

Public Document Pack

MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 27 JUNE 2019

Present: Councillor Len Scoullar (Chair)

Councillor Jim Anderson	Councillor Roderick McCuish
Councillor John Armour	Councillor Barbara Morgan
Councillor Gordon Blair	Councillor Ellen Morton
Councillor Rory Colville	Councillor Aileen Morton
Councillor Robin Currie	Councillor Gary Mulvaney
Councillor Mary-Jean Devon	Councillor Iain Paterson
Councillor Lorna Douglas	Councillor Alastair Redman
Councillor Jim Findlay	Councillor Alan Reid
Councillor Audrey Forrest	Councillor Elaine Robertson
Councillor Kieron Green	Councillor Richard Trail
Councillor Donald Kelly	Councillor Sandy Taylor
Councillor Donald MacMillan	Councillor Douglas Philand
Councillor Sir Jamie McGrigor	Councillor Andrew Vennard
Councillor David Kinniburgh	Councillor Jean Moffat
Councillor Julie McKenzie	Councillor Graham Archibald Hardie

Attending: Cleland Sneddon, Chief Executive
Douglas Hendry, Executive Director of Customer Services
Pippa Milne, Executive Director of Development and Infrastructure
Charles Reppke, Head of Governance and Law
Kirsty Flanagan, Head of Strategic Finance
Fergus Murray, Head of Economic Development

The Provost, on behalf of the Council, thanked a number of long serving and very experienced senior Officers that were due to retire from the Council at the end of June for their dedication, hard work and commitment to Local Government in Argyll and Bute.

To mark their retirement and as a token of appreciation for all their years' service, Quaichs were presented to all officers and the Provost on behalf of everyone at the Council wished Angus Gilmour, Donnie Kelly, Janne Leckie, Malcolm MacFadyen, Shirley MacLeod, Judy Orr and Charles Reppke best wishes for a long, happy and fulfilling retirement.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Freeman, Horn, Lynch and McNeilly,

2. DECLARATIONS OF INTERESTS

The Provost declared a non-financial interest in item 11 (Third Sector Recycling Services) which he regarded as insignificant in terms of the item.

Councillor Roddy McCuish declared a non-financial interest in item 8 (Scottish Government Town Centre Capital Fund) which he regarded as insignificant in terms of the item.

Councillor Jim Findlay declared a non-financial interest in item 8 (Scottish Government Town Centre Capital Fund) which he regarded as insignificant in terms of the item.

3. MINUTES

The Minutes of the Argyll and Bute Council held on 18 April 2019 were approved as a correct record.

4. MINUTES OF COMMITTEES

(a) Policy and Resources Committee - 16 May 2019

The Minutes of the meeting of the Policy and Resources Committee held on 16 May 2019 were noted.

Arising under item 8 (Council Operated Ferries) this item was taken as a substantive item on the Agenda.

(b) Environment, Development and Infrastructure Committee - 6 June 2019

The minute of the Environment, Development and Infrastructure Committee held on 6 June 2019 was noted.

(c) Community Services Committee - 13 June 2019

The minute of the Community Services Committee held on 13 June 2019 were noted.

5. LEADER'S REPORT

The Council gave consideration to a report that updated them on the activities of the Leader of the Council from 5 April 2019 to 14 June 2019. The report included an update from the Leader in relation to her role as Policy Lead for Economic Development.

Decision

The Council –

1. Noted the content of the report.
2. Noted that the full Leader's Report Pack was available in the Leader's Office which included COSLA and other papers and briefings as referenced in the report, and noted that any item discussed in public could be provided electronically with the papers being taken in private session being made available for review in the Leader's office.

(Ref: Report by Leader of the Council dated 14 June 2019, submitted)

6. POLICY LEADS REPORT

The Council gave consideration to a report that provided an update on key areas of activity for each Policy Lead Councillor with a view to keeping all members informed, up to date and able to engage with all issues. The report covered the period from 18 April 2019 to 10 June 2019.

Decision

The Council noted the terms of the report.

(Ref: Report by Policy Lead Councillors dated 14 June 2019, submitted)

7. YEAR END REPORTS PACK 2018-19

(a) Covering Report and Unaudited Accounts 2018-19

The Council considered a report which gave an overview of the Unaudited Annual Accounts for 2018/19 and a summary of the significant movements from 2017/18. The report also gave information on the revenue outturn for 2018/19 and sought approval of the unaudited financial statements in respect of 2018/19 for issue.

The Head of Strategic Finance advised Members of typographical errors within the group accounts in relation to the consolidation of associates. There is a figure in the group comprehensive income and expenditure account updated, a figure relating to group reserves in the balance sheet updated and figures within the group statement of movement in reserves updated.

Decision

The Council approved the Unaudited Annual Accounts for the year ended 31 March 2019 for issue subject to the changes identified.

(Ref: Report by the Head of Strategic Finance dated 19 June 2019, submitted)

Councillor Aileen Morton left the meeting as this point.

(b) Revenue Budget Monitoring Year End Report 2018-19

The Council considered a report which summarised the revenue budget position of the Council at the end of the financial year 2018/19.

Decision

The Council –

1. Noted the revenue budget monitoring position as at the end of financial year 2018/19.
2. Noted that the unallocated balance within the General Fund as at 31 March 2019, after taking into account the contingency, amounts to £1.107m.

(Ref: Report by Head of Strategic Finance dated 11 June 2019, submitted)

(c) Earmarked Reserves Year End 2018-19

The Council considered a report which provided information on the progress with balances already earmarked within the General Fund, new balances earmarked at the end of 2018/19 that qualify for automatic carry forward.

Decision

The Council –

1. Reviewed and approved the Policy on Year End Flexibility, included as Appendix 1.
2. Noted that there are no new unspent budget earmarking proposals.
3. Noted the new balances at the end of 2018-19 that qualify for automatic carry-forward as outlined within Appendix 2.
4. Noted the previously approved unspent budget earmarked reserves and the justification for continuing to earmark these as outlined within Appendix 3.
5. Noted that £1.172m of earmarked balances will be released back into the General Fund as these balances are no longer required.
6. Noted the other balances contained within Appendix 4, previously earmarked balances that have been subject to a previous Council decision.

(Ref: Report by the Head of Strategic Finance dated 7 June 2019, submitted)

(d) Capital Budget Monitoring Report Year End Report 2018-19

The Council considered a report which highlighted the contents of the financial summary in relation to the Capital Budget as at 31 March 2019. The report provided information on the financial position in respect of the Capital Plan and also the performance in terms of delivery of capital plan projects.

Decision

The Council noted the contents of the financial summary.

