)	
Other Adjustments	7,107	
		15,218
Movement In General Fund Balance		30,964

	£000	£000
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2020-21	7,749	
Supplementary estimates agreed during 2020-21	15	
Revenue Budget 20-21 - investment in Capital	(2,636)	
Repayment of Social Work Overspend by HSCP	(2,590)	
Contributions to earmarked reserves 2020-21	(33,314)	
		(30,776)
Revenue Budget Underspend/(Overspend)		188

Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2021 and explanatory notes are provided. The net worth of the Council has increased by £22.288m from £325.471m as at 31 March 2020 to £347.759m as at 31 March 2021. The major changes are set out in the table below.

Main Balance Sheet Changes

	31/03/2020 £000	31/03/2021 £000	Change £000	Main Reason
Long Term Assets	648,377	653,832	5,455	Asset revaluations.
Current Assets	87,464	121,349	33,885	Increase in cash and cash equivalents due to COVID funding provided at year end and carried forward into 2021/22 and reduced expenditure on the capital programme.
Current Liabilities	(47,115)	(53,278)	(6,163)	Increase in short-term creditors partially offset by a reduction in short term borrowing.
Long Term Liabilities	(363,255)	(374,144)	(10,889)	Increase in pension liability.
Total	325,471	347,759	22,288	

Provisions

The Council has provisions totalling £4.336m on the Balance Sheet as detailed in Note 28 to the Accounts. The larger provisions, those £0.250m or over, are summarised below.

- £0.256m for utilities. A provision to cover potential liabilities in relation to discrepancies in charges for utility costs.
- £0.250m for litigations. A provision for litigation costs for 13 ongoing cases, none of which individually require a provision in excess of £0.050m.
- £1.909m for 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.
- £1.477m for 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 2021.

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 increased from 1.9% as at 31 March 2020 to 2.9% as at 31 March 2021. With the inflation estimate higher than the previous year, the pensions liability will also be higher.

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

	2018-19 £000	2019-20 £000	2020-21 £000
Pension Liability	(113,768)	(67,346)	(82,314)

Borrowing

During 2020-21 the Council's external borrowing decreased by £4.8m from £173.6m as at 31 March 2020 to £168.8m as at 31 March 2021. The decrease was due to repayment of £3.8m of PWLB loans and £1.0m of market loans.

The Council was under borrowed by £4.1m at 31 March 2021, the budgeted position for 2020-21 predicted a year end under borrowed position of £4.7m. The difference of £0.6m is due to profiling movements in the capital programme.

The Council's 2021-22 'Treasury Management Strategy and Annual Investment Strategy' was approved at the full Council meeting on 25 February 2021 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 decreased by £8.994m from £269.579m as at 31 March 2020 to £260.585m as at 31 March 2021. Part of the movement is a decrease in the pensions reserve noted earlier in this commentary offset by accounting adjustments required through the Capital adjustment account and revaluation reserve.

The balance of usable reserves has increased by £31.282m from £55.892m as at 31 March 2020 to £87.174m as at 31 March 2021. This is due to an increase to the General Fund of £30.964m in addition to small increases to the Capital Fund outlined in Note 33.1 and the Repairs and Renewals Fund outlined in Note 33.2.

In respect of the General Fund Balance movement, there has been a significant increase of £30.964m from a balance of £49.670m to £80.634m and the detail on the movement in the balance is summarised within the table on the following page. The main increase is in respect of the new earmarking at the end of 2021-22, with the most significant being in respect of COVID-19 funding received from the Scottish Government to be used in both 2020-21 and 2021-22 in addition to unspent grant carry forwards and unspent budget carry forward proposals. Detail on all the earmarking is included within Note 5 to the Accounts.

This increase in the General Fund balance will be mirrored across other Scottish Councils who will also have significant elements of COVID-19 funding earmarked within their General Fund.

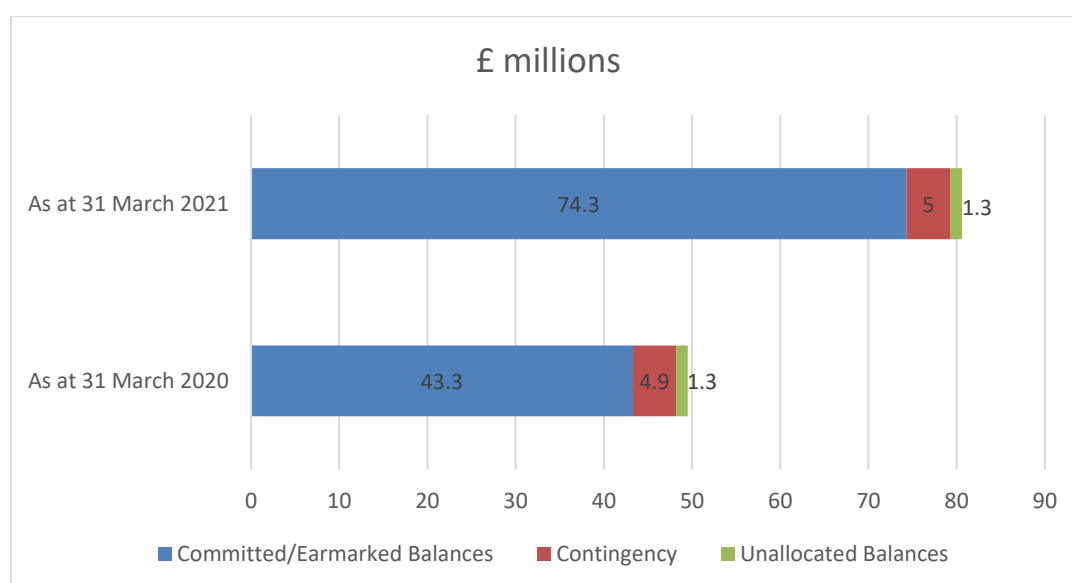
Movement on General Fund Balance

	£000
Balance on General Fund 31 March 2020	49,670
Social Work Repayment of Debt – Planned Repayment	500
Social Work Repayment of Debt – Advance Repayment as agreed at Budget Meeting on 27 February 2021	1,000
Social Work Repayment of Debt – 2020-21 Health and Social Work Underspends in-year	1,089
Supplementary Estimate Agreed during 2020-21	(15)
Revenue Budget 2020-21 – investment in capital	2,636
Released sums earmarked to service budgets 2020-21	(7,751)
Contributions to earmarked reserves 2020-21	33,314
Overall budget underspend as noted above	188
Rounding	3
Balance on General Fund 31 March 2021	80,634

General Fund Balance

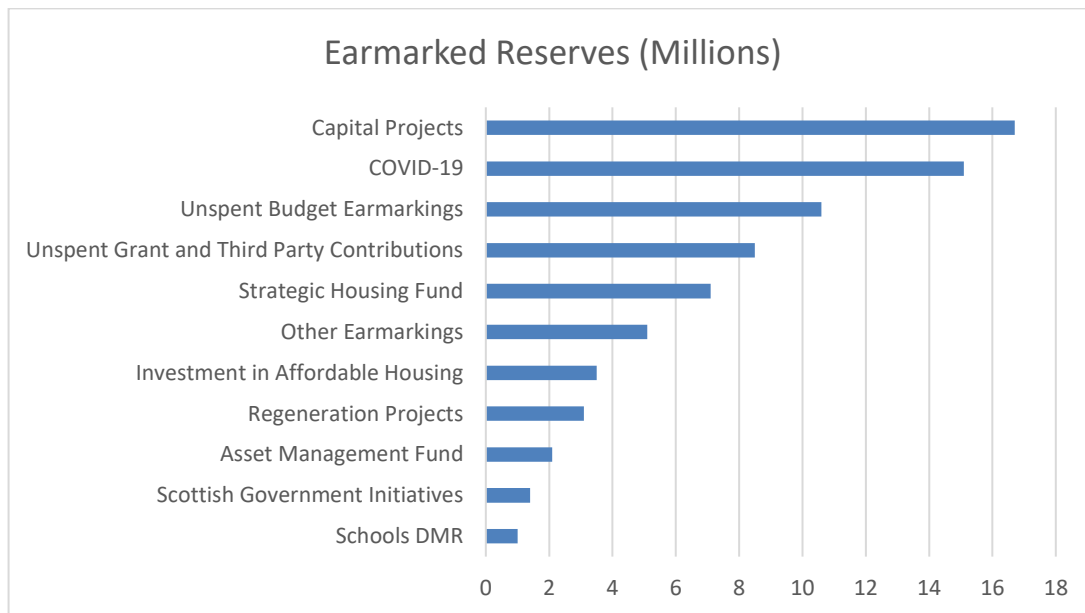
The chart below shows what is included within the General Balance as at 31 March 2021 with a comparison to the position as at 31 March 2020.

General Fund Balances as at 31 March 2020 and 31 March 2021



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

Earmarked Balances held in the General Fund as at 31 March 2021



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.

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 £9.307m. This gives an overall net asset position for the Group of £357.066m, an increase of £20.483m from the previous year. As with the single entity Balance Sheet, the increase is mainly due to the increase in cash and cash equivalents and partially offset by an 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 £55.789m towards the Argyll and Bute Integration Joint Board in the 2020-21 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

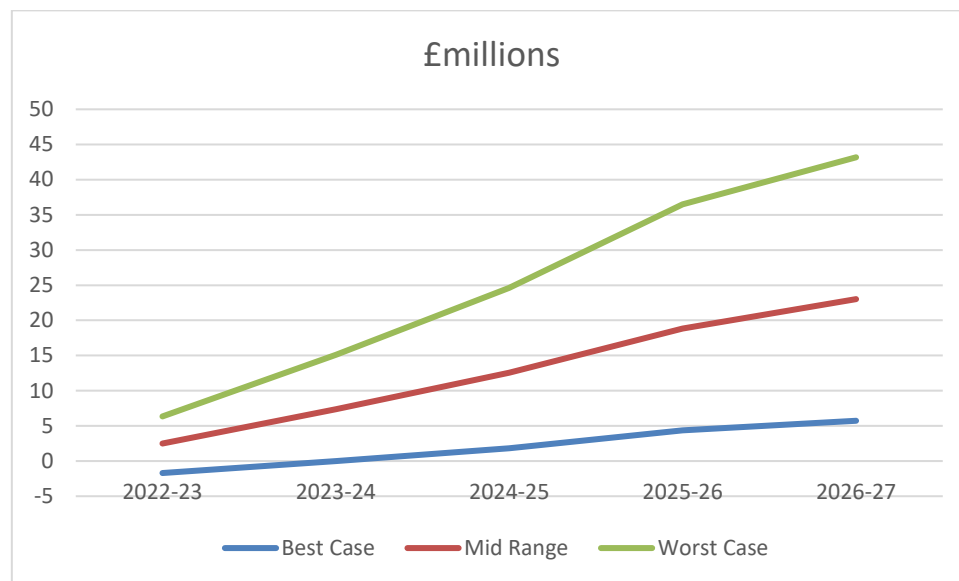
The financial indicators outlined below have been developed to assist the reader in assessing the performance by the Council over the last financial year and the affordability of its ongoing commitments.

Key Financial Indicators

Financial Indicator	2019-20	2020-21	Comment
Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure	2.54%	2.53%	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 £0.3m	No Change	Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). A repayment plan is in place for the HSCP to repay historic overspends in Social Work amounting to £2.759m. These overspends have a detrimental impact on the Council's General Fund until it is repaid.
In-year Council Tax collection rate	96.40%	96.12%	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	18.78%	18.87%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income. Council Tax increased by 4.50% in 2020-21.
Actual Outturn compared to budgeted expenditure	£0.502m 0.20%	£0.188m 0.07%	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	£296.187m	£296.662m	Measurement of requirement to borrow for capital purposes.
External Debt Levels for the current year	£173.639m	£168.805m	Actual borrowing for capital investment levels.
Ratio of financing costs to net revenue stream	6.99%	4.35%	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 that is available to meet other revenue expenditure.

8. OUTLOOK

A five year financial outlook informing Council of the estimated budget gap covering the period 2021-22 to 2025-26 using best case, worse case and mid-range scenarios was kept up to date during 2020-21 and presented to the Business Continuity Committee in May and August and to the Policy and Resources Committee in October and December 2020. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however, the assumptions used to inform the outlook are reviewed and updated regularly. 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 on the following page shows the cumulative budget gap over the next five years as reported to the Policy and Resources Committee on 13 May 2021.

Cumulative Budget Gap 2021-22 to 2025-26 as reported on 13 May 2021

Budget Strategy

Initially the intention was for the Council's 2021-22 budget approach to look at service redesign over a planned three year period to facilitate a move toward developing multiyear savings proposals and a focus on longer term planning. However the COVID pandemic required Council officers to focus on the Council's response and recovery activity. As a consequence the 2021-22 process predominantly focused on balancing the 2021-22 budget. In particular it established a thematic approach with each theme lead tasked to consider alternative ways to deliver services in a leaner manner and reflect on corporate learning through the response to COVID and enforced changes to working practices across the Council. To support the 2021-22 budget process a cross party Budget Working Group (BWG), with trade union representation, was established to act as a sounding board for Council Officers as saving options were being developed.

Whilst the response to COVID meant the 2021-22 approach predominantly focused on delivering a balanced 2021-22 budget it did lay foundations for the 2022-23 budget process and for future years. The Council are committed to developing multiyear savings options whilst recognising this is challenging when there is uncertainty over future years funding due to single year settlements. Consequently the Council have agreed the themes identified in the 2021-22 budget approach should be continued to support the 2022-23 budget approach with the remit for each theme being to further develop savings options already identified in 2021-22 and determine whether there are further service redesign options that could be considered. In addition consideration will be given to whether there are additional areas of service delivery which may benefit from a Business Process Review to identify further efficiencies. These themes are focusing on developing options which will span beyond a single year window.

COVID-19 Pandemic

The COVID pandemic required an urgent, multi-agency response at national and local government level. The 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 line services, support local businesses and look ahead with a view to recovery and renewal.

The Council have established an Overarching Recovery Group to oversee the delivery of the Council's Recovery Strategy and Framework. The group is chaired by the Council's Head of Development and Economic Growth, meets on a monthly basis and has established the following sub groups.

- Recovering Council Group • Economic and Social Recovery • Community Strengthening
- Financial Management • Infrastructure and Transportation • HSCP Vaccination

Since March 2020 Council officers have administered 20 different COVID grant funds, processed in excess of 11,600 grant fund applications and awarded in excess of £86.2 million to support local businesses. Some of these grants were a direct pass through from Scottish Government where the Council was acting as an agent/intermediary and are therefore not recognised in the Comprehensive Income and Expenditure Statement.

The national and local response to COVID means it is extremely difficult to estimate future years funding and it is likely that the Chancellor will have to increase taxes or cut spending in the future in order to pay for the significant borrowing that has been taken out in the response to COVID.

Throughout 2020-21 the Council have monitored the financial impact of COVID on the Council including on expenditure and loss of income. Estimations of future cost pressures were regularly reviewed and refined to reflect changes in national restrictions and the impact they had on service delivery. The Council agreed to fund £5.101m of revenue costs pressures within 2021-22 in addition to £2.0m of capital contract cost pressures. They also have set aside £2.5m for COVID cost pressures beyond 2021-22 and £2.5m for anticipated future capital contract increases. These provision were made possible by using the funding from the Scottish Government and by exercising the Loans Fund Principal Repayment Holiday in 2021-22 which is a financial flexibility agreed by the Scottish Government.

At the Budget meeting on 25 February 2021 the Council agreed to establish a £0.892m Recovery and Renewal Fund to ensure there were funds set aside for future recovery, regeneration and renewal required as a consequence of the COVID pandemic. Since that budget meeting the fund has been increased by £1.188m to £2.080m to reflect Local Government Finance Circular No. 5/2021 which provided an additional £40m general revenue grant (Argyll and Bute Council share £0.712m) of non-recurring funding and confirmed the Council's share of the additional £275m of non-recurring COVID funding announced on 16 February as being £5.399m which was £0.476m more than had been estimated when agreeing the 2021-22 budget.

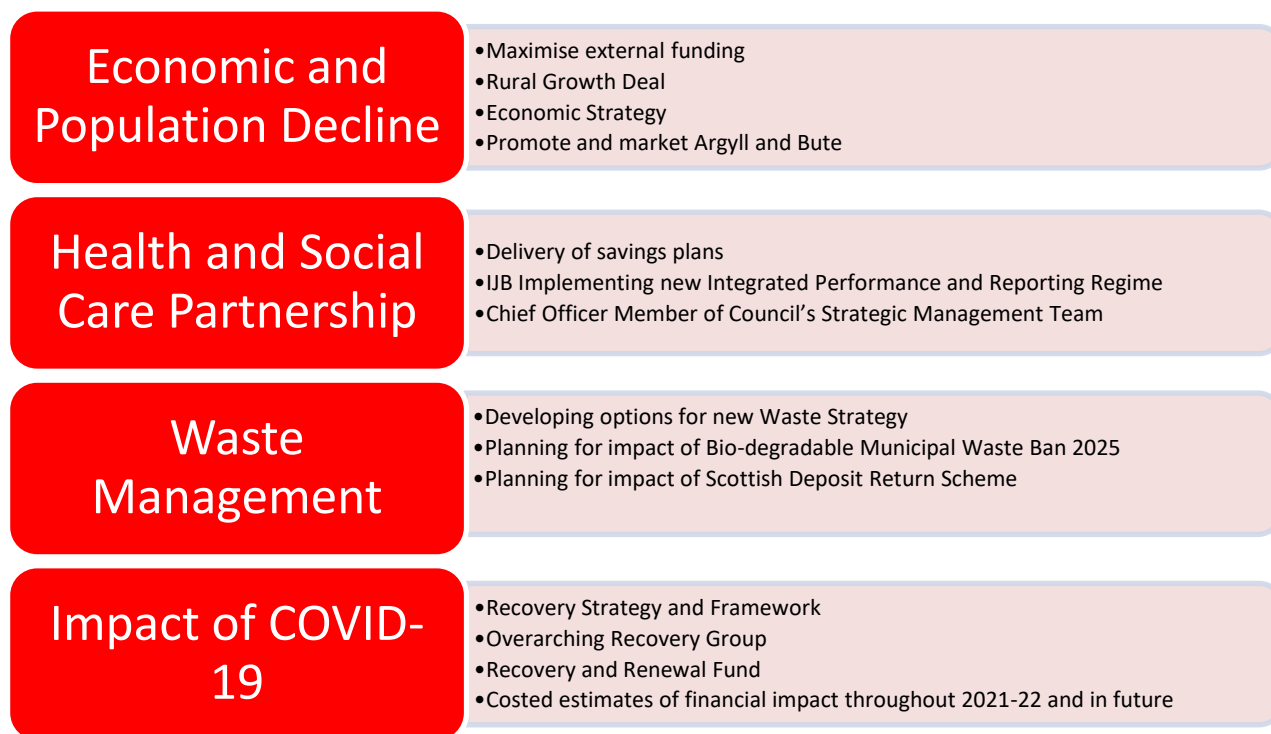
Rural Growth Deal

The Council continues to take forward the £70m Rural Growth Deal (RGD) following the signing of the Heads of Terms in February 2021 to full deal status by the summer of 2022. Both UK and Scottish Governments are contributing £25m each with a further £20m (at least) match funding from the Council and partners. The focus is now on developing outline business cases and linking to new and evolving funding streams that can increase the economic and social benefits of the deal on our communities. The RGD will now be delivered over a 10 year period instead of 15 and a programme office is now established that will help guide individual sub groups formed with key partners to help develop the outline business cases that are necessary for the next stage of the process.

Risks

The Council's Strategic Management Team (SMT) actively manage strategic risks via a six monthly review of the Strategic Risk Register (SRR) 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 pandemic.



9. CONCLUSION

The Council has continued to have good financial planning arrangements in place in 2020-21, and have managed the additional complexities and pressures brought about by COVID to ensure they operated within budget in 2020-21 and are in a strong position to manage the financially challenging times which remain ahead including the uncertainty about future funding levels and the longer term impact COVID will have on the national and local economies. The Council are committed to deliver the best services to the people of Argyll and Bute within the available resources and to supporting local business recover from the impact of COVID.

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 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.

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 2020-21 (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 2021.

Kirsty Flanagan
Section 95 Officer

BACKGROUND / SCOPE OF RESPONSIBILITY

The Council's 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 and requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007). 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 Services, 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 2020/21 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 our, and our community planning partner's, vision for Argyll and Bute's economic success to be 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 communication. The constitution is updated on an annual basis with the last update carried out in September 2020.

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).

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 21 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 and deliver more significant transformation and redesign of service, and engage staff fully in planning and implementing change,

The Accounts Commission presented the Report to Council at their June meeting and the associated Action Plan was also considered and agreed at that meeting. Work is underway to deliver the actions in this plan and progress was reported to the Audit and Scrutiny Committee on 16 March 2021. Audit Scotland will commence follow up BV Audit work in June 2021.

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, which 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.

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 receive an annual Strategic Risk Assurance Mapping report which helps inform their consideration of potential scrutiny topics. This is supported by the Council's Scrutiny Framework and Manual which continues to be refreshed on an annual basis as the Council's approach to scrutiny evolves and matures.

The anti-fraud strategy ensures there are effective arrangements for whistle-blowing and for receiving and investigating complaints from the public and partners. During 2020/21 the Council implemented a new counter fraud team on a two year pilot basis. The team is working to further enhance the Council's zero tolerance approach to fraud and to protect the public purse.

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. Since the introduction of new ways of working and operating in a virtual environment in response to the Covid-19 pandemic this programme has moved on-line and since March 2020 a regular programme of webinars and workshops have taken place on-line with a positive effect on member participation levels with an average attendance level of 64%. Additionally with the move to on-line committees additional development support has been provided to Chairs in terms of process and guidance notes to facilitate the transition to operating on a virtual basis and enhance effectiveness in this regard.

A review of the arrangements for supporting Elected Member Development has been undertaken and a revised programme has been developed for implementation which supports a strategic focus and provides Members with access to information and development opportunities which facilitate effective decision making, scrutiny and challenge. It recognises there is an existing nationally agreed framework for Elected Member continuous professional development but seeks to ensure this is effectively aligned in supporting development within Argyll and Bute and ensures appropriate arrangements and resources are in place to encourage and facilitate development activity. It further seeks to capitalise on the opportunities presented by on-line and virtual means to increase access to development activities for all members.

The Elected Member Induction Programme has also undergone a review and a comprehensive virtual induction programme was put in place to support new elected members appointed through by-elections in this period.

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.

Annual Governance Statement



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. This is part of our commitment to You Said, We Did information sharing for the public.

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 7,927 customers subscribed to receive notifications across the range of services. By the end of 2020/21 this had increased to 10,549. 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.

MyAccount

Myaccount is the simple and secure sign-in service for accessing online public services in Scotland. It provides people living in Scotland with the ability to set up an online account and use it to access a growing range of online public services, Scotland-wide, including Argyll and Bute Council. 11,079 customers have signed up to this service, which includes:

- Fill in forms automatically with your details
- Save forms for finishing later
- Track the progress of your reports and requests
- Access to council services that require proof of identity
- Access your council tax account and sign up for e-billing
- Find out when your bins are collected at a glance
- Manage your email subscriptions and alerts
- Avoid having to re-register with local council services when you move to a new part of Scotland
- Bookmark useful pages to make them easier to find

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. Public Performance Reporting is being reviewed and improved as part of the Performance Excellence Project, an action in the BV3 Action Plan.

Accessibility

Online service provision is only effective if it is easy to access. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website has been revised and refreshed to improve its rating for accessibility in the national Silktide accessibility score. The website now has a 98% rating (excellent) and is the 13th highest ranking Council in the UK.

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 Governance section supports community engagement by providing the staff resource to support 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 section has put arrangements in place across the partnership members to ensure these groups have had the ability to continue to meet on a virtual basis during the Covid19 pandemic response period. It also plays a key role in supporting the Community Safety Partnership which is an integral part of the Community Planning Partnership and takes a lead in relation to Outcome 6 of the Argyll and Bute Outcome Improvement Plan: People live in safer and stronger communities. This group has produced its first Community Safety Strategy which sets out strategic priorities and how the partnership will work together to focus resources in support of agreed actions.

It also supports community engagement by resourcing community council liaison activities, including training and support activity, which helps to build the capacity of community councils. During the Covid 19 response period the Scheme for the Establishment of Community Councils was amended to facilitate community councils being able to meet on a virtual basis during this period to fulfil their representative role and advice and support was provided to facilitate this development.

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. One ACPG currently has a young person in the Vice Chair role.
- 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 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.

Annual Governance Statement



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.

During the COVID pandemic, the Council engaged with local community response groups, making sure that groups were underpinned with good practice – lone volunteering policies, safe medication delivery process, insurance, confidentiality guidance etc. Fortnightly online drop-in sessions were set up for the groups to receive updates and to enable them to highlight needs/challenges and ask questions.

As part of the Argyll and Bute Covid-19 Recovery Planning, the Building Back Better (Communities) work stream spoke to the local community groups who have been supporting people during the Covid-19 pandemic, to find out their experience and areas that could be built upon or strengthened moving forwards. The digital participation platform CONSUL was used to engage the wider community and encourage them to have their say. CONSUL is a platform being supported by COSLA and is being trialled by a number of local authorities.

In the first stage of the consultation, the community groups involved in the response were asked to share their views in online sessions that were independently facilitated by the Scottish Community Development Centre. For the second stage, the overall themes that emerged from these discussions were then uploaded onto the CONSUL online consultation platform. The consultation was opened up more widely and the community were invited to share their thoughts and add to the existing comments. The comments on the platform were available for anyone to read. To “like” a comment or add to the discussion, people had to sign up and provide a user name and contact email address. Paper forms were available for those who needed them and could be requested by phone or email. The consultation was open between 7th and 28th October 2020.

A summary of the comments was shared with all who participated. The Building Back Better (Communities) Group then reviewed the findings and identified key themes to help take forward actions. An update on progress to date was sent out to participants in March to keep them informed.

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 Douglas Hendry:

- oversees the implementation of the Code and monitoring its operation
- reports 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 Executive Director Kirsty Flanagan as the Council's Chief Financial Officer (S95 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 ON GOVERNANCE

In response to the COVID pandemic the Council took a decision on 31 March 2020 to put on hold scheduled meetings and constitute a temporary committee, known as the Business Continuity Committee to exercise all of the powers of the council for a finite period of time. All decisions taken by the Leadership Group were reported to this Committee as were key actions taken by services in responding to the pandemic. In the initial phases of the response all Members also received a daily bulletin to keep them apprised of the situation.

In May 2020 the Planning, Protective Services and Licensing Committee (PPSL) and the Licensing Board commenced operating on a virtual basis in recognition of the quasi-judicial requirements of these functions and that planning and licensing would have a crucial part to play beyond the immediate emergency with a high performing planning and licensing system supporting future economic and societal recovery.

Council subsequently agreed at their meeting in June 2020 that all Area Committees and Strategic Committees (with the exception of the Policy and Resources (P&R) Committee scheduled for August/September would resume on a virtual basis. The position was reviewed in September 2020 and again in April 2021 where it was agreed all committees would continue to operate on a virtual basis with a further review scheduled for September 2021.

Although the Coronavirus legislation provided for meetings not to be held in public members of the press have been invited to attend all meetings to facilitate openness and transparency and public access has been provided on request and for all PPSL meetings and associated hearings. Revised protocols were developed to support members and participants operate on a virtual basis and ensure ongoing adherence to standing orders and governance frameworks. Arrangements were also put in place to align the programme of elected member virtual seminars with providing information and discussion forums in relation to key strategies and policies in advance of Committees decisions e.g. Budget, Climate Change & Landfill ban, economic recovery.

COVID also impacted on governance across services during 2020/21 and this has been assessed against four broad categories:

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

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 – this required the use of remote verification inspections to be implemented
- 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 significantly impacted including, but not limited to, burials, cremations, refuse collection, civic amenity sites, home to school transport and ferry transport
- School closures meant learning and teaching delivery was delivered across Argyll and Bute by distance learning.