(Ref: Report by the Head of Strategic Finance dated 27 June 2019, submitted)

(e) Annual Treasury Report 2018-19

The Council considered the Annual Treasury Management report for 2018/19.

Decision

The Council approved the Annual Treasury Management report for 2018/19.

(Ref: Report by the Head of Strategic Finance dated 27 June 2019, submitted)

(f) Annual Efficiency Statement 2018-19

The Council considered the contents of the Annual Efficiency Statement for 2018/19.

Decision

The Council approved the Annual Efficiency Statement for 2018/19.

(Ref: Report by the Head of Strategic Finance dated 13 June 2019, submitted)

(g) Strategic Housing Fund Annual Report 2018-19

The Council considered a report which provided an annual update on the Strategic Housing Fund (SHF) for 2018/19.

Decision

The Council noted the report on income and expenditure for 2018/19 and the balance on the SHF as at 31 March 2019; and noted the estimated future income for SHF for 2019/20.

(Ref: Report by Head of Strategic Finance dated 7 June 2019, submitted)

8. SCOTTISH GOVERNMENT TOWN CENTRE CAPITAL FUND

The Council considered a report which sought consideration and agreement to the town centre projects which will be supported by the £1.242m Town Centre Capital Funding from the Scottish Government for 2019/20.

The Provost adjourned the meeting at 11.35 and reconvened at 11.45.

Motion

The Council –

1. Agrees in principle to the allocation of the Fund as detailed in the attached project list (Appendix C).
2. Delegates any amendments that are required, including respective redistribution of costs, to the Director of Development and Infrastructure, in consultation with the Leader and Depute Leader of the Council and Leader of the Opposition.
3. Note that changes may be required based on deliverability and relevant timelines.
4. Note that an update report will come before Policy and Resources in December 2019 following submission of the first monitoring report to Scottish Government in November 2019.

Moved by Councillor Mulvaney, seconded by Councillor Currie.

Amendment

1. Do not agree in principle to the allocation as detailed in the submitted project list with regard to the Oban, Lorn and the Isles projects but otherwise accepts the recommendations.
2. Delegate any amendments that are required to the Oban, Lorn and the Isles projects including retrospective redistribution of funds in the Oban, Lorn and the Isles area, to the Executive Director of Development and Infrastructure Services in

consultation with the Leader and Depute Leader, Leader of the Opposition and the Chair and Vice Chair of the Oban, Lorn and the Isles Area Committee.

3. The members of the Oban, Lorn and the Isles Area Committee will meet on Tuesday 4th July 2019 to consider the distribution to projects in Oban, Lorn and the Isles.

Moved by Councillor Robertson, seconded by Councillor Sir McGrigor.

The requisite number of Members required the vote to be taken by calling the role and Members voted as follows:-

Motion	Amendment	No Vote
Councillor Anderson	Councillor Armour	Councillor McCuish
Councillor Colville	Councillor Blair	
Councillor Currie	Councillor Devon	
Councillor Hardie	Councillor Douglas	
Councillor Kinniburgh	Councillor Findlay	
Councillor MacMillan	Councillor Forrest	
Councillor Morgan	Councillor Green	
Councillor E Morton	Councillor Kelly	
Councillor Mulvaney	Councillor Sir J McGrigor	
Councillor Redman	Councillor McKenzie	
Councillor Reid	Councillor Moffat	
Councillor Scoullar	Councillor Paterson	
Councillor Vennard	Councillor Philand	
	Councillor Robertson	
	Councillor Taylor	
	Councillor Trail	

Decision

The Motion received 13 votes and the Amendment received 16 votes and the Council resolved accordingly.

(Ref: Report by the Executive Director of Development and Infrastructure Services dated 27 June 2019, submitted)

9. REQUEST FOR SUPPLEMENTARY ESTIMATE FROM PLANNING PROTECTIVE SERVICES AND LICENSING COMMITTEE

The Council considered a supplementary estimate as requested by the Planning, Protective Services and Licensing Committee for the Head of Planning, Housing and Regulatory Services to take enforcement action.

Decision

The Council approved a supplementary estimate of £24,000 to the Head of Planning, Housing and Regulatory Services to be drawn down from Council Reserves.

(Ref: Report by Executive Director of Customer Services dated 29 May 2019, submitted)

10. CHILD POVERTY ACTION PLAN

The Council considered a report which advised that the Child Poverty (Scotland) Act 2017 had received Royal Assent and the aim is to eradicate child poverty in Scotland. Local Authorities are required, along with the local Health Board to publish jointly an annual local Child Poverty Action Report to contribute towards the targets and the measures proposed for the future.

Decision

The Council –

1. Considered and approved the Child Poverty Action Report and appendix to be submitted to the Scottish Government by 30 June 2019.
2. Noted that updated Child Poverty Action Reports will require to be prepared, approved and published annually jointly by the Council and the Health Board.
3. That progress on Child Poverty actions be reported to and overseen by the Community Planning Partnership in order to strengthen links to the Local Outcome Improvement Plan.

(Ref: Report by the Executive Director of Customer Services dated 27 June 2019, submitted)

11. THIRD SECTOR RECYCLING SERVICES

The Council considered a report which provided Members with a recommendation in relation to the Council's contracts with Kintyre Recycling Limited (KRL) and Fyne Futures Ltd.

Decision

The Council –

- 1 Instructs officers to negotiate the continuation of the KRL and Fyne Futures contracts until March 2020.
- 2 Approved a supplementary estimate of £32,662 to continue the kerbside service delivery by KRL in Kintyre until March 2020.
- 3 Approved a supplementary estimate of £37,500 to continue the kerbside service delivery by Fyne Futures on Bute until March 2020.
- 4 Instructs officers to report to Policy and Resources committee on options for service delivery post March 31st 2020 once an evaluation of those options has been completed.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 27 June 2019, submitted)

12. NOTICE OF MOTION UNDER STANDING ORDER 13

The Council considered a recommendation by the Mid Argyll, Kintyre and the Islands Area Committee of 5 June 2019 with regard to a Motion to amend the constitution to allow for by-monthly meetings of all 4 Area Committees.

Motion

That the Council agree to amend its constitution to allow for bi-monthly meetings of all 4 Area Committees to take place throughout the calendar year as opposed to the current quarterly meetings as at present. It would therefore follow that meetings of the Area Committees would take place during the months of February, April, June, August, October and December each year with Business days to be arranged as and when required.

Moved by Councillor Donald Kelly, seconded by Councillor Dougie Philand.

Amendment

The Council Constitution allows for meetings to be held at any frequency if that is the will of the Council. Moving to quarterly meetings was a decision taken by the Council as part of a budget saving and as such I would move that the Area Committee takes no action.

Moved by Councillor Robin Currie, seconded by Councillor Donald MacMillan.

The requisite number of Members required the vote to be taken by calling the roll, and Members voted as follows:-

Motion

Councillor Armour
Councillor Blair
Councillor Devon
Councillor Douglas
Councillor Findlay
Councillor Forrest
Councillor Kelly
Councillor Sir J McGrigor
Councillor McKenzie
Councillor Moffat
Councillor Paterson
Councillor Philand
Councillor Taylor
Councillor Trail

Amendment

Councillor Anderson
Councillor Colville
Councillor Currie
Councillor Green
Councillor Hardie
Councillor Kinniburgh
Councillor MacMillan
Councillor McCuish
Councillor Morgan
Councillor E Morton
Councillor Mulvaney
Councillor Redman
Councillor Reid
Councillor Robertson
Councillor Scoullar
Councillor Vennard

Decision

The Motion received 14 votes and the Amendment received 16 votes and the Council resolved accordingly.

(Ref: Recommendation by the MAKI Area Committee of 5 June 2019, submitted)

13. COUNCIL CONSTITUTION

The Council considered a report which advised Members of proposed changes and adjustments to the Council Constitution.

Decision

The Council agreed to the adjustments to the Constitution as outlined in Appendix 1 to take effect from 1 July 2019.

(Ref: Report by Executive Director of Customer Services dated 21 June 2019, submitted)

14. APPOINTMENTS TO OUTSIDE BODIES

The Council considered a report which invited the Council to consider appointing Elected Member representation to three outside bodies.

Decision

1. Agreed to nominate Councillor Roddy McCuish to the Marine Protected Areas Management and Monitoring (MarPAMM) Steering Group.
2. Agreed to nominate Councillor Robin Currie to the Ionad Chaluim Chille Ile, the Gaelic Centre based in Islay.
3. Agreed to nominate Councillor Andrew Vennard to the ALienergy, Argyll Lomond and the Islands Energy Agency.

(Ref: Report by Executive Director of Customer Services dated 15 June 2019, submitted)

15. COUNCIL OPERATED FERRIES - POTENTIAL TRANSFER TO TRANSPORT SCOTLAND

The Council considered a recommendation by the Policy and Resources Committee of 16 May 2019 with regard to progress in relation to the potential transfer of council operated ferries to Transport Scotland.

Decision

1. Agreed that the Council continue to pursue the transfer of ferries to Transport Scotland.
2. Agreed that the transfer should be on the basis of 'no transfer of revenue funding'.

(Ref: Report by the Executive Director of Development and Infrastructure Services dated May 2019, submitted)

16. NOTICE OF MOTION UNDER STANDING ORDER 13

Councillor Colville, seconded by Councillor Mulvaney had given notice of the following motion:-

Fairtrade International and the World Fair Trade Organisation (WFTO) have jointly launched the International Fair Trade Charter.

Fair Trade has a significant role to play in tackling challenges such as inequality, gender rights, climate change and more. It has a real impact on the lives of workers, farmers and artisans by contributing to inclusive economic growth, improved wages and better working conditions – and also by empowering women and ensuring opportunities for the next generation.

The new Charter refreshes the Fair Trade vision and highlights its longstanding contribution in addressing the challenges noted above alongside other elements of the United Nations' Sustainable Development Goals.

Public bodies, including local authorities, are able to help Fair Trade achieve its goals by recognising the Charter. In doing so, they also acknowledge the diversity of the Fair Trade movement and they support it to share its vision with the wider world. This also makes a contribution to a future where trade is fair and consumers get a good deal at no cost to the quality of life of producers or the environment.

Argyll and Bute Council therefore agrees to pledge support for the International Fair Trade Charter.

Decision

The Council agreed to the terms of the Motion.

Argyll and Bute Council



Comhairle Earra Ghàidheal agus Bhòid



Unaudited Annual Accounts for the year ended 31 March 2019

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

本文件可以翻译为另一语文版本，或制作成另一格式，如有此需要，或需要传译员的协助，请与我们联系。

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

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

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

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Management Commentary

1. INTRODUCTION

Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2019. 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 2018-19 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

Argyll and Bute is bounded by the urban areas of Helensburgh and Dunoon along the Clyde, Loch Lomond to the East, Mull of Kintyre to the south, Atlantic Islands to the west, and the Sound of Mull and Appin to the north. It covers an area of 690,946 hectares making it the second largest local authority area in Scotland. Our area has the third sparsest population density of the 32 Scottish local authority areas, with an average population density of just 13 persons per square kilometre.

Argyll and Bute has 23 inhabited islands (Census 2011) more than any other local authority in Scotland with around 17% of the population living on islands (Census 2011). The area is

also home to several long sea lochs, which bisect the landscape and along with the islands give Argyll and Bute a very long coastline and a higher level of reliance on ferries for travel. Almost 80% of the population live within one kilometre of the coast (Scottish Coastal Forum, 2002).

The total population of Argyll and Bute was 88,166 based on the 2011 census. This compares to a total population for the area of 91,306 in the 2001 census, a reduction of 3.4%. Argyll and Bute was one of only 4 local authority areas to show a decrease in population. The mid-year estimate as at the end of June 2018 was 86,260, a further decline from the census figure for 2011 and a decline from the previous mid-year estimate in 2017 of 0.6%.

In terms of overall projections, the decline is projected to continue, however, this is based on an extrapolation of future trends and does not take into account specific strategies to address depopulation. The latest National Records of Scotland projection up to 2041 is reported as 78,504, a decrease of 8,626 (9%) based on the 2016 based population projections. There is a national trend of an ageing population, however, proportionately, Argyll and Bute has a higher proportion of older people than Scotland as a whole, with 11.6% aged 75+ compared to 8.5% in Scotland. These changes in population will have significant implications for the delivery of Council services now and into the future. The change in population has particular challenges in relation to the provision of care, the future sustainability of Argyll and Bute's workforce and the economic sustainability of the area. As noted, population projections are based on past trends – growing the population through economic development is the Council's overarching priority.

3. CORPORATE STRATEGY

The Argyll and Bute Outcome Improvement Plan (ABOIP) sets out the shared vision, priorities and objectives for Argyll and Bute over a ten year period. These are wholly consistent with the Council's Corporate Plan. The overall objective of the plan for the 10 years to 2023 is:

Argyll and Bute's Economic success is built on a growing population.