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

Some specific examples of new areas of activity are:

- move to flexible online home working for 1,400 employees with access via secure vpn to all files, processes and telephony
- establishing procedures for estates staff to work safely, carry out remote marketing and arrange premises for COVID related projects

- additional cleansing of buildings such as schools, public conveniences, crematoria chapel, and a variety of vehicles including ferries and refuse vehicles.
- providing business support through the administration of COVID specific 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 to receive essential support where no other support exists
- redeployment of staff from substantive posts to provide support in critical areas of response activity
- establishment of HUB schools for children or keyworkers.

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

The Council's Financial Services team have worked in conjunction with all services to capture and monitor the financial impact of COVID in terms of creating new cost pressures and its impact on the delivery of agreed savings options.

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

The Council 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'. An Argyll and Bute Overarching Recovery Group has been established with thematic groups established focusing on recovering the Council, community strengthening, economic and social recovery, infrastructure and transportation and financial management. This work recognises the impact of the pandemic on widening inequalities and acknowledges that longer term social and economic impacts are not yet fully understood.

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 limits as well as additional policy commitments not always fully funding creates additional financial pressures.

The financial outlook is significantly exacerbated by the extent to which COVID will continue to impact on expenditure, loss of income and future years funding levels. The additional funds made available by the UK and Scottish Government to combat the impact of COVID, and the agreement on financial flexibilities, have been sufficient to combat the financial impact of COVID on the Council in 2020/21 and the current estimated cost pressures in 2021/22 however it is difficult to estimate future years funding and it is likely that the Chancellor will have to increase taxes or cut spending in the future in order to pay for the significant borrowing that has been taken out in the response to the pandemic.

The Council continues to provide financial estimates for future years with their medium term financial outlook covering a five year window to provide a longer term view of the Council's estimated budget gap. 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.

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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. In April 2020 the Business Continuity Committee agreed to delay the review until the impact of COVID 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 and will be presented to the Policy and Resources Committee in August 2021.

In 2020/21 Council officers embarked on a programme of themed reviews as part of a three year service redesign programme to generate savings options to help deliver a balanced 2021/22 revenue budget and contribute toward reducing the budget gap in future years. This work is continuing in 2021/22 with regular updates on the themed reviews reported to the Strategic Management Team. 2020/21 also saw the introduction of a cross party budget working group whose role was to engage with theme leads and provide a sounding board to assist in the development and identification of savings options and provide a degree of scrutiny over options as they are being developed. This proved to be very beneficial to both Elected Members and Council officers and will be retained in 2021/22.

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, and again on 22 September 2020. This mapping exercise will continue to be performed annually and Internal Audit will 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 COVID pandemic meant the 2020/21 audit plan needed to be revised and this revision was approved by the Audit and Scrutiny Committee on 22 September 2020. This was 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 being removed from the 2020/21 plan.

The Chief Internal Auditor provides the Audit and Scrutiny Committee with an annual report on internal audit activity in the Council and this confirms that 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 2020/21, four of the sixteen audit reports presented to the Audit and Scrutiny Committee had an overall audit opinion of 'limited' assurance. The four audits related to the legionella improvement plan, disaster recovery planning, warden services and a special investigation into school funds. For these 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 2020/21 the following developments were made within Internal Audit:

- a new counter fraud team was implemented on a two year pilot basis with that team working alongside internal audit to ensure there is cross team learning
- the CIA engaged with members of the Audit and Scrutiny Committee as part of the planning process for the 2020/21 audit plan
- the internal audit team were successful in a tender to deliver internal audit services to the Argyll and Bute Health and Social Care Partnership for a three year period.

HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from either 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.

Annual Governance Statement



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. This was revised and formally signed off by the Scottish Government on 23 March 2021. 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 2020-21 and the IJB's internal auditor has issued a formal annual report providing their independent opinion on the effectiveness of the IJB's risk management, internal control and governance processes.

During 2020-21 the IJB has progressed a number of initiatives to develop its governance arrangements including developing committee terms of reference and introducing a new annual reporting process from committees, progressing an induction and development programme for staff, re-tendering the internal audit service, revising its risk management strategy and providing training to all IJB members on the use of Directions.

The IJB has continued to face a number of financial challenges during 2020-21 and received support from Scottish Government towards the costs of the COVID pandemic including assistance for undelivered savings. The final outturn position was an underspend of £1.089m, much improved from the previous year's overspend of £2.446m which is a considerable achievement. The operating environment going forward remains challenging. The IJB approved a balanced budget for 2021-22 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 to deliver the services within the budget resource and to deliver the agreed savings, both the ones newly agreed for 2021-22 and also the remaining undelivered savings from 2020-21. Two additional project manager posts were agreed as part of the budget to increase the focus of delivery of transformation projects and will add to the small team of service improvement officers already in post. Work on transformation was set aside whilst the IJB was on an emergency footing but recommenced in February 2021.

Annual Governance Statement



UPDATE ON AREAS FOR DEVELOPMENT IN 2019/20 ANNUAL GOVERNANCE STATEMENT

The 2019/20 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2020/21 Update
Digitalise all document and evidence exchanges for Local Development Plan 2 'Examination in Public'	Digital systems in place and will be monitored for effectiveness during 2021 when document exchange will occur and things are submitted to the reporter for Examination.
Develop an integrated production process for the SHIP and Local Housing Strategy	System is now in place and can begin to be utilised. Over time it will be populated with more information and its effectiveness can be monitored and the system adapted as required. This will be ongoing as opposed to having a fixed end date
Procure and implement enhanced logistical software that will facilitate route optimisation for many transport related functions	The market was tested in terms of availability of systems and suppliers but due to the pandemic and the fact that many potential suppliers had furloughed staff, the response was disappointingly low. As we are now easing out of lockdown in a new financial year, a further procurement exercise will be carried out to enable service improvements and efficiencies through technology achieved.
Continued to develop an automated interface between Concerto and Oracle	This element of work was delayed due to the impact of COVID. The interface for capital payments was further scrutinised at the past two financial year end. Work will continue with Financial Services to finalise an automated interface for the processing of contractor payments for revenue. It is anticipated this will be completed by September 2021.
Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management	Approximately 50% of buildings being reviewed have been completed. Delayed due to COVID as site visits were not able to take place. Will be completed by March 2022.
Develop the provision of governance and committee support to the Integration Joint Board	Governance processes put in place to support pre-agendas and committee meetings and all meetings hosted on ModGov. Facilitated move to on-line meetings in response to COVID pandemic. Arrangements working well and development ongoing in response to organisational requirements.
Develop further self-evaluation tools to improve self-evaluation processes and monitoring of quality provision within 1140 hours	Learning and Development self-evaluation resource updated and shared electronically to ensure it is accessible to all in settings. Established calendar of self-evaluation activities in place
Work with the Quality Improvement Group to develop GIRFEC procedures and processes to improve children and young people's experiences of Child's Planning Processes	In the context of Argyll and Bute's Children and Young People's Service Plan 2020-23, Education, Social Work and Health have been working in multi-agency partnership, employing a newly-developed auditing tool to ensure that 75% of Child Plans are rated 'good' or better. Plans will contain a clear set of SMART outcomes, and up-to-date assessments of Risk and analyses of need for each child or young person. The small audit sample has produced encouraging data, and is being expanded to include a higher number of Plans from more than one geographical area
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	During April 2020, improvements were implemented to improve the efficiency of payment generation to care providers through the extended use of an electronic interface between the CareFirst and Payables systems to partially automate the processing of payments for non-residential care. Exploratory work was undertaken to establish if a suitable technical environment was available to further enhance the care provider payment process through the establishment of a self-billing approach. Unfortunately a suitable and robust environment was not available however the Council and HSCP are currently working on projects to replace the current Payables and Social Care systems and the intent to develop a self-billing approach has been fed into both projects with discussion underway on potential solutions offered by the new systems

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2021/22, particularly in the context of continuous improvement within the Council:

- Continue to engage with the Scottish Government and other local authorities to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complied with the 2025 Bio-degradable Municipal Waste Ban (Head of Roads and Infrastructure Services – March 2022)
- Further develop the Council's Counter Fraud Team (Head of Financial Services – March 2022)
- Progress the project to upgrade the Council's general ledger system with an anticipated go live of 1 April 2022 (Head of Financial Services – April 2022)
- Further progress the implementation of a self-billing approach using CareFirst for payments to social care providers (Head of Financial Services – March 2022)
- Complete the development of an automated interface between Concerto and Oracle (Head of Commercial Services – September 2021)
- Review of the scheme of delegation in relation to property matters to ensure decisions are taken at the correct level (Head of Commercial Services – March 2022)
- Continue to improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2022)
- Enhance reporting of workforce planning to the Strategic Management Team and Elected Members (Head of Customer Support Services – December 2021)
- Further progress the work to digitalise all document and evidence exchanges for Local Development Plan 2 'Examination in Public' (Head of Development and Economic Growth – March 2022)
- Respond to the findings of the Scrutiny Review of the Strategic Housing Fund which is to be reported in June 2021 (Head of Development and Economic Growth – March 2022)

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 2020/21 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 2019/23). 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 2020-21 the salary for the Leader of Argyll and Bute Council is £35,713. 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 £26,785 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 £0.312m. 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 £25,274 to each appointed policy lead. Chairs of Area Committees without a policy lead remit are paid a salary of £21,071.

In 2020-21, Argyll and Bute Council had 11 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors (excluding the Provost and the Leader) during 2020-21 was £0.226m. 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 2020-21. The salaries of Executive Directors are paid at SCP 43 with Heads of Service being paid at SCP 29.

The Remuneration Report



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:

2019-20 Actual £'000	Members Allowances	2020-21 Actual £'000
424	Basic Councillor Salaries	429
61	Leader and Provost's Salary	62
237	Senior Councillor Salaries	226
71	Other Expenses and Allowances paid to Members	8
793	Total Allowances	725

The annual return of councillors' salaries and expenses for 2020-21 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:

2019-20 Total Remuneration £	Senior Members	Responsibility	2020-21		
			Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £
24,723	Councillor Rory Colville	Policy Lead - Roads and Infrastructure Services and Chair of Mid Argyll, Kintyre & the Islands Area Committee from 22-10-20, Policy Lead for Support Services from 26-09-19 to 22-10-20, Policy Lead for Corporate Services to 25-09-19	25,274	-	25,274
24,981	Councillor Robin Currie	Leader from 24-09-20, Policy Lead for The Economy and Rural Growth from 22-10-20, Policy Lead for Housing, Roads and Infrastructure Services from 26-09-19 to 22-10-20, Chair of Mid Argyll, Kintyre & the Islands Area Committee to 22-10-20, Policy Lead for Communities, Housing, Islands and Gaelic to 25-09-19	30,250	-	30,250
-	Councillor Mary-Jean Devon	Policy Lead for Support Services from 22-10-20	10,420	-	10,420
20,613	Councillor Bobby Good	Chair of Bute & Cowal Area Committee	21,071	-	21,071
25,589	Councillor Kieron Green	Policy Lead for Health and Social Care	25,274	-	25,274
24,723	Councillor David Kinniburgh	Provost from 26-11-20, Policy Lead for Planning and Regulatory Services from 22-10-20, Policy Lead for Planning Services from 26-09-19 to 22-10-20, Policy Lead for Planning and Regulatory Services to 25-09-19	25,728	-	25,728
21,305	Councillor Roddy McCuish	Depute Provost and Policy Lead for Roads and Amenity Services to 25-09-19	-	-	-
24,723	Councillor Yvonne McNeilly	Policy Lead for Education	25,274	-	25,274
-	Councillor Barbara Morgan	Chair of Helensburgh & Lomond Area Committee from 22-10-20	8,736	-	8,736
34,903	Councillor Aileen Morton	Leader to 24-09-20, Policy Lead for Commercial Services and Strategic Priorities from 26-09-19 to 22-10-20 with oversight of Economic Growth from 26-11-19 to 20-05-20, Policy Lead for Economic Development to 25-09-19	20,163	-	20,163
20,613	The Late Councillor Ellen Morton	Chair of Helensburgh & Lomond Area Committee from 18-05-17 to 03-10-20	11,581	-	11,581
24,723	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	25,274	-	25,274
20,613	Councillor Elaine Robertson	Chair of Oban, Lorn & the Isles Area Committee	21,071	-	21,071
4,057	Councillor Alasdair Redman	Policy Lead for Business, Regeneration and Commercial Development from 22-10-20, Policy Lead for Economic Growth from 25-05-20 to 22-10-20 and from 26-09-19 to 26-11-19	20,469	-	20,469
26,177	The Late Councillor Len Scoullar	Provost from 18-05-17 to 15-11-20	17,832	-	17,832

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

The Remuneration Report

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:

2019-20 Number of Officers	Range £	2020-21 Number of Officers
135	£50,000 - £54,999	124
75	£55,000 - £59,999	92
27	£60,000 - £64,999	25
13	£65,000 - £69,999	17
4	£70,000 - £74,999	4
9	£75,000 - £79,999	9
2	£80,000 - £84,999	3
2	£85,000 - £89,999	-
-	£90,000 - £94,999	-
1	£95,000 - £99,999	1
1	£100,000 - £104,999	-
2	£105,000 - £109,999	2
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
1	£120,000 - £124,999	-
-	£125,000 - £129,999	1
272	Total	278

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 2020-21 for senior officers:

Total Remuneration 2019-20 £	Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2020-21 £
108,074	Chief Executive - Pippa Milne	128,244	822	129,066
124,665	<i>(Full year equivalent as Chief Executive)</i>	-	-	-
106,581	Chief Executive - Cleland Sneddon (to 05-01-20)	-	-	-
124,665	<i>(Full year equivalent)</i>	-	-	-
103,362	Executive Director - Douglas Hendry	105,501	748	106,249
82,951	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	105,356	801	106,157
-	Head of Adult Services (Mental Health, Learning Disability, Addictions and Lifelong Conditions) (Section 3 Social Work Officer) - Julie Lusk (from 19-05-20)	68,994	-	68,994
-	<i>(Full year equivalent)</i>	79,441	-	79,441
79,772	Head of Children & Families (Section 3 Social Work Officer) - Alex Taylor (to 18-05-20)	10,447	155	10,602
	<i>(Full year equivalent)</i>	79,441		79,441
79,449	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	79,441	-	79,441