This outcome is entirely supportive of the 6 national policy priorities set out in the national guidance on community planning and will also see Argyll and Bute contribute to the national outcomes for Scotland. To achieve the overall objective set out above, 6 long term outcomes have been identified as noted below:



Management Commentary

1. Our economy is diverse and thriving.
2. We have infrastructure that supports sustainable growth.
3. Education, skills and training maximise opportunities for all.
4. Children and young people have the best possible start.
5. People live active, healthier and independent lives.
6. People will live in safer and stronger communities.

The ABOIP can be accessed by clicking [here](#).

The Council's Corporate Plan 2018-2022 was approved in February 2018 and is wholly aligned to the ABOIP. The Plan sets out our mission, vision and priorities for the next 5 years. Our mission:

To make Argyll and Bute a place people choose to live, learn, work and do business.

Service Plans are also agreed and detail the measures, targets and timescales to achieve the required results. Service Plans are aligned to the Corporate Plan and the Argyll and Bute Outcome Improvement Plan.

Our Corporate Plan 2018-2022 can be accessed [here](#).

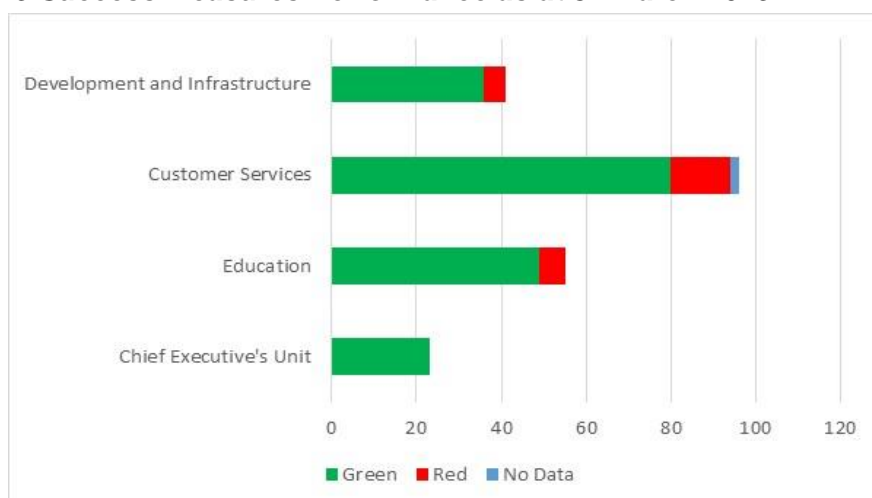
4. PERFORMANCE AGAINST OUR PRIORITIES

The Performance and Improvement Framework (PIF) sets out the process for presentation of the Council's quarterly performance reports. 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.

Council Scorecard

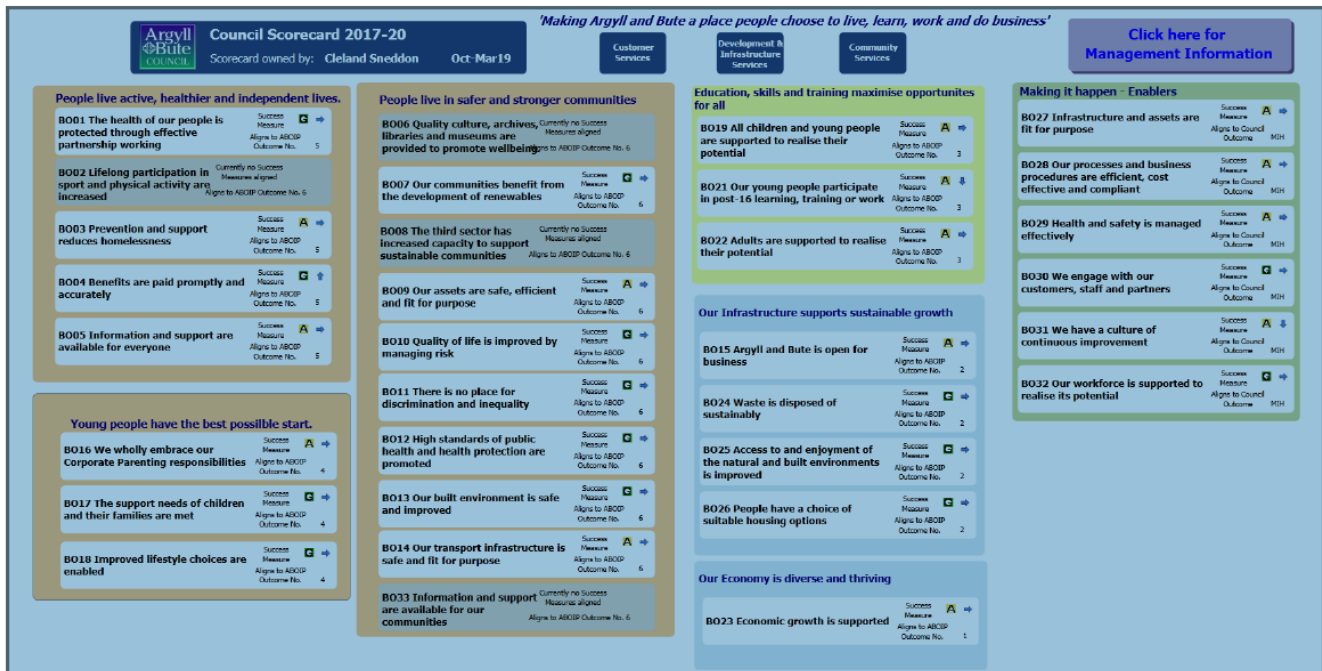
We track our progress in delivering our outcomes through 32 Business Outcomes which are recorded on the Council's scorecard. Progress is identified using the RAG (Red; Amber; Green) status to track performance. Of the 32 Business Outcomes there are 4 with no success measures against them. Of the remaining 28, 13 are green and 15 are amber, none are red. As at 31 March 2019, of the 215 success measures, 188 were green, 25 were red and 2 had no data. An analysis by Department is shown in Exhibit 1.

Exhibit 1: 2018-19 Success Measures Performance as at 31 March 2019



The Council scorecard at the end of March 2019 is shown in Exhibit 2.

Exhibit 2: Council Scorecard as at 31 March 2019



The performance report for the quarter October 2018 to March 2019 was presented to the Audit and Scrutiny Committee on 18 June 2019. Some of the key successes and challenges reported for this period are noted below and are linked to both Corporate Outcomes and Business Outcomes.

Corporate Outcome – Our economy is diverse and thriving

Business Outcome 23 – Economic Growth is supported

We have received notification from Historic Environment Scotland (HES) that the Lochgilphead Conservation Area Regeneration Scheme (CARS) bid has been successful. The Lochgilphead CARS has been awarded £969,700 of HES funding with an additional £386,000 in Council funding. There are also estimated contributions from building owners of £250,000, this brings a projected total budget of £1.6m. The project commences in April 2019 and will run for 5 years.

Corporate Outcome – We have an infrastructure that supports sustainable growth

Business Outcome 24 – Waste is disposed of sustainably

A long term compliant solution for residual and bulky waste is being pursued for the Helensburgh and Lomond area. This is being done through a joint procurement exercise for a shared service with West Dunbartonshire and Inverclyde Councils. The ultimate focus is compliance with the looming ban on Biodegradable Municipal Waste (BMW) being sent to landfill. Tender responses are due within May 2019 with their evaluation being performed by officers from all 3 authorities.

Corporate Outcome - Education, skills and training maximise opportunities for all

Business Outcomes 21 – Our young people participate in post-16 learning, training or work

Argyll and Bute continues to perform well in terms of young people being supported into positive destinations, increasing from 93% in 2017 to 94.2% in 2018. This is above the national average of 91.8% and higher than any of our comparator authorities.

Management Commentary

Corporate Outcome - Children and young people have the best possible start

Business Outcome 17 – The support needs of children and their families are met

As part of the phasing in of 1140 hours early learning and childcare, 22 establishments across Argyll and Bute are now delivering 1140 hours. We are on track for full roll out by 2020 with a comprehensive programme of improvement work in place to meet the implementation date.

Business Outcome 19 – All children and young people are supported to realise their potential

All secondary schools have been involved in discussion, designing and planning virtual learning experiences through the use of online technology and learning packages. This work is being undertaken with partner authorities in the Northern Alliance and is currently being piloted in Tiree and Oban to further inform further roll out.

Corporate Outcome – People live active, healthier and independent lives

Business Outcome 01 – BO05 Information and support are available for everyone

The Money Skills Argyll KPI targets and unit costs were renegotiated with the Big Lottery Fund and Scottish Government as part of a review of the wider programme of which Money Skills Argyll is a part. The new arrangement is now in place and this will enable the Council and our delivery partners to continue the project on a sure financial footing with realistic targets for client engagement and outcomes. We also paid out circa £150k to the project partners for repriced work on the new model.

We have continued to develop our corporate social media sites as a way to make information available and engage with people. Follower numbers continue to increase across Facebook, Twitter, LinkedIn and Instagram (most followed Scottish Council site) and we increased by 50% the number of enquiries about becoming a foster carer.

Corporate Outcome – People will live in safer and stronger communities

Business Outcome 13 – Our built environment is safe and improved

Building Standards have extended our commercialisation offer to East Lothian, Inverclyde and East Dunbartonshire Councils. This has enabled us to return an end of year budget surplus of £215k. We will continue to monitor the income and expenditure tightly and retain our verifier contract(s) with Babcocks and other local authorities which provide additional income generation streams.

Business Outcome 14 - Our transport infrastructure is safe and fit for purpose

Kirk Road, Oban is now in use. The new alignment is providing better access for vehicles and pedestrians into the new development. A STAG appraisal for Craignure Pier has been conducted with Transport Scotland and local stakeholders.

Getting it right (enablers)

Business Outcome 27 – Infrastructure and assets are fit for purpose

The Council's Rural Growth Deal proposal was unanimously approved by the Council on 18th October and has now formally been submitted to the Scottish and UK Governments.

Business Outcome 31 – We have a culture of continuous improvement

The Education INEA inspection follow up report was published on 26th November 2018. As a result of the improvements made by the Council's Education Service, HM Inspectors reported that the Council has now demonstrated that it has made positive and continued progress since the original inspection in September 2016. The Council now has greater capacity to continue to drive improvement in the quality of its provision. HM Inspectors will make no further visits to the Council in connection with the original inspection.

Management Commentary

5. FINANCIAL PERFORMANCE 2018-19

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

Revenue: Outturn against Budget

The performance against budget for financial year 2018-19 was an overall overspend of £1.118m, 0.45% (2017-18 underspend of £2.598m, 1.04%), after adjusting to reflect the new automatic earmarking, as per policy, at the year end and taking account of the social work element of the Health and Social Care Partnership overspend.

There was a net underspend of £1.037m in relation to Council services departmental expenditure, a net underspend of £0.863m in relation to other central costs and an over recovery of Council Tax income of £0.109m. These underspends were achieved to help offset an overspend on Social Work, managed by the Health and Social Care Partnership of £3.127m. A summary of the final outturn position is noted in Exhibit 3.

Exhibit 3: 2018-19 Final Revenue Budget Outturn (Unaudited)

Department	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	2,374	2,499	125	5.00%
Education	76,207	75,974	(233)	(0.31%)
Customer Services	44,772	45,612	840	1.84%
Development and Infrastructure Services	33,598	33,903	305	0.90%
Total Departmental Expenditure	156,951	157,988	1,037	0.66%
Joint Boards	1,371	1,374	3	0.22%
Loans Charges	15,563	16,163	600	3.71%
Pension Costs	3,789	2,792	(997)	(35.71%)
Other	6,024	7,281	1,257	17.26%
Total Central Expenditure	26,747	27,610	863	3.13%
Social Work	59,344	56,216	(3,127)	(5.56%)
Total Social Work Expenditure	59,344	56,216	(3,127)	(5.56%)
Total Expenditure	243,042	241,814	(1,227)	(0.51%)
Total Funding	246,509	246,400	109	0.04%
OVERSPEND			(1,118)	

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

- Overspend within Social work related to slippage on delivery of agreed savings in addition to a proportion of unidentified savings carried from the beginning of the financial year - £3.127m
- Overspend in relation to Special Education Needs assistants as a result of increased demand – circa £0.280m
- Overspend on winter maintenance due to increased activity required as a result of the weather – circa £0.300m
- Overspend in relation to severance costs - £0.997m

Management Commentary

- Underspend of £0.600m on loan charges as a result of deferring special repayments
- Planned underspend on fleet budget due to a decision to delay replacing vehicles that would give rise to this in-year underspend as well as further savings in 2019-20 – circa £0.670m
- Underspend on superannuation auto enrolment budget that is no longer required - £0.280m
- Additional vacancies savings as well as underspend on apprenticeship levy payment – circa £0.500m
- Underspend in relation to Non Profit Distributing Organisation (NPDO) insurance and Hub Schools project as a result of one-off insurance savings and contract management bringing the contracted spend in below budget – circa £0.400m
- Increased income across the Council in within various services – circa £0.250m
- Additional Council Tax Income - £0.109m
- Refund of overpaid VAT - £0.767m.