During 2020-21 Kirsty Flanagan was appointed as an 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 2020-21 are as follows:

Contribution Rate	
2020-21	
Whole time pay	
On earnings up to and including £22,200	5.50%
On earnings above £22,201 and up to £27,100	7.25%
On earnings above £27,101 and up to £37,200	8.50%
On earnings above £37,201 and up to £49,600	9.50%
On earnings above £49,601	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 1/49th 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 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

The Remuneration Report

SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2021 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 2020		Senior Members		For the year to 31 March 2021	
In-year pension contributions £	Accrued pension benefits £			In-year pension contributions £	Accrued pension benefits £
4,772	5,461 1,689	Councillor Rory Colville	Pension Lump Sum	4,878	6,067 1,716
4,772	5,278 875	Councillor Robin Currie	Pension Lump Sum	5,838	6,066 916
3,368	4,599 1,547	Councillor Mary-Jean Devon	Pension Lump Sum	1,433	4,872 1,598
4,772	1,888 -	Councillor Kieron Green	Pension Lump Sum	4,878	2,436 -
3,978	1,210 -	Councillor Bobby Good	Pension Lump Sum	4,067	1,661 -
4,772	5,397 1,647	Councillor David Kinniburgh	Pension Lump Sum	4,966	6,031 1,684
4,112	5,603 1,774	Councillor Roddy McCuish	Pension Lump Sum	-	- -
4,772	1,449 -	Councillor Yvonne McNeilly	Pension Lump Sum	4,878	1,990 -
3,368	1,025	Councillor Barbara Morgan	Pension Lump Sum	3,693	1,434
6,736	4,498 -	Councillor Aileen Morton	Pension Lump Sum	5,350	5,077 -
659	5,071 1,799	The Late Councillor Ellen Morton	Pension Lump Sum	-	- -
4,772	5,066 1,561	Councillor Gary Mulvaney	Pension Lump Sum	4,878	5,683 1,596
3,598	1,050 -	Councillor Alasdair Redman	Pension Lump Sum	4,605	1,555 -
3,978	4,509 1,459	Councillor Elaine Robertson	Pension Lump Sum	332	6,896 1,471

The Late Len Scoullar received 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 2021 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 2020		Senior Officers		For the year to 31 March 2021	
In-year pension contributions £	Accrued pension benefits £			In-year pension contributions £	Accrued pension benefits £
20,780	57,211	Chief Executive - Pippa Milne	Pension	24,751	59,828
	101,978		Lump Sum		105,037
19,841	73,102	Chief Executive - Cleland Sneddon (to 05-01-20)	Pension	-	-
	89,170		Lump Sum		-
19,742	55,113	Executive Director of Customer Services - Douglas Hendry	Pension	20,334	58,601
	102,697		Lump Sum		105,777
15,827	27,767	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	Pension	20,334	30,625
	29,609		Lump Sum		30,459
3,726	394	Head of Adult Services (Mental Health, Learning Disability, Addictions and Lifelong Conditions) (Section 3 Social Work Officer) - Julie Lusk (from 19-05-20)	Pension	15,332	2,024
	-		Lump Sum		-
14,886	44,200	Head of Children and Families (Section 3 Social Work Officer) - Alex Taylor (to 18-05-20)	Pension	7,574	45,496
	88,369		Lump Sum		89,571
15,334	26,632	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	Pension	15,332	28,854
	36,647		Lump Sum		37,747

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:

2019-20							2020-21					
Compulsory Redundancies		Other Departures		Total		Exit Package Cost Band	Compulsory Redundancies		Other Departures		Total	
No	£	No	£	No	£		No	£	No	£	No	£
15	92,008	6	62,268	21	154,276	£0 - £20,000	6	42,526	2	27,866	8	70,392
4	126,920	11	333,771	15	460,691	£20,001 - £40,000	2	44,307	-	-	2	44,307
1	41,455	5	244,018	6	285,473	£40,001 - £60,000	2	94,397	-	-	2	94,397
-	-	3	227,382	3	227,382	£60,001 - £80,000	1	64,618	2	144,484	3	209,102
1	91,199	-	-	1	91,199	£80,001 - £100,000	-	-	-	-	-	-
-	-	6	757,528	6	757,528	£100,001 - £150,000	1	103,669	-	-	1	103,669
1	176,968	2	367,028	3	543,996	£150,001 - £200,000	-	-	-	-	-	-
22	528,550	33	1,991,995	55	2,520,545		12	349,517	4	172,350	16	521,867

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 2021.

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 £0.522m 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 2021 of £0.151m, 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 2020 to 31 March 2021 are attached at Appendix A.

Cllr Robin Currie
Leader

Pippa Milne
Chief Executive

Expenditure and Funding Analysis

2019-20			Service	2020-21		
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
5,030	720	5,750	Chief Executive and Financial Services	5,329	452	5,781
			Executive Director Douglas Hendry			
319	47	366	Executive Director	410	27	437
8,273	7,643	15,916	Commercial Services	9,426	6,827	16,253
80,692	3,642	84,334	Education	81,717	(1,567)	80,150
8,124	286	8,410	Legal and Regulatory Support	8,557	3,359	11,916
			Executive Director Kirsty Flanagan			
616	(7)	609	Executive Director	(2)	6	4
7,007	2,745	9,752	Customer and Support Services	7,892	2,460	10,352
9,441	1,351	10,792	Development and Economic Growth	9,649	570	10,219
28,945	11,937	40,882	Roads and Infrastructure	32,448	12,024	44,472
59,945	4,339	64,284	Social Work	55,718	3,465	59,183
9,770	422	10,192	Other Non-Departmental Costs	9,019	(1,347)	7,672
218,162	33,125	251,287	Net Cost of Services	220,163	26,276	246,439

Expenditure and Funding Analysis

(218,352)	(39,169)	(257,521)	Other Income and Expenditure	(251,127)	(11,058)	(262,185)
(190)	(6,044)	(6,234)	(Surplus) / Deficit	(30,964)	15,218	(15,746)
(49,480)			Opening General fund Balance	(49,670)		
(190)			Plus (Surplus) or Deficit on General Fund Balance	(30,964)		
(49,670)			Closing General Fund Balance at 31 March 2021	(80,634)		

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

2019-20			Note	2020-21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
26,915	21,165	5,750	Chief Executive and Financial Services	25,784	20,003	5,781
			Executive Director Douglas Hendry			
366	-	366	Executive Director	437		437
20,403	4,487	15,916	Commercial Services	19,167	2,914	16,253
94,112	9,778	84,334	Education	93,170	13,020	80,150
12,638	4,228	8,410	Legal and Regulatory Support	16,173	4,257	11,916
			Executive Director Kirsty Flanagan			
609		609	Executive Director	4		4
10,379	627	9,752	Customer and Support Services	10,945	593	10,352
19,072	8,280	10,792	Development and Economic Growth	18,709	8,490	10,219
65,676	24,794	40,882	Roads and Infrastructure	60,972	16,500	44,472
143,515	79,231	64,284	Social Work	142,607	83,424	59,183
10,449	257	10,192	Other Non-Departmental Costs	8,627	955	7,672
404,134	152,847	251,287	Net Cost of Services	396,595	150,156	246,439

Statement of Comprehensive Income and Expenditure

		Other Operating Income and Expenditure:	
	1,487	Net (Gain)/loss on Disposal of Long Term Assets	7,186
	1,390	Other Operating Income and Expenditure 7	1,381
	2,877	Total Other Operating Income and Expenditure	8,567
		Financing and Investment Income and Expenditure:	
	17,954	Interest Payable and Similar charges	16,805
	(1,478)	Interest and Investment Income	(955)
	2,913	Net Pension Interest Expense	1,888
	19,389	Total Financing and Investment Income and Expenditure	17,738
		Taxation and Non-Specific Grant Income:	
	(160,081)	General Government Grants	(197,110)
	(31,136)	Government Capital Grants and Other Capital Contributions 12	(13,495)
	(35,634)	Non-domestic Rates Redistribution	(23,284)
	(301)	Non-domestic Rates TIF	(164)
	(102)	Non-domestic Rates BRIS	-
	(52,533)	Council Tax Income	(54,437)
	(279,787)	Total Taxation and Non-Specific Grant Income	(288,490)
	(6,234)	(Surplus)/Deficit on Provision of Services 6.1	(15,746)
	(11,910)	(Surplus)/Deficit on revaluation of Long Term Assets	(9,930)
	(64,660)	Other Post Employment Benefits (Pensions) 30.2	3,388
	(76,570)	Other Comprehensive Income and Expenditure	(6,542)
	(82,804)	Total Comprehensive Income and Expenditure	(22,288)

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 2020			Note	31 March 2021	
£'000	£'000			£'000	£'000
		Long Term Assets			
		Property Plant & Equipment	14		
370,616		- Other Land and Buildings		376,141	
9,627		- Vehicles, Plant, Furniture and Equipment		9,945	
221,154		- Infrastructure Assets		222,947	
5,647		- Community Assets		5,950	
3,254		- Surplus Assets		1,637	
26,806		- Assets Under Construction		25,599	
	637,104	Total Property Plant & Equipment			642,219
	2,086	Heritage Assets	15		2,086
	583	Intangible Assets	16		572
	2,449	Investment Property	17		2,435
	492	Long Term Investments	26		492
	5,663	Long-Term Debtors	21		6,028
	648,377	Total Long Term Assets			653,832
		Current Assets			
749		Inventories		900	
17,756		Short Term Debtors (Net of Impairment)	22	20,446	
674		Assets Held for Sale	23	1,865	
59,500		Short Term Investments		62,500	
8,785		Cash and Cash Equivalents	24	35,638	
	87,464	Total Current Assets			121,349
		Current Liabilities			
(6,070)		Short-term Borrowing	26	(3,005)	
(34,288)		Short-term Creditors	25	(43,068)	
(7)		Capital Grant Receipts in Advance	29	(7)	
(2,177)		Provisions	28	(2,356)	
(4,573)		Other Short Term Liabilities	27	(4,842)	
	(47,115)	Total Current Liabilities			(53,278)
		Long-term Liabilities			
(169,219)		Borrowing Repayable within a Period in Excess of 12 Months	26	(167,418)	
(120,294)		Other Long-term liabilities	27	(117,432)	
(1,396)		Provisions	28	(1,980)	
(5,000)		Capital Grant Receipts in Advance	29	(5,000)	
(67,346)		Other Long-term liabilities (Pensions)	30	(82,314)	
	(363,255)	Total Long-term Liabilities			(374,144)
	325,471	Total Assets less Liabilities			347,759

Balance Sheet



31 March 2020			Note	31 March 2021	
£'000	£'000			£'000	£'000
126,560	269,579	Unusable Reserves	32	136,292	260,585
220,263		- Revaluation Reserve		216,337	
(2,850)		- Capital Adjustment Account		(2,524)	
(67,346)		- Financial Instruments Adjustment Account		(82,314)	
(7,048)		- Pensions Reserve		(7,206)	
		- Accumulated Absences Account			
		Usable Reserves	33		
4,379	55,892	- Capital Funds		4,406	87,174
1,843		- Repairs and Renewals Funds		2,134	
49,670		- General Fund Balance		80,634	
	325,471	Total Reserves			347,759

The Balance Sheet is a snapshot of the value as at the 31 March 2021 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).

Kirsty Flanagan
Section 95 Officer

Statement of Movement in Reserves

Movements in 2020-21	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	Repairs and General Fund Renewals Fund Capital Funds Total Usable Reserves				Financial Instrument Accumulated Absences Total Unusable Reserves						
	£'000	£'000	£'000	£'000	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Adjustment Account	Account	£'000	
Balance at 31 March 2020	(49,670)	(1,843)	(4,379)	(55,892)	(126,560)	(220,263)	67,346	2,850	7,048	(269,579)	(325,471)
(Surplus)/Deficit on Provision of Services	(15,746)			(15,746)						-	(15,746)
Other Comprehensive Income and Expenditure					(9,930)		3,388			(6,542)	(6,542)
Total Comprehensive Income and Expenditure	(15,746)	-	-	(15,746)	(9,930)	-	3,388	-	-	(6,542)	(22,288)
Adjustments between accounting basis and funding basis under regulations:											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost	-			-	198	(198)				-	-
Amortisation of Intangible Assets	(89)			(89)		89				89	-
Depreciation of Non-current Assets	(22,041)			(22,041)		22,041				22,041	-
Impairment of Non-current Assets	3,142			3,142		(3,142)				(3,142)	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	13,495			13,495		(13,495)				(13,495)	-
Capital Expenditure Charged to the General Fund	744			744		(744)				(744)	-
Net Gain or Loss on Sale of Non-current Assets	(7,186)		(612)	(7,798)		7,798				7,798	-
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			326				(326)		(326)	-
Employee Benefits	(158)			(158)					158	158	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(11,580)			(11,580)			11,580			11,580	-

Statement of Movement in Reserves

Movements in 2020-21	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						
	Repairs and				Financial		Accum u-		Total		
	General Fund	Renewals	Capital	Total Usable	Revaluation	Adjustment	Pensions	Adjustment	Absences	Unusable	Total Reserves
	Balance	Fund	Funds	Reserves	Reserve	Account	Reserve	Account	Account	Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Statutory Repayment of Debt - Loans Fund Advances	5,246			5,246		(5,246)				(5,246)	-
Statutory Repayment of Debt - Finance Leases	43			43		(43)				(43)	-
Statutory Repayment of Debt - NPDO Finance	2,549			2,549		(2,549)				(2,549)	-
Total Statutory Adjustments	(15,509)	-	(612)	(16,121)	198	4,511	11,580	(326)	158	16,121	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(31,255)	-	(612)	(31,867)	(9,732)	4,511	14,968	(326)	158	9,579	(22,288)
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	291	(291)	585	585		(585)				(585)	-
(Increase)/Decrease in Year	(30,964)	(291)	(27)	(31,282)	(9,732)	3,926	14,968	(326)	158	8,994	(22,288)
Balance at 31 March 2021 Carried Forward	(80,634)	(2,134)	(4,406)	(87,174)	(136,292)	(216,337)	82,314	2,524	7,206	(260,585)	(347,759)