Capital: Outturn against Budget

The net 2018-19 capital expenditure is £24.966m compared to an annual budget of £29.220m (adjusted for previously agreed slippages, accelerations and virements) giving rise to an underspend of £4.254m (14.6%). The underspend is a result of net slippage of projects between financial years. Significant slippages include Street Lighting LED replacement project, Harbour Investment programme, Helensburgh Public Realm and CHORD Oban, Early Learning and Childcare developments and capital works within Schools. The slippage was due to actual timing of the works being carried out not being known when the budget was profiled across the life of the projects, delays in achieving statutory consents and unanticipated contract delays on older properties.

In terms of project performance 165 projects out of 193 were reported to be on track which equates to 85%.

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 2018-19 budget on 22 February 2018 and the amount approved for Social Work services transferring to the Integrated Joint Board for 2018-19 was £56.389m. The budget figures quoted in the previous outturn table include in-year adjustments.

In terms of the outturn position, there is an overspend on Social Work Services of £3.127m. The HSCP are required to repay this amount back to the Council, as per the Scheme of Integration, and a repayment plan was agreed by Policy and Resources Committee on 16 May 2019. The repayments are £0.800m in 2020-21, £1.000m in 2021-22 and £1.327m in 2022-23. Within the accounts, the repayment is not recognised as a debtor as it is a commitment against future funding. Consequently, the £3.127m overspend has a direct impact on the Council's General Fund balance until it is repaid.

6. FINANCIAL STATEMENTS

Expenditure and Funding Analysis Statement

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

The service expenditure noted in the column headed "Net Expenditure Chargeable to the General Fund" can also be compared to the service expenditure noted in the Council's revenue budget monitoring, except where there are items in the Comprehensive Income and Expenditure Account that are reported below the net cost of service. Within Customer Services, there is a large difference and this is in relation to the accounting treatment for the finance lease costs.

Comprehensive Income and Expenditure Statement

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

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2018-19. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2019. The Code requirements for 2018-19 now prohibit the inclusion of internal income and expenditure between segments within the Comprehensive Income and Expenditure Statement. Internal income has now been removed from the Comprehensive Income and Expenditure Statement for 2018-19 and 2017-18 comparatives have also been restated.

Reconciliation of Comprehensive Income and Expenditure Statement to Revenue Budget Outturn

Exhibit 4 sets out a reconciliation of the Deficit on the Provision of Services of £16.571m as noted in the Comprehensive Income and Expenditure Statement to the revenue budget outturn of £1.118m overspend.

Exhibit 4: Reconciliation of Comprehensive Income and Expenditure Statement to Revenue Budget Outturn

	£000	£000
Deficit on Provision of Services		(16,571)
Remove statutory adjustments that don't feature in budget outturn:		
Depreciation	22,128	
Impairments of Asset charged to services	11,887	
Capital Funding	(19,349)	
CFCR	(575)	
Pension Adjustment	13,072	
Statutory Repayment of Debt	(9,211)	
Repayment of Finance Leases	(3,783)	
Transfers to/from Other Statutory Reserves	(207)	
Other Adjustments	1,747	
		15,709
Movement In General Fund Balance		(862)
Adjust for earmarkings:		
Released sums earmarked to service budgets 2018-19	6,705	
Supplementary estimates agreed during 2018-19	32	
Budgeted Surplus in 2018-19 transferred to General Fund (for capital)	(2,408)	
Contributions to earmarked reserves 2018-19	(4,585)	
		(256)
Revenue Budget Outturn		(1,118)

Management Commentary

Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2019 and explanatory notes are provided. The net worth of the Council has decreased by £46.963m from £297.145m as at 31 March 2018 to £250.182m as at 31 March 2019. The major changes are set out in Exhibit 5.

Exhibit 5: Main Balance Sheet Changes

	31/03/2019 £000	31/03/2018 £000	Change £000	Main Reason
Long Term Assets	624,055	614,628	9,427	Asset revaluations.
Current Assets	92,072	89,714	2,358	Small increase in short term investments and cash held offset by a reduction in short term debtors at the end of the year.
Current Liabilities	(62,455)	(47,065)	(15,390)	Increase in short term borrowing taken to ensure there was sufficient cash over the year end period.
Long Term Liabilities	(403,490)	(360,132)	(43,358)	Increase in the pension liability offset by a reduction in long term borrowing.
Total	250,182	297,145	(46,963)	

Provisions

The Council has provisions totalling £3.939m on the Balance Sheet as detailed in Note 28 to the Accounts. The larger provisions, those over £0.250m are summarised below.

- £1.165m redundancy costs. Liabilities have arisen in respect of employees who will be made redundant as a result of restructuring and also as part of the savings options process. The cost for any employee, whose contract has been terminated on or before 31 March 2019 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2019, a provision has been created.
- £1.204m 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.
- £0.274m utilities. The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs. £0.096m has been reversed during 2018-19 reducing the provision.
- £1.017m 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 pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2019.

Management Commentary

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received, for example, in ten years' time, since the money received now could be invested and would earn interest or returns during the 10 years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bonds is used.

The pension liability can fluctuate significantly year on year. Exhibit 6 shows the pension liability over the last three years.

Exhibit 6: Pension Liability at the end of the financial year

	2018-19	2017-18	2016-17
	£000	£000	£000
Pension Liability	(106,253)	(56,442)	(149,777)

Most of the changes each year can be attributed to the change in financial and demographic assumptions. The change in discount rate assumption has the most significant financial impact on the pension liability. An increase in the net discount rate will decrease the assessed value of liabilities as a lower value is placed on benefits paid in the future, the opposite is also true, a decrease in the discount rate will increase the liability. The discount rate decreased by 0.3% from 2.7% as at 31 March 2018 to 2.4% as at 31 March 2019.

Further detail on the pension estimates are included within Note 30.

Borrowing

During 2018-19 the Council's External borrowing increased by £4.988m from £178.488m as at 31 March 2018 to £183.476m as at 31 March 2019. The increase was due to temporary borrowing of £7.7m offset by repayments of £2.7m to the PWLB. The Council was over borrowed by £3.230m at 31 March 2019. This was partly due to the slippage of expenditure in the Capital Programme during 2018-19 and there was also a repayment of a loan due on 31 March 2019 for £2.926m which wasn't paid until 1 April due to 31 March falling on a weekend. The over borrowing will correct itself once the expenditure which slipped is incurred during 2019-20.

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 £46.308m from £240.962m as at 31 March 2018 to £194.654m as at 31 March 2019. The main reason for this movement is the increase in the pension liability noted earlier in this commentary.

The balance of usable reserves has decreased by £0.655m from £56.183m as at 31 March 2018 to £55.528m as at 31 March 2019. This is mainly as a result of the decrease to the General Fund Balance of £0.862m in addition to a small increase to the Capital Fund outlined in Note 33.1 and the Repair and Renewals Fund outlined in Note 33.2.

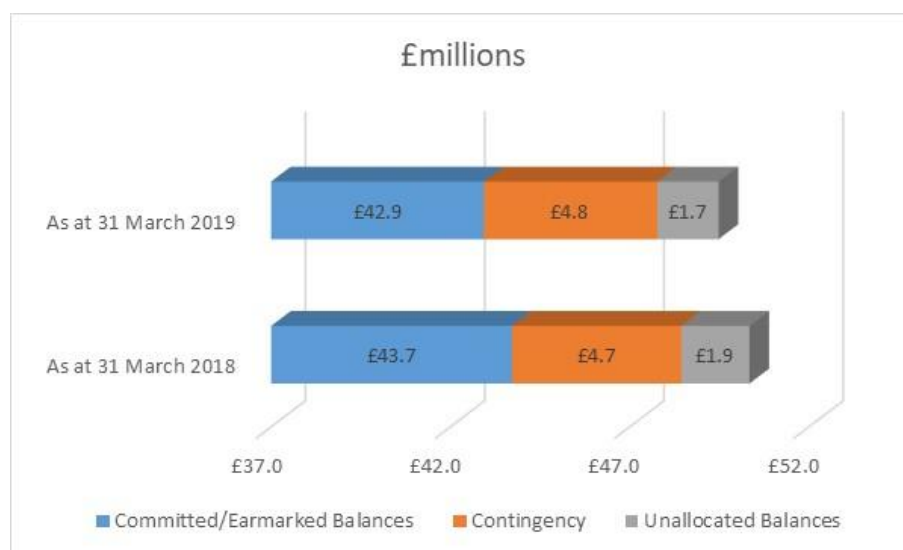
In respect of the General Fund Balance movement, this has decreased by £0.862m from £50.342m to £49.480m. There were £6.705m of earmarked reserves released to services and spent during 2018-19. The contributions to earmarked reserves amount to £4.585m and there was a surplus from the 2018-19 budget planned of £2.408m that was being directed towards capital. A supplementary estimate of £0.032m was agreed during the year. The overall overspend on the revenue budget amounted to £1.118m. All these factors contribute to the decrease in the General Fund balance as summarised in Exhibit 7.

Exhibit 7: Movement on General Fund Balance

	£000
Balance on General Fund 31 March 2018	50,342
Budgeted surplus 2018-19 (directed to capital)	2,408
Supplementary Estimate Agreed November 2018 for Kintyre Recycling	(32)
Released sums earmarked to service budgets 2017-18	(6,705)
Contributions to earmarked reserves 2018-19	4,585
Overall budget overspend as above	(1,118)
Balance on General Fund 31 March 2019	49,480

General Fund Balance

Exhibit 8 shows what is included within the General Balance as at 31 March 2019 with a comparison of the position as at 31 March 2018.

Exhibit 8: General Fund Balances as at 31 March 2018 and 31 March 2019**Earmarked Balances**

The General Fund includes balances that the Council has agreed to earmark for specific purposes. Some of these earmarked balances were due to be spent during 2018-19 and some of them are scheduled to be held over and spent in later years. The Council has agreed a policy where some unspent balances are automatically carried forward where they meet specific criteria, for example, unspent grants, income in relation to Strategic Housing Fund, legal commitments. Any unspent budget proposals will require approval from Council however as the final outturn for 2018-19 was overspent, there are no unspent budget proposals this year.

Management Commentary

The General Fund balance at 31 March 2019 is £49.480m. The total earmarked balances amount to £42.936m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget for 2019-20 and this amounts to £4.838m. The remaining General Fund balance (“unallocated balance”) amounts to £1.706m. Exhibit 9 summarises the earmarked balances and further detail is contained within Note 5.

Exhibit 9 – Earmarked Balances held in the General Fund as at 31 March 2019

	£000
Allocated to Capital Plan	10,424
Strategic Housing Fund	6,310
Helensburgh Waterfront	5,579
Unspent Budget Carried Forward	4,203
Investment in Affordable Housing	4,200
Lochgilphead and Tarbert Regeneration	2,917
Asset Management	2,507
Unspent Grants	1,631
Other Earmarked Balances	5,165
Total Earmarked Balances	42,936

Group Accounts

Argyll and Bute Council Group comprise the following entities:

- Argyll and Bute Council
- Dunbartonshire and Argyll & 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, Note 37 gives further details on the Council’s Common Good Funds.

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £10.253m. This gives an overall net asset position for the Group of £260.435m, a decrease of £47.039m from the previous year. As with the single entity Balance Sheet, the decrease is mainly due to the increase in the pension liability.

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between Argyll and Bute Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the strategic planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. Argyll and Bute Council contributed £59.344m towards the Argyll and Bute Integration Joint Board in the 2018-19 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 in Exhibit 10 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.

Exhibit 10: Key Financial Indicators

Financial Indicator	2018-19	2017-18	Comment
Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure	2.71%	2.80%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. There are sufficient reserves to meet any unplanned expenditure.
Movement in the Unallocated General Fund Balance	Decrease £0.2m	Decrease £1.4m	Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). In 2017-18 Social Work were £1.155m overspent and in 2018-19 Social Work were £3.127m overspent. These overspends have had an adverse impact on the Councils unallocated balance.
In-year collection rate	96.11%	95.80%	Reflects the Council's effectiveness in collecting Council Tax debt.
Ratio of Council Tax Income to Overall Level of Funding	19.05%	18.64%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income. Council Tax increased by 3% in 2018-19.
Actual Outturn compared to budgeted expenditure	(£1.118m) (0.45%)	£2.598m 1.04%	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	£310.013m	£306.433m	Measurement of requirement to borrow for capital purposes.
External Debt Levels for the current year	£183.476m	£178.488m	Actual borrowing for capital investment levels.
Ratio of financing costs to net revenue stream	6.31%	7.40%	Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less available to meet other revenue expenditure.

8. PLANS FOR THE FUTURE

Risks

The format of the Council's Strategic Risk Register (SRR) and the Operational Risks Registers (ORR) and the processes to monitor and update them were revised in 2018 and compliance with these changes was confirmed by Internal Audit in their report tabled to the Audit and Scrutiny Committee in December 2018.

The SRR has 12 strategic risks that include Financial Sustainability, Population and Economic Decline, Health and Social Care Partnership and Waste Management all of which are covered in more detail in the paragraphs that follow.