This Statement shows the movement in the 2020-21 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 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	
Balance at 31 March 2019	(49,480)	(1,696)	(4,352)	(55,528)	(115,150)	(195,045)	113,768	3,176	6,112	(187,139)	(242,667)
(Surplus)/Deficit on Provision of Services	(6,234)			(6,234)						-	(6,234)
Other Comprehensive Expenditure and Income					(11,910)		(64,660)			(76,570)	(76,570)
Total Comprehensive Expenditure and Income	(6,234)	-	-	(6,234)	(11,910)	-	(64,660)	-	-	(76,570)	(82,804)
Adjustments between accounting basis and funding basis under regulations:											
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)			(117)		117				117	-
Depreciation and of Non-current Assets	(22,662)			(22,662)		22,662				22,662	-
Impairment of Non-current Assets	287			287		(287)				(287)	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure	31,136			31,136		(31,136)				(31,136)	-
Capital Expenditure Charged to the General Fund	812			812		(812)				(812)	-
Net Gain or Loss on Sale of Non-current Assets	(1,487)		(1,974)	(3,461)		3,461				3,461	-
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			326				(326)		(326)	-
Employee Benefits	(936)			(936)					936	936	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(18,238)			(18,238)			18,238			18,238	-

Statement of Movement in Reserves

Comparative 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)	-
Total Statutory Adjustments	5,870	-	(1,974)	3,896	500	(23,244)	18,238	(326)	936	(3,896)	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(364)	-	(1,974)	(2,338)	(11,410)	(23,244)	(46,422)	(326)	936	(80,466)	(82,804)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	174	(147)	1,947	1,974		(1,974)				(1,974)	-
(Increase)/Decrease in Year	(190)	(147)	(27)	(364)	(11,410)	(25,218)	(46,422)	(326)	936	(82,440)	(82,804)
Balance at 31 March 2020 Carried Forward	(49,670)	(1,843)	(4,379)	(55,892)	(126,560)	(220,263)	67,346	2,850	7,048	(269,579)	(325,471)

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.

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.

2019-20 £'000		Note	2020-21 £'000
(6,234)	Net (Surplus) on the Provision of Services		(15,746)
(2,191)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(29,057)
5,181	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,471
(3,244)	Net Cash Flows from Operating Activities	39	(42,332)
(4,480)	Net Cash Flows from Investing Activities	40	7,740
12,770	Net Cash Flows from Financing Activities	41	7,739
5,046	Net (Increase)/Decrease in Cash and Cash Equivalents		(26,853)
(13,831)	Cash and Cash Equivalents at the beginning of the Reporting Period		(8,785)
(8,785)	Cash and Cash Equivalents at the end of the Reporting Period	24	(35,638)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. 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 2020-21, 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

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 2.0% 41 0043~ (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.

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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:

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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

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.

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.

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:

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- 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.

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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 2021 for 2020-21). For this disclosure the standards introduced by the 2020-21 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 2020-21 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 2021-22 Code of Practice, which will impact on the 2020-21 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 2021 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 2020-21 financial statements in respect of the holiday pay accrual is £7.206m.

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 2021 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 £0.976m for every year that useful lives had to be reduced.</p>												
Asset Valuations	The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.	<p>Accordingly, and for the avoidance of doubt, our valuations are not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.</p> <table><tr><th>Valuation Method</th><th>£'000</th></tr><tr><td>Historical Cost</td><td>241,511</td></tr><tr><td>Fair value (Market Value)</td><td>5,937</td></tr><tr><td>Current value (EUV/DRC)</td><td>376,141</td></tr><tr><td>Under construction - Cost</td><td>25,599</td></tr><tr><td></td><td>649,188</td></tr></table> <p>For those properties valued at market value it is estimated that the valuation would change by £0.059m for every 1% change in the market prices.</p>	Valuation Method	£'000	Historical Cost	241,511	Fair value (Market Value)	5,937	Current value (EUV/DRC)	376,141	Under construction - Cost	25,599		649,188
Valuation Method	£'000													
Historical Cost	241,511													
Fair value (Market Value)	5,937													
Current value (EUV/DRC)	376,141													
Under construction - Cost	25,599													
	649,188													

Item	Uncertainties	Effect if Actual Results Differ from Assumptions												
Arrears	At 31 March 2021, the Council had a balance of sundry debtors of £6.092m. A review of significant balances suggested that an impairment of doubtful debts of 16.6% (£1.012m) 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 £0.608m.												
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> <tr> <th>Sensitivities at 31 March 2021</th><th>Approximate % Increase to Employer Liability</th><th>Approximate monetary amount £'000</th></tr> <tr> <td>0.5% decrease in real discount rate</td><td>9%</td><td>79,995</td></tr> <tr> <td>0.5% increase in salary increase rate</td><td>1%</td><td>5,333</td></tr> <tr> <td>0.5% increase in pension increase rate</td><td>8%</td><td>73,160</td></tr> </table>	Sensitivities at 31 March 2021	Approximate % Increase to Employer Liability	Approximate monetary amount £'000	0.5% decrease in real discount rate	9%	79,995	0.5% increase in salary increase rate	1%	5,333	0.5% increase in pension increase rate	8%	73,160
Sensitivities at 31 March 2021	Approximate % Increase to Employer Liability	Approximate monetary amount £'000												
0.5% decrease in real discount rate	9%	79,995												
0.5% increase in salary increase rate	1%	5,333												
0.5% increase in pension increase rate	8%	73,160												

Notes to the Financial Statements

5. GENERAL FUND RESERVES

The Council has ring-fenced £74.277m of the balance on the General Fund.

Ring-fenced Balances	Balance 1 April 2020 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed 2020-21 £'000	New Earmarking at end of 2020-21 £'000	Balance 31 March 2021 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	7,500	(2,630)	-	-	2,256	7,126
Investment in Affordable Housing	4,000	-	(500)	-	-	3,500
Capital Projects	7,452	-	-	-	-	7,452
Lochgilphead and Tarbert Regeneration	2,376	(104)	-	-	-	2,272
Support for Rural Growth Deal	1,035	(50)	-	210	-	1,195
Asset Management	2,551	-	-	-	22	2,573
Piers and Harbours Investment Fund	608	-	-	-	362	970
Scottish Government Initiatives	951	(367)	-	-	471	1,055
Transformation	73	-	-	-	-	73
CHORD	213	-	-	-	49	262
School Budget Carry Forwards	917	(537)	-	-	640	1,020
Energy Efficiency Fund	218	-	-	-	-	218
Unspent Budget Required for Existing Legal Commitments	644	(56)	-	-	-	588
Unspent Committed Grants	3,281	(2,612)	-	-	7,724	8,393
Contributions Carried Forward	137	-	-	-	7	144
Other Previous Council Decisions	2,967	(286)	(24)	3,000	7	5,664
Redundancy Reserve	2,100	(201)	-	-	-	1,899
Supporting Organisational Change	500	(1)	-	-	-	499
Spend to Save Route Optimisation Software	100	-	-	-	-	100
Fleet - Timing Delay	-	-	-	-	107	107
COVID-19	-	-	-	-	13,530	13,530
Unspent Budget Carried Forward	5,752	(907)	(13)	2,666	5,750	13,248
HSCP Reserves	-	-	-	-	2,389	2,389
Total Ring-fenced	43,375	(7,751)	(537)	5,876	33,314	74,277
Contingency	4,969	-	63	-	-	5,032
Unallocated	1,326	(15)	3,254	(3,240)	-	1,325
Total General Fund Balance	49,670	(7,766)	2,780	2,636	33,314	80,634

The contingency balance of £5.032m is 2% of the Council's budgeted net expenditure for 2021-22.

Notes to the Financial Statements

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:

2019-20 £'000	Expenditure/Income	2020-21 £'000
	Expenditure	
164,538	Employee benefits expenses	163,138
157,176	Other services expenses	158,693
59,946	Contribution to Argyll and Bute Integration Joint Board	55,789
22,474	Depreciation, amortisation, impairment	18,975
20,867	Interest payments	18,693
1,377	Precepts and levies	1,400
13	Other operating expenditure	(19)
1,487	Net Loss/(Gain) on the disposal of assets	7,186
427,878	Total Expenditure	423,855
	Income	
(92,901)	Fees, charges and other service income	(94,367)
(59,946)	Income to fund social care services (Argyll and Bute Integration Joint Board)	(55,789)
(1,478)	Interest and investment income	(955)
(88,570)	Income from council tax and non-domestic rates	(77,885)
(191,217)	Government grants and contributions	(210,605)
(434,112)	Total Income	(439,601)
-6,234	(Surplus)Deficit on the Provision of Services	(15,746)

Notes to the Financial Statements

6.2 Revenue from Contracts with Service Recipients

31 March 2020 £'000		31 March 2021 £'000
29,567	Revenue from contracts with service recipients	23,427
29,567	Total Included in Comprehensive Income and Expenditure Statement	23,427

7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.381m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

2019-20 Actual £'000	Other Operating Income and Expenditure	2020-21 Actual £'000
1,377	Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,400
10	Equal Pay Settlements and Legal Costs	(19)
3	Other Operating Income and Expenditure not attributable to Services	-
1,390	Total	1,381

8. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2020-21 income from this agreement amounted to £0.309m (2019-20 £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 2020-21 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 2020-21 income received by the Council from this source amounted to £6.940m and the related expenditure was £9.410m. This can be analysed as follows.

2019-20		Purpose of Services	2020-21	
Income £'000	Expenditure £'000		Income £'000	Expenditure £'000
2,643	4,186	Care of the Elderly	2,795	4,549
2,652	3,309	Provision of Services for People with Learning Disabilities	2,793	3,310
1,398	1,605	Provision of Services for People with Mental Health Needs	1,352	1,551
6,693	9,100		6,940	9,410
		Additional Covid Response Funding received via NHS for 2020-21	7,148	5,217
			14,088	14,627

Notes to the Financial Statements

10. FEES PAYABLE TO AUDIT SCOTLAND

In 2020-21 the following fees relating to external audit and inspection were incurred:

2019-20 £'000	Auditor's Remuneration	2020-21 £'000
263	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	266
263	Total Remuneration	266

The figure above includes fees for the audit of the Council's charitable trusts.

Audit Scotland did not undertake any non-audit work in 2019-20 or 2020-21.

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 £4.864m which represents the value of the service provided from 1 April 2020 to 31 March 2021 (£5.847m for 2019-20). Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2021-2022	6,403
2022-2024	20,421
2024-2027	9,444
Total	36,268

The average service charge equates to £5.183m 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 2020-21:

2019-20 £'000	Grant Income	2020-21 £'000
	Credited to Taxation and Non Specific Grant Income	
160,081	Revenue Support Grant	197,110
35,634	Non Domestic Rates	23,284
3,495	Specific Capital Grant	2,137
18,205	General Capital Grant	8,480
3,569	Heritage Lottery Fund	48
1,667	Scottish Timber Transport Strategy	1,339
225	Scottish Government	1,023
-	- Strathclyde Partnership for Transport (SPT)	102
989	SUSTRANS	-
1,408	Revenue Contribution to Capital Projects	11
1,017	Other Grants	329
561	Other Government Capital Grants	26
226,851	Total	233,889
	Credited to Services	
7,599	Scottish Government Specific Grants	11,429
3,706	Scottish Government Specific Grants - Scotland's Schools for the Future	3,703
1,064	General Capital Grant - Private Sector Housing Improvement Grants	356
931	General Capital Grant - Economic Development	-
19,683	Housing Benefit Subsidy	18,605
1,048	Other Revenue Government Grants	3,860
34,031	Total	37,953

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 2020-21 is shown in the Remuneration Report on page 36.

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
Southpeak Services	24

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	4,793
<i>Of these, transactions with the following exceeded £10,000:</i>	
Oban and Lorn Community Enterprise - Atlantis Leisure	407
Fyne Homes Ltd	72
Argyll Community Housing Association (ACHA)	12
Kintyre Alcohol and Drugs Advisory Service (KADAS)	11
Argyll and the Isles Tourism Ltd	23
Islay and Jura Community Enterprise	201
South Kintyre Development Trust	10
Mid Argyll Community Enterprise	90
Scotland Excel	70
Fyne Futures	15
Convention of Scottish Local Authorities (COSLA)	70
Argyll and Bute Citizens Advice Bureau	53
Bute Advice	57
Kintyre Recycling	248
SEEMIS	281
Mull & Iona Community Trust (MICT)	181
Argyll and the Isles Coast & Countryside Trust	54
Carr Gomm	362
Argyll & Bute Women's Aid	121
Argyll & Bute Care & Repair	231
Islay Development Initiative (Previously RE-JIG)	20
HELP	162
Argyll and Bute Rugby Football Club	20
West Highland Housing Association	232
LINK Group	1,773
Total	4,776

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 2020-21	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2020-21 £'000
Cost or Valuation							
At 1 April 2020	400,497	40,704	310,761	5,656	3,250	26,806	787,674
Additions	4,204	2,608	6,824	303	(3)	8,543	22,479
Additions financed under a new leasing arrangement							-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	406				100		506
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,348)				(113)	(7,170)	(8,631)
Derecognition - Disposals	(1,086)	(1,582)					(2,668)
Assets reclassified (to)/from Held for Sale	(223)		200		(1,600)		(1,623)
Other movements in cost or valuation	(42)	(3)	2,622			(2,580)	(3)
At 31 March 2021	402,408	41,727	320,407	5,959	1,634	25,599	797,734
Depreciation and Impairments							
At 1 April 2020	(29,881)	(31,077)	(89,607)	(9)	4	-	(150,570)
Depreciation Charge for 2020-21	(7,914)	(2,287)	(7,853)		(1)		(18,055)
Depreciation written out to the Revaluation Reserve	9,467						9,467
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,169				67		1,236
Derecognition - Disposals	823	1,582					2,405
Other movements in depreciation and impairment	69				(67)		2
At 31 March 2021	(26,267)	(31,782)	(97,460)	(9)	3	-	(155,515)
Balance Sheet amount at 31 March 2021	376,141	9,945	222,947	5,950	1,637	25,599	642,219
Balance Sheet amount at 31 March 2020	370,616	9,627	221,154	5,647	3,254	26,806	637,104

Notes to the Financial Statements

Comparative 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
Cost or Valuation							
At 1 April 2019	382,592	39,073	297,137	2,363	2,740	23,877	747,782
Additions	8,003	2,254	12,565	3,219	13	10,665	36,719
Additions financed under a new leasing agreement	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,493	0	-	-	214	3,397	7,104
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(690)	-	-	-	(54)	-	(744)
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)
At 31 March 2020	400,497	40,704	310,761	5,656	3,250	26,806	787,674
Depreciation and Impairments							
At 1 April 2019	(23,226)	(29,417)	(82,233)	(9)	1	-	(134,884)
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
At 31 March 2020	(29,881)	(31,077)	(89,607)	(9)	4	-	(150,570)
Balance Sheet amount at 31 March 2020	370,616	9,627	221,154	5,647	3,254	26,806	637,104
Balance Sheet amount at 31 March 2019	359,366	9,656	214,904	2,354	2,741	23,877	612,898

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 2021 was £1.637m. 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 2021 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 2021	68,258
31 March 2020	26,452
31 March 2019	106,083
31 March 2018	153,015
31 March 2017	22,333
Total Cost or Valuation	376,141

Notes to the Financial Statements

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 2020-21 total spending on capital projects was £22.554m.

2019-20 £'000		2020-21 £'000
309,994	Opening Capital Financing Requirement	296,187
	<i>Capital Investment:</i>	
7,672	Property Plant and Equipment: Other Land and Buildings	3,851
2,254	Vehicles, Plant, Furniture and Equipment	2,608
12,565	Infrastructure Assets	6,824
3,219	Community Assets	303
13	Surplus Assets	(3)
10,665	Assets Under Construction	8,543
331	Property Plant and Equipment acquired under Finance Leases: Other Land and Buildings - DBFM Schools	353
6	Heritage Assets	-
47	Intangible Assets	75
36,772	Total Capital Investment	22,554
	<i>Sources of Finance:</i>	
(1,974)	Capital Receipts	(612)
(31,136)	Government Grants	(13,495)
(812)	Capital Financed from Current Revenue	(744)
(11,098)	Repayment of External Loans	(5,246)
(41)	Capital Element of Finance Lease Payments	(43)
(5,610)	Capital Element of Schools NPDO Payments	(2,549)
1,974	Capital Receipts transferred to Capital Fund	612
(1,947)	Capital Receipts Used from Capital Fund	(585)
65	Other	583
(50,579)	Total Funding	(22,079)
296,187	Closing Capital Financing Requirement	296,662

Notes to the Financial Statements

14.5 Commitments under Capital Contracts

At 31 March 2021, the Council had commitments on capital contracts of £18.675m. 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 2020 were £7.914m. The major commitments are:

	£'000
Helensburgh Waterfront Development	11,992
Castlehill Primary School	523
Dunbeg Primary School - Early Years 1140 Hours Upgrades	483
Lismore Ferry Replacement	444
Garelochhead Primary School - Early Years 1140 Hours Upgrades	408
A849 - Torrans Bridge to Fionnphort Road Improvements	380
B8001 - Auchmeanach Farm Slip - Road Improvements	363
DISR - B8071-010 Cliad Bridge, Coll - Bridge Strengthening Works	232
St Josephs Primary School - Roof Upgrade	210
B840 - Braevallich- Portsonachan - Road Improvements	200
C42 - Barnluasgan - Castle Sween - Road Improvements	190
Dalmally Primary School - Electrical Upgrade	173
Castlehill Primary School - Roof Upgrade	156
Other small projects each less than £0.150m in value	2,921

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 to 62.

Reconciliation of the carrying value of heritage assets held by the Council:

	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
Movements in 2020-21			
Cost or Valuation			
Net Book Value at 1 April 2020	1,600	486	2,086
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	-	-
At 31 March 2021	1,600	486	2,086

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:

	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
Movements in 2020-21	£'000	£'000	£'000
Cost or Valuation			
At 1 April 2020	-	2,129	2,129
Additions	-	75	75
Disposals	-	-	-
Revaluations	-	-	-
Reclassifications	-	3	3
At 31 March 2021	-	2,207	2,207
Depreciation and Impairments			
At 1 April 2020	-	(1,546)	(1,546)
Charge for 2020-21	-	(89)	(89)
Disposals	-	-	-
At 31 March 2021	-	(1,635)	(1,635)
Balance Sheet amount at 31 March 2021	-	572	572
Balance Sheet amount at 31 March 2020	-	583	583

Notes to the Financial Statements

Comparative Movements in 2019-20	Carbon Reduction Commitment Allowance £'000	Purchased Software Licences £'000	Total Intangible Assets £'000
Cost or Valuation			
At 1 April 2019	11	2,082	2,093
Additions	-	47	47
Disposals	(11)	-	(11)
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2020	-	2,129	2,129
Depreciation and Impairments			
At 1 April 2019	-	(1,429)	(1,429)
Charge for 2019-20	-	(117)	(117)
Disposals	-	-	-
At 31 March 2020	-	(1,546)	(1,546)
Balance Sheet amount at 31 March 2020	-	583	583
Balance Sheet amount at 31 March 2019	11	653	664

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 2021. Revaluations of investment properties were carried out at 31 March 2021 in house by the Estates Service.

17.1 Movement in Investment Property

The movement in investment property during 2020-21 was:

Movements in 2020-21	Investment Properties £'000
Cost or Valuation	
At 1 April 2020	2,449
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	
Transfers	(14)
At 31 March 2021	2,435

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:

2019-20 £'000		2020-21 £'000
120	Rental income from investment property	113
(4)	Direct operating expenses arising from investment property	(4)
116		109

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 2021 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 2021.

Movements in 2020-21	Buildings Under Construction £'000	Schools DBFM - Other Land & Buildings £'000	Schools NPDO - Other Land & Buildings £'000	Total Schools Built under PFI Contracts £'000
Cost or Valuation				
At 1 April 2020	-	58,871	132,836	191,707
Additions at Cost	-	353	-	353
Transfers	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2021	-	59,224	132,836	192,060
Depreciation and Impairments				
At 1 April 2020	-	(3,798)	(5,756)	(9,554)
Charge for 2020-21	-	(1,737)	(2,875)	(4,612)
Transfers	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2021	-	(5,535)	(8,631)	(14,166)
Balance Sheet amount at 31 March 2021	-	53,689	124,205	177,894
Balance Sheet amount at 31 March 2020	-	55,073	127,080	182,153

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 2020-21	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
Balance at 1 April 2020	(55,968)	(67,666)	(123,634)
Additions	-	-	-
Repayments	1,994	2,491	4,485
Prior year repayment adjustment	(1,935)	-	(1,935)
Schools Finance Lease Liability at 31 March 2021	(55,909)	(65,175)	(121,084)
Split:			
Obligations payable within 1 year	(2,033)	(2,766)	(4,799)
Obligations payable after 1 year	(53,876)	(62,409)	(116,285)
Schools Finance Lease Liability at 31 March 2021	(55,909)	(65,175)	(121,084)

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
2021 - 2022	2,766	-	6,717	5,571	15,054
2022 - 2026	13,090	1,577	23,569	23,738	61,974
2026 - 2031	24,231	3,025	20,961	33,547	81,764
2031 - 2036	25,088	2,360	6,852	26,112	60,412
Total	65,175	6,962	58,099	88,968	219,204

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
2021 - 2022	2,033	2,400	647	5,080
2022 - 2026	7,985	8,824	3,786	20,595
2026 - 2031	10,434	9,262	6,722	26,418
2031 - 2036	12,090	5,590	9,579	27,259
2036 - 2041	15,279	2,454	10,478	28,211
2041 - 2043	8,089	742	1,949	10,780
Total	55,910	29,272	33,161	118,343

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 2020-21 were as follows:

2019-20 £'000		2020-21 £'000
285	Land and Buildings	256
730	Vehicles	1,407
152	Plant and Equipment	184
1,167	Total	1,847

19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2021 to making payments of £2.988m under operating leases comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Due within 1 year	177	311
Due between 1 and 5 years	583	254
Due after 5 years	1,625	38
Value at 31 March 2021	2,385	603

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 2020-21 was as follows:

2019-20 £'000		2020-21 £'000
63	Plant and Equipment	63
63	Total	63

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 2020-21	Vehicles, Plant and Equipment £'000
Value at 1 April 2020	478
Additions	-
Depreciation	(51)
Value at 31 March 2021	427

20.3 Finance Lease Liability

The Council was committed at 31 March 2021 to making payments of £0.440m under finance leases comprising the following elements:

Movements in 2020-21	£'000
Balance at 1 April 2020	(483)
Additions	-
Repayments	43
Finance Lease Liability at 31 March 2021	(440)
Split:	
Obligations payable within 1 year	(63)
Obligations payable between 1 and 5 years	(252)
Obligations payable after 5 years	(217)
Finance Lease Obligations at 31 March 2021	(532)
Less Interest element of lease	92
Finance Lease Liability at 31 March 2021	(440)

Notes to the Financial Statements

21. LONG TERM DEBTORS

31st March 2020 £'000		31st March 2021 £'000
14	House Loans	14
750	Waste PPP Historic Contamination Fund	750
1,199	Charging Orders - Care Home Fees	1,384
3,600	Strategic Housing Fund Loans to Registered Social Landlords	3,297
100	Other Long Term Debtors	583
5,663	Total Long Term Debtors	6,028

22. DEBTORS

31 March 2020			31 March 2021	
£'000	£'000		£'000	£'000
17,111 (14,998)		Arrears of Local Taxation Less: Provision for Bad Debts	18,350 (16,170)	
1,100 (1,016)	2,113	Housing Benefits Overpayments Less: Provision for Bad Debts	1,030 (955)	2,180
4,151 (1,177)	84	Debtor Accounts Less: Provision for Bad Debts	6,092 (1,012)	75
	2,974			5,080
	-	Net Debtor to Scottish Government for Non Domestic Rates		-
	1,926	VAT Recoverable from HMRC		3,080
	367	Strategic Housing Fund Loans due within 1 Year		205
	10,292	Other Debtors		9,826
	17,756	Total Debtors		20,446

Notes to the Financial Statements

23. ASSETS HELD FOR SALE

The movement in assets held for sale during 2020-21 was:

2019-20 £'000	Movements	2020-21 £'000
2,322	Balance outstanding at 1st April 2020	674
217	Assets newly classified as "Held for Sale" (Property, Plant and Equipment)	1,624
-	- Additions	(25)
(8)	- Revaluation losses	(43)
-	- Revaluation gains	-
-	- Impairment losses	-
-	- Assets declassified as "Held for Sale" (Property, Plant and Equipment)	-
(1,857)	- Assets Sold	(365)
674	Balance outstanding at 31st March 2021	1,865

24. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £'000		31 March 2021 £'000
4	Cash held by the Authority	4
180	Cash in transit	(30)
242	Short term deposits with banks	25,518
15,050	Short term deposits in Money Market Funds	17,290
(6,691)	Bank Current Accounts (Overdraft)	(7,144)
8,785	Total Cash and Cash Equivalents	35,638

Notes to the Financial Statements

25. CREDITORS

31 March 2020 £'000		31 March 2021 £'000
6,937	Accrued Payrolls and Superannuation	7,134
2,679	Accrued Employer's National Insurance Contributions and PAYE	2,761
7,047	Accrual for Short Term Accumulating Absences	7,206
1,268	Creditors System Liability	8,410
5,841	Accrued Expenditure	19,424
174	RCGF Grant Income	-
228	Housing Benefit Subsidy	180
804	Trust Funds	962
612	A.L.I.E.A - Argyll Affordable Warmth Project	-
1,484	Net Creditor to Scottish Government for Non Domestic Rates	1,175
7,214	Other Creditors	(4,184)
34,288	Total Creditors	43,068

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 2020			31 March 2021	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
6,155	86,041	Investments and Lending Loans and Receivables	6,388	118,396
289,513	44,931	Borrowing Financial Liabilities at amortised cost	284,848	50,920

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 2021 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 2020			31 March 2021	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
92,196	92,507	Lending Loans and Receivables	124,784	125,076
334,444	402,357	Borrowing Financial Liabilities	335,768	422,798

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 2021 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2021 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Deposits with Banks and Money Market Funds	32,808	-	-

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 2020 £'000	Maturity analysis of financial liabilities	31 March 2021 £'000
44,809	Less than one year	50,920
5,358	Between one and two years	10,893
23,873	Between two and five years	16,915
260,404	More than five years	257,040
334,444		335,768

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 2021, with all other variables held constant:

	31 March 2021 £'000
Impact on tax-payer	
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"	-
Net effect on Statement of Comprehensive Income & Expenditure	6

Notes to the Financial Statements

	31 March 2021 £'000
Other accounting presentational changes	
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	50,506

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 2020 £'000		31 March 2021 £'000
15,292	Banks and Money Market Funds	32,808

26.11 Soft Loans

The Council has no material soft loans at 31 March 2021, 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 2021 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 2020 £'000		31 March 2021 £'000
128	Common Good	133
804	Trust Funds	829

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 £122.274m as at 31 March 2021 and comprise the following:

Movements in 2020-21	Opening Balance 1 April 2020 £'000	Movement in Year £'000	Closing Balance 31 March 2021 £'000
Finance Lease Liability (See note 20.3)	(483)	43	(440)
Schools Finance Lease Liability (See note 18.2)	(123,634)	2,550	(121,084)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(124,867)	2,593	(122,274)
Split:			
Short Term Liabilities (due within 1 year)			(4,842)
Long Term Liabilities (due after 1 year)			(117,432)
Total Other Liabilities			(122,274)

28. PROVISIONS

	Opening Balance 1 April 2020 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2021 £'000
VAT Misdeclaration Provision	(171)	-	171	-	-
Equal Pay Claims	(90)	-	9	22	(59)
Income due to Registered Social Landlords	(94)	-	-	23	(71)
Commercial Rent Balances	(117)	(37)	-	-	(154)
Service Choices Redundancy Costs	(260)	(79)	165	24	(150)
Landfill Sites - Restoration and Aftercare Costs	(1,302)	(607)	-	-	(1,909)
Utilities Provision	(198)	(131)	-	73	(256)
Litigation Claims	-	(250)	-	-	(250)
Insurance Excess Provision	-	(10)	-	-	(10)
NPDO and Hub DBFM Payments	(1,341)	(443)	212	95	(1,477)
Total Provisions	(3,573)	(1,557)	557	237	(4,336)
Split:					
Short Term Provisions (due within 1 year)					(2,356)
Long Term Provisions (due after 1 year)					(1,980)
Total Other Liabilities					(4,336)

A legal litigation provision was created in 2020-21 as the Council is currently involved in several ongoing cases that will incur costs into future years. The provision is based on sums invoiced and anticipated future costs.