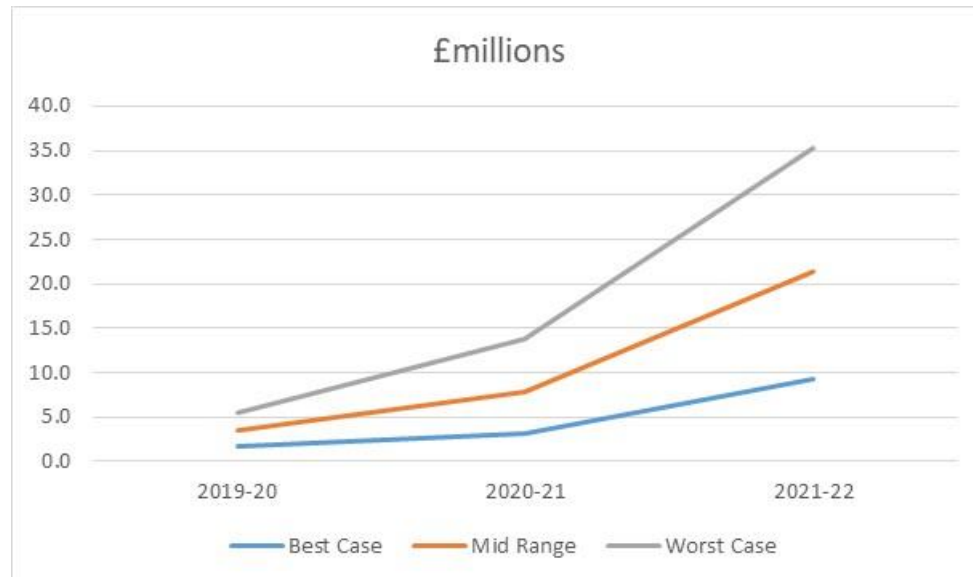
Financial Risks are also considered as part of the budget process and medium term outlook and regularly reviewed as part of routine budget monitoring throughout the year.

Management Commentary

2019-20 Budget Strategy

A three year financial outlook covering the period 2019-20 to 2021-22 was kept up to date during the financial year and presented to Members at the Policy and Resources Committee in May, August, October and December 2018. Exhibit 11 shows range of scenarios based on the report presented to the Policy and Resources Committee on 13 December 2018.

Exhibit 11: Budget Gap 2019-20 to 2021-22 as at 13 December 2018



A Transformation Board was established to oversee all the Council's transformational opportunities. At the Council budget meeting on 22 February 2018 the Council endorsed the proposed Transformation Board activities for 2018-19, this included review of fleet management, review of procurement and further investigate savings in respect of redesigning both Adult Learning and Youth Work and Instrumental Music Tuition. It also included a reconstructing the Council budget exercise focusing on services that we have a statutory duty to provide, those where we have a statutory power and those services that are non-statutory.

New savings options for 2019-20 were identified as a result of the work led by the Transformation Board which exceeded the estimated budget gap for 2019-20. These savings options were reported to the Policy and Resources Committee on 13 December 2018.

The Council were advised of their provisional 2019-20 budget allocation on 17 December 2018. Following the Budget Bill Stage 1 debate in Parliament on 31 January 2019, the provisional budget allocation was increased as well providing the Council with the flexibility to increase the Council Tax by 4.79% in 2019-20.

Due to our budget strategy and the savings options already identified by services, our draft budget presented to Council on 21 February 2019, was in a balanced position for 2019-20, with a surplus which allowed the Council some flexibility to reflect on the views of the public from the budget consultation and agree savings and allocate resource accordingly. In looking to the medium term, rather than focusing on 2019-20 only, the agreed savings options increase in value across 2019-20 to 2021-22 and therefore contributes to the financial challenges facing the Council from 2020-21 onwards.

Management Commentary

The Council also undertook a review of its corporate management structure in 2018-19 and this was reported to Council as part of the budget process. The restructure removed four existing Head of Service posts and a number of third tier posts which delivered a part year saving of £0.375m in 2019-20 with a full year impact of £0.500m from 2020-21 onwards. Part of the focus of the new structure was to further develop the Council's commercial focus with this work led by the creation of a new Head of Commercial Services post.

In terms of capital expenditure the Council had already agreed the capital plan for 2019-20, however, this was based on a number of assumptions which were reviewed and updated allowing the Council to re-align resources. Additional funding was allocated to the Helensburgh Waterfront Project and Dunoon CHORD and funding was also reinstated for Education assets. Additional funding was approved for Campbeltown Flooding Scheme, CARS Projects in Lochgilphead and Helensburgh and Health and Social Care assets.

Medium to Longer Term Financial Strategy

In 2017-18 the Council developed a medium to longer term financial strategy (covering 10 years) designed to ensure the Council addresses the challenges it faces effectively. This strategy is due to be reviewed and updated during 2019-20.

Transformation Board

The Council is committed to driving forward change through transformation and innovation. The Council has previously demonstrated that it is able to work in innovative ways in order to improve service delivery, make savings or generate income.

A Transformation Board was established to take forward further transformational change. The Board is chaired by the Executive Director of Customer Services and membership consists of a number of senior managers across the Council as well as Trade Union representation.

The Transformation Board has identified a number of longer term options that are worthy of pursuit including:

- Renewables Investments
- Digital Transformation
- Further rationalisation of face to face service provision
- Further office rationalisation
- Continuation of One Council Property Approach
- Further review of Loans Charges
- Review of Fees and Charges
- Employee Terms and Conditions
- Sustainable Education as part of the Northern Alliance.

The Council will also seek to focus on the development of commercial and business investment opportunities in order to grow new income streams to offset reductions in grant funding.

Rural Growth Deal

Argyll and Bute brings together much of what is best about Scotland – natural resource that drives national and international business markets, expertise that inspires innovation, and people committed to achieving the prosperous future that are needs and deserves. To make this happen, we need to grow our population. That's why, working in partnership with both the Scottish and UK Governments and a range of key private, public and third sector stakeholders, we are developing a Rural Growth Deal for Argyll and Bute. A Deal is essential to our population growth needs; it builds on current and planned public and private sector investments to help keep Argyll and Bute competitive through accelerating inclusive economic growth and challenging any barriers to growth potential. We have taken steps to

Management Commentary

ensure that our bid represents the views of our public and private sector partners, as well as of local people and communities.

“Argyll the Natural Choice” is the proposed Rural Growth Deal for Argyll and Bute comprising sixteen different projects. The Rural Growth Deal projects are wide-ranging. They include road and air transport links between Argyll and Bute and the central belt of Scotland; expanding digital connectivity to bolster the economy and improve healthcare services; providing infrastructure to support innovation; developing routes to market between Argyll and Bute and the central belt; and seeking policy change to open up opportunities for growth.

Our Rural Growth Deal is ambitious. The level of funding