A provision was created in 2020-21 for insurance excess costs in relation to an ongoing HR process.

Notes to the Financial Statements

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. HMRC requested payment and this was paid in July 2020.

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 2020-21 amounted to £2.256m; 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 £0.71m.

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 2021 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2021, a provision of £0.151m 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 landfill sites were revalued at 31 March 2021 and the provision for restoration and aftercare increased to £1.909m. 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, £0.073m has been reversed during 2020-21 resulting in a total provision of £0.256m.

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 2020 £'000	Capital Grants Received £'000	Amounts Used £'000	Closing Balance 31 March 2021 £'000
Ministry of Defence LIBOR Funding - Helensburgh & Grant in Aid - Gaelic School Capital Fund	(5,000) (7)	- -	- -	(5,000) (7)
Total Other Liabilities	(5,007)	-	-	(5,007)
Split:				
Capital Grant Receipts in Advance (due within 1 year)				(7)
Capital Grant Receipts in Advance (due after 1 year)				(5,000)
Total Other Liabilities				(5,007)

Notes to the Financial Statements

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 2021. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2021. The amounts are as follows:

- Local Government Pension Scheme – £1.552m
- Teachers' Scheme – £1.082m

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 2020. 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 2021 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

2019-20 £'000		2020-21 £'000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services:	
	<i>Service cost comprising:</i>	
29,590	Current Service Cost	24,830
984	Past Service Cost (Including Curtailments)	73
30,574	Net Cost of Services	24,903
2,913	Net Interest Expense	1,888
33,487	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	26,791
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
47,073	Return on Assets (excluding amounts included in net interest)	(153,529)
(4,584)	Other Experience (see note (i) below)	(16,702)
(107,149)	Change in Financial and Demographic Assumptions	173,619
(31,173)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	30,179
	Statement of Movement in Reserves:	
(18,238)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(11,580)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
15,249	Employer's Contributions Payable to the Scheme	15,211

(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):

2019-20 £'000		2020-21 £'000
820,367	Defined Benefit Obligation at 1 April 20	743,420
29,590	Current Service Cost	24,830
984	Past Service Costs including Curtailments	73
19,867	Interest Cost	17,390
4,045	Contributions by Scheme Participants	4,182
(111,733)	Re-measurement Gains and (Losses)	131,520
(19,700)	Estimated Benefits Paid	(23,579)
743,420	Defined Benefit Obligation at 31 March 21	897,836

Notes to the Financial Statements

Reconciliation of fair value of the scheme (plan) assets:

2019-20 £'000		2020-21 £'000
706,599	Fair Value of Employer Assets at 1 April 20	676,074
	<i>Re-measurement Gains and (Losses):</i>	
(47,073)	Expected Rate of Return on Pension Fund Assets	153,529
-	Actuarial Gains and Losses	(25,397)
16,954	Interest Income on Plan Assets	15,502
15,249	Employers Contributions	15,211
4,045	Contributions by Scheme Participants	4,182
(19,700)	Estimated Benefits Paid	(23,579)
676,074	Fair Value of Employer Assets at 31 March 21	815,522

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

2019-20 £'000	Local Government Pension Scheme	2020-21 £'000
(717,826)	Present Value of Funded Liabilities	(870,979)
(25,594)	Present Value of Unfunded Liabilities	(26,857)
676,074	Fair Value of Employer Assets	815,522
(67,346)	(Deficit) in the Scheme	(82,314)

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 2021 comprised:

2019-20 £'000		2020-21 £'000
68,346	Cash and Cash Equivalents	13,691
	Equity Instruments (by industry type)	
43,418	Consumer	46,957
35,185	Manufacturing	46,519
9,038	Energy and Utilities	8,518
29,145	Financial Institutions	28,867
17,293	Health and Care	22,751
22,286	Information Technology	37,735
-	Other	-
156,365	Sub-total Equity Instruments	191,347
	Bonds (by sector)	
21,213	Corporate	-
-	Government	-
21,213	Sub-total Bonds	-
	Real Estate	
61,212	UK Property	66,075
-	Overseas Property	-
61,212	Sub-total Real Estate	66,075
80,788	Private Equity (All)	145,865
	Investment Funds and Unit Trusts	
208,656	Equities	285,233
78,274	Bonds	110,297
339	Commodities	345
-	Infrastructure	824
867	Other	1,698
288,136	Sub-total Investment Funds and Unit Trusts	398,397
	Derivatives	
-	Forward Foreign Exchange Contracts	-
14	Other	147
14	Sub-total Derivatives	147
676,074	Total Assets	815,522

Notes to the Financial Statements

2019-20 £'000	Fair Value of Pension Fund Assets	2020-21 £'000
	Equity Securities	
155,956	Quoted in an Active Market	190,471
409	Not Quoted in an Active Market	876
156,365	Sub-total Equity Securities	191,347

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:

2019-20 Years	Mortality assumptions	2020-21 Years
20.7	Longevity at 65 for current pensioners: Men	19.8
22.9	Women	22.6
22.2	Longevity at 65 for future pensioners: Men	21.2
24.6	Women	24.7
2019-20 %	Financial Assumptions	2020-21 %
1.9%	Rate of Inflation (CPI)	2.9%
3.0%	Rate of Increase in Salaries	3.6%
1.9%	Rate of Increase in Pensions (CPI)	2.9%
2.3%	Rate for discounting scheme liabilities	2.0%
2019-20 %	Long-term Expected Rate of Return on Assets in the Fund	2020-21 %
2.3%	Equity Investments	2.0%
2.3%	Bonds	2.0%
2.3%	Property	2.0%
2.3%	Cash	2.0%

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 2021-2022.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £13.424m. This is based on an assumed pensionable payroll of £69.553m.

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 2021.

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 2021, the council's own contributions equate to 1.65%

2019-20		2020-21
7,901	Amount Paid Over (£'000)	9,229
17.20%	Rate of Contribution (%) April 2019 - August 2019	17.20%
23.00%	Rate of Contribution (%) September 2019 - March 2020	23.00%
520	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 £9.342m.

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 arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2020-21				
	Adjustments for Capital Purposes Note (i) £'000	Net change for Pension Adjustments Note (ii) £'000	Capital element of Schools NPDO payment Note (iii) £'000	Other Adjustments Note (iv) £'000	Total Adjustments £'000
Chief Executive and Strategic Finance	(66)	535	-	(17)	452
Executive Director (Douglas Hendry)					
Executive Director (Douglas Hendry)	-	34	-	(7)	27
Commercial Services	1,834	844	-	4,149	6,827
Education	3,509	2,399	-	(7,475)	(1,567)
Legal and Regulatory Services	2,911	443	(2,549)	2,554	3,359
Executive Director (Kirsty Flanagan)					
Executive Director (Kirsty Flanagan)	-	24	-	(18)	6
Head of Customer Support Services	1,276	789	-	395	2,460
Head of Development and Economic Growth	(9)	885	-	(306)	570
Roads and Amenity Services	8,839	1,996	-	1,189	12,024
Social Work	677	3,096	-	(308)	3,465
Other Non-Departmental Costs	4	(1,351)	-	-	(1,347)
	-	-			
Net Cost of Services	18,975	9,694	(2,549)	156	26,276
Other Income and Expenditure	(12,284)	1,886	-	(660)	(11,058)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	6,691	11,580	(2,549)	(504)	15,218

(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.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts (Comparative Year)	Adjustments between Funding and Accounting Basis 2019-20				
	Adjustments for Capital Purposes Note (i) £'000	Net change for Pension Adjustments Note (ii) £'000	Capital element of Schools NPDO payment Note (iii) £'000	Other Adjustments Note (iv) £'000	Total Adjustments £'000
Chief Executive and Strategic Finance	2	750	-	(32)	720
Executive Director (Douglas Hendry)					
Executive Director (Douglas Hendry)	-	51	-	(4)	47
Commercial Services	2,928	1,192		3,523	7,643
Education	6,606	3,059	-	(6,023)	3,642
Legal and Regulatory Services	2,911	620	(5,610)	2,365	286
Executive Director (Kirsty Flanagan)					
Executive Director (Kirsty Flanagan)	-	31		(38)	(7)
Head of Customer Support Services	1,225	1,079		441	2,745
Head of Development and Economic Growth	387	1,248		(284)	1,351
Roads and Amenity Services	8,026	2,639		1,272	11,937
Social Work	386	4,227		(274)	4,339
Other Non-Departmental Costs	4	430		(12)	422
Net Cost of Services	22,475	15,326	(5,610)	934	33,125
Other Income and Expenditure from the Expenditure and Funding Analysis	(41,542)	2,912	-	(541)	(39,171)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(19,067)	18,238	(5,610)	393	(6,046)

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 for the consumption 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.

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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 2020-21	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2020	2,845	1,534	4,379
Proceeds of Disposals	27	585	612
Transfer to Capital Adjustment Account	-	(585)	(585)
Contribution to Capital Fund From Revenue	-	-	-
Interest Earned	-	-	-
Balance at 31 March 2021	2,872	1,534	4,406

33.2 Repairs and Renewals Fund

The movement in the Education Repairs and Renewals Fund is as follows:

Movements in 2020-21	Balance at 1 April 2020 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2021 £'000
Education	1,843	698	-	(407)	2,134
Total	1,843	698	-	(407)	2,134

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 2020-21 is £0.522m for 16 employees and in 2019-20 was £2.52m for 55 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 2021 have been accounted for in 2020-21, 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	13	4	626	626
GM Duncan Trust	-	3	72	72
MacDougall Trust	26	-	1,021	1,021
Various Other Trust Funds	-	6	473	473
Total Trust Funds	39	13	2,192	2,192

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 Kilcraggan. 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 2021. 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 2021

2019-20 Actual £'000		2020-21 Actual £'000
205	Expenditure	170
(11)	Income	(594)
194	(Surplus)/Deficit for the Year	(424)

Notes to the Financial Statements

37.2 Common Good Balance Sheet at 31 March 2021

2019-20 Actual £'000		2020-21 Actual £'000
5,022	Tangible Fixed Assets	4,898
2,452	Investments	2,954
253	Current Assets	289
(21)	Current Liabilities	(11)
7,706	Total Assets less Liabilities	8,130
5,026	Revaluation Reserve	4,902
2,680	Common Good Fund	3,228
7,706	Total Net Worth	8,130

Notes to the Financial Statements

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 2021, to be funded from borrowing, in respect of TIF assets totalled £0.037m. 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 2021, has been calculated in accordance with finance circular No. 4/2014 at £0.939m.

There is a retention of £0.164m of TIF income during 2020-21 to repay the notional borrowing for TIF. Principal sums accumulated by 2020-21 amount to £0.160m and cumulative interest £0.123m resulting in a net cumulative surplus of £0.773m 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:

2019-20 £'000		2020-21 £'000
(6,234)	Net (Surplus)/Deficit on Provision of Services	(15,746)
	Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:	
5,870	Statutory Adjustments through Statement of Movement in Reserves	(15,509)
174	Transfer to/from Other Statutory Reserves	291
(63)	Increase/(Decrease) in Inventories	151
1,389	Increase/(Decrease) in Debtors	2,311
4,439	(Increase)/Decrease in Creditors and Provisions	(10,792)
(14,000)	Other Revenue Adjustments	(5,509)
(2,191)		(29,057)
	Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:	
10,832	Non Cash Capital	5,063
(5,651)	Capital Element of Finance Lease Payments	(2,592)
5,181		2,471
(3,244)	Net Cash Flows from Operating Activities	(42,332)
	The cash flows for Operating Activities include the following items:	
8,474	Interest Paid on Borrowings	7,269
9,748	Interest Paid on Finance Leases	2,592
(358)	Interest Received on Bank Deposits	(292)
17,864	Net Cash Outflow from Servicing of Finance	9,569

40. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

2019-20 £'000		2020-21 £'000
26,784	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	17,491
2,000	Investments made/(disposed of) during year	3,000
(1,974)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(612)
(31,290)	Other Receipts from Investing Activities	(12,139)
(4,480)	Net Cash Outflow from Investing Activities	7,740

Notes to the Financial Statements

41. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

2019-20 £'000		2020-21 £'000
(7,052)	Cash Receipts of Short and Long Term Borrowing	(332)
(2,717)	Other Receipts from Financing Activities	313
5,650	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	2,592
16,889	Repayments of Short and Long Term Borrowing	5,166
12,770	Net Cash (Inflow)/Outflow from Financing Activities	7,739

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.

2019-20 Actual £'000		2020-21 Actual £'000
67,472	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	70,624
	Less:	
(13,970)	Other Discounts and Reductions	(15,067)
(1,430)	Provision for Bad and Doubtful Debts	(1,484)
52,072	Total	54,073
461	Adjustment to Previous Years' Community Charge and Council Tax	364
52,533	Transfers to General Fund	54,437

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 2020-21 was as follows:

Band	Valuation Band	Ratio Band D	£ per year
A	Up to £27,000	6/9	911.82
B	£27,001 - £35,000	7/9	1,063.79
C	£35,001 - £45,000	8/9	1,215.76
D	£45,001 - £58,000	9/9	1,367.73
E	£58,001 - £80,000	473/360	1,797.05
F	£80,001 - £106,000	585/360	2,222.56
G	£106,001 - £212,000	705/360	2,678.47
H	Over £212,000	882/360	3,350.94

2. CALCULATION OF THE COUNCIL TAX BASE 2020-21

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,524	10,034	9,506	6,113	7,545	4,270	2,888	254	48,134
Less - Exemptions / Deductions	1,066	783	1,012	502	576	257	164	50	4,410
- Adjustment for Single Chargepayers	870	1,051	744	435	432	214	102	6	3,854
Effective Number of Properties	5,588	8,200	7,750	5,176	6,537	3,799	2,622	198	39,870
Band D Equivalent Factor (ratio)	67%	78%	89%	100%	131%	163%	196%	245%	
Band D Equivalent Number of Properties	3,725	6,378	6,888	5,176	8,589	6,173	5,135	485	42,549
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									523
Nominal Tax Yield									43,072
Less Provision for Non-Collection	-	2.830%							1,219
Council Tax Base 2020-21 - Number of Band D equivalents									41,853

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.

2019-20 Actual £'000		2020-21 Actual £'000
55,754	Gross rates levied and Contributions in Lieu	56,335
	Less:	
(16,233)	Reliefs and other deductions	(28,240)
-	Payment of Interest	-
(395)	Provision for Bad and Doubtful Debts	(281)
39,126	Total Net Non-Domestic Rate Income	27,814
(1,349)	Adjustments for prior years	(2,914)
(102)	Business Rate Incentivisation Scheme (BRIS) NDR Income Retained	-
(301)	Tax Incremental Finance (TIF) Scheme NDR Income Retained	(164)
37,374	Contribution to National Non-Domestic Rate Pool	24,736
(1,740)	Difference between Distributable and Contributable NDR Income amounts	(1,452)
35,634	Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement	23,284

Notes to the Non Domestic Rate Income Account



1. ANALYSIS OF RATEABLE VALUES

2019-20 £		2020-21 £
9,413,245	Industrial and freight transport subjects	9,370,855
74,628,497	Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	73,835,770
	Commercial subjects:	
13,990,775	Shops	13,864,845
5,913,520	Offices	5,869,970
9,038,350	Hotels, Boarding Houses etc.	9,596,600
2,001,650	Others	1,921,620
114,986,037	Total Rateable Value	114,459,660

2. NON-DOMESTIC RATE CHARGE

2019-20 Pence		2020-21 Pence
49.0p	Rate Per Pound	49.8p
0.0p	Supplementary Rate Per Pound for Properties between £51,000 and £95,000	1.3p
2.6p	Supplementary Rate Per Pound for Properties over £95,000	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 2020-21: 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 2021 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 2020-21.
- **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

2019-20			Service	2020-21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
26,915	21,165	5,750	Chief Executive and Financial Services	25,784	20,003	5,781
128,175	18,493	109,682	Executive Director - Douglas Hendry	128,183	20,191	107,992
95,736	33,701	62,035	Executive Director - Kirsty Flanagan	90,630	25,583	65,047
143,515	79,231	64,284	Health and Social Care Integration	142,607	83,424	59,183
10,654	257	10,397	Other Non-Departmental Costs	8,797	955	7,842
9,383	8,485	898	Associates and Joint Ventures Accounted for on an Equity Basis	8,557	8,594	(37)
414,378	161,332	253,046	Net Cost of Services	404,558	158,750	245,808
			Other Operating Income and Expenditure:			
		1,487	Net (Gain)/loss on Disposal of Fixed Assets			7,186
		1,390	Other Operating Income and Expenditure			1,381
		2,877	Total Other Operating Income and Expenditure			8,567
			Financing and Investment Income and Expenditure:			
		17,943	Interest Payable and Similar charges			16,211
		(1,478)	Interest and Investment Income			(955)
		2,913	Net Pension Interest Expense			1,888
		19,378	Total Financing and Investment Income and Expenditure			17,144
			Taxation and Non-Specific Grant Income:			
		(160,081)	General Government Grants			(197,110)
		(31,136)	Government Capital Grants and Other Capital Contributions			(13,495)
		(36,037)	Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS)			(23,448)
		(52,533)	Council Tax Income			(54,437)
		(279,787)	Total Taxation and Non-Specific Grant Income			(288,490)
		(4,486)	(Surplus)/Deficit on Provision of Services			(16,971)
		(11,910)	(Surplus)/Deficit on revaluation of Fixed Assets			(9,930)
		(66,240)	Other Post Employment Benefits (Pensions)			7,009
		(1,510)	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			(591)
		(79,660)	Other Comprehensive Income and Expenditure			(3,512)
		(84,146)	Total Comprehensive Income and Expenditure			(20,483)

Group Balance Sheet



31 March 2020			31 March 2021	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment		
370,616		- Other Land and Buildings	376,141	
9,627		- Vehicles, Plant, Furniture and Equipment	9,945	
221,154		- Infrastructure Assets	222,947	
10,669		- Community Assets	10,848	
3,254		- Surplus Assets	1,637	
26,806		- Assets Under Construction	25,599	
	642,126	Total Property Plant & Equipment		647,117
	2,086	Heritage Assets		2,086
	583	Intangible Assets		572
	2,449	Investment Property		2,435
	5,663	Long-Term Debtors		6,028
	2,943	Long-Term Investments		3,446
	5,062	Investment in Associates and Joint Ventures		5,276
	660,912	Total Long Term Assets		666,960
		Current Assets		
765		Inventories	908	
17,902		Short Term Debtors (Net of Impairment)	20,541	
674		Assets Held for Sale	1,865	
59,500		Short Term Investments	62,500	
9,781		Cash and Cash Equivalents	38,011	
	88,622	Total Current Assets		123,825
		Current Liabilities		
(5,944)		Short-term Borrowing	(2,874)	
(34,821)		Short-term Creditors	(43,563)	
(7)		Capital Grant Receipts in Advance	(7)	
(2,177)		Provisions	(2,356)	
(4,573)		Other Short Term Liabilities	(4,842)	
	(47,522)	Total Current Liabilities		(53,642)
		Long-term Liabilities		
(169,219)		Borrowing Repayable within a Period in Excess of 12 Months	(167,418)	
(120,294)		Other Long-term liabilities	(117,432)	
(1,396)		Provisions	(1,980)	
(5,000)		Capital Grant Receipts in Advance	(5,000)	
(68,562)		Other Long-term liabilities (Pensions)	(87,703)	
(958)		Liabilities in Associates and Joint Ventures	(544)	
	(365,429)	Total Long-term Liabilities		(380,077)
	336,583	Total Assets less Liabilities		357,066

Group Balance Sheet



31 March 2020			31 March 2021	
£'000	£'000		£'000	£'000
126,560	268,363	Unusable Reserves	136,292	255,196
220,263		- Revaluation Reserve	216,337	
(2,850)		- Capital Adjustment Account	(2,524)	
(68,562)		- Financial Instruments Adjustment Account	(87,703)	
(7,048)		- Pensions Reserve	(7,206)	
		- Accumulated Absences Account		
		Usable Reserves		
4,379	55,892	- Capital Funds	4,406	87,174
1,843		- Repairs and Renewals Funds	2,134	
49,670		- General Fund Balance	80,634	
	4,624	Group Reserves		6,568
	7,704	Common Good Reserves		8,128
	336,583	Total Reserves		357,066

The Unaudited Annual Accounts were issued on 24 June 2021

Kirsty Flanagan
Section 95 Officer

Group Statement of Movement in Reserves

Movements in 2020-21	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	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2020	(49,670)	(1,843)	(4,379)	(55,892)	(269,579)	(325,471)	(4,103)	(520)	1,216	(7,705)	(336,583)
(Surplus)/Deficit on Provision of Services	(15,746)	-	-	(15,746)	-	(15,746)	(38)	(764)	-	(424)	(16,972)
Other Comprehensive Income and Expenditure	-	-	-	-	(6,542)	(6,542)	(591)	3,621	-	-	(3,512)
Total Comprehensive Income and Expenditure	(15,746)	-	-	(15,746)	(6,542)	(22,288)	(628)	2,857	-	(424)	(20,483)
Total Statutory Adjustments (See Page 48 to 49)	(15,509)	-	(612)	(16,121)	16,121	-		(4,173)	4,173	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(31,255)	-	(612)	(31,867)	9,579	(22,288)	(628)	(1,316)	4,173	(424)	(20,483)
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	291	(291)	585	585	(585)	-	-	-	-	-	-
(Increase)/Decrease in Year	(30,964)	(291)	(27)	(31,282)	8,994	(22,288)	(628)	(1,316)	4,173	(424)	(20,483)
Balance at 31 March 2021 Carried Forward	(80,634)	(2,134)	(4,406)	(87,174)	(260,585)	(347,759)	(4,731)	(1,836)	5,389	(8,129)	(357,066)

Group Statement of Movement in Reserves

Comparative 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	£'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 Expenditure and Income	-	-	-	-	(76,570)	(76,570)	(1,510)	(1,580)	-	-	(79,660)
Total Comprehensive Expenditure and Income	(6,234)	-	-	(6,234)	(76,570)	(82,804)	(613)	(924)	-	195	(84,146)
Total Statutory Adjustments (See Page 50 to 51)	5,870	-	(1,974)	3,896	(3,896)	-	-	745	(745)	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(364)	-	(1,974)	(2,338)	(80,466)	(82,804)	(613)	(179)	(745)	195	(84,146)
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	174	(147)	1,947	1,974	(1,974)	-	-	-	-	-	-
(Increase)/Decrease in Year	(190)	(147)	(27)	(364)	(82,440)	(82,804)	(613)	(179)	(745)	195	(84,146)
Balance at 31 March 2020 Carried Forward	(49,670)	(1,843)	(4,379)	(55,892)	(269,579)	(325,471)	(4,103)	(520)	1,216	(7,705)	(336,583)

Group Cash Flow Statement

2019-20 £'000		Group Note	2020-21 £'000
(4,486)	Net Deficit on the Provision of Services		(16,971)
(3,251)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(29,757)
5,191	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,471
(2,546)	Net Cash OutFlow from Operating Activities	9	(44,257)
(5,361)	Investing Activities	10	8,286
12,773	Financing Activities	11	7,741
4,866	Net (Increase)/Decrease in Cash and Cash Equivalents		(28,230)
(14,647)	Cash and Cash Equivalents at the beginning of the Reporting Period		(9,781)
(9,781)	Cash and Cash Equivalents at the end of the Reporting Period		(38,011)

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 70.

- 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 2021.

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 2020-21 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 £55.789m towards the Argyll and Bute Integration Joint Board in the 2020-21 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 £9.307m. This gives an overall net asset position for the Group of £357.066m.

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 £0.409m or 1.15% of the Board's estimated net running costs during 2020-21 and accounted for £5.100m 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 2020-21 the Council contributed £0.205m or 5.08% of the net annual running costs and accounted for £0.176m 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 2020-21 Argyll and Bute Council paid £3.789m in the form of a Management Fee to Live Argyll and accounted for £5.389m 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 2020-21 Argyll and Bute Council contributed £1.400m towards estimated running costs and accounted for £1.095m 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:-

2019-20 £'m		2020-21 £'m
	Argyll and Bute Council has a 48.1% share of:	
2.823	Gross Income	2.898
0.295	Net (Surplus)/Deficit	0.213
0.636	Long Term Assets	0.640
0.711	Current Assets	0.894
(0.113)	Liabilities due within one year	(0.206)
-	Liabilities due over one year	-
(3.190)	Pension Liability	(2.426)
(1.956)	Capital and Revenue Reserves	(1.095)

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 £8.130m.

Notes to the Group Financial Statements

9. GROUP CASH FLOW STATEMENT – OPERATING ACTIVITIES

2019-20 £'000		2020-21 £'000
(4,486)	Net (Surplus)/Deficit on Provision of Services	(16,971)
	Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:	
5,870	Statutory Adjustments through Statement of Movement in Reserves	(15,509)
174	Transfer to/from Other Statutory Reserves	291
(2,345)	Transfer Group Other Comprehensive Income and Expenditure	(1,143)
(63)	Increase/(Decrease) in Inventories	143
1,368	Increase/(Decrease) in Debtors	2,260
4,464	(Increase)/Decrease in Creditors and Provisions	(10,754)
(12,719)	Other Revenue Adjustments	(5,045)
(3,251)		(29,757)
	Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:	
10,842	Non Cash Capital	5,063
(5,651)	Capital Element of Finance Lease Payments	(2,592)
5,191		2,471
(2,546)	Net Cash Flows from Operating Activities	(44,257)
	The cash flows for Operating Activities include the following items:	
8,474	Interest Paid on Borrowings	7,269
9,748	Interest Paid on Finance Leases	2,592
(358)	Interest Received on Bank Deposits	(292)
17,864	Net Cash Outflow from Servicing of Finance	9,569

10. GROUP CASH FLOW STATEMENT – INVESTING ACTIVITIES

2019-20 £'000		2020-21 £'000
26,784	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	17,491
2,000	Investments made/(disposed of) during year	3,000
(1,974)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(612)
(881)	Net Receipts from Investment in Associates and Joint Ventures	546
(31,290)	Other Receipts from Investing Activities	(12,139)
(5,361)	Net Cash Outflow from Investing Activities	8,286

Notes to the Group Financial Statements

11. GROUP CASH FLOW STATEMENT – FINANCING ACTIVITIES

2019-20 £'000		2020-21 £'000
(7,052)	Cash Receipts of Short and Long Term Borrowing	(332)
(2,717)	Other Receipts from Financing Activities	313
5,651	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	2,592
16,891	Repayments of Short and Long Term Borrowing	5,168
-	Other Payments from Financing Activities	-
12,773	Net Cash (Inflow)/Outflow from Financing Activities	7,741

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 2020-21

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	19	18.6
Education Function	8	7.5

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%	0	0
1% - 50%	20	8
51% - 99%	1	1
100%	0	0

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	£92,046	£67,514
The total pay bill	£96,368,154	£54,592,582
The percentage of the total pay bill spent on facility time	0.10%	0.12%

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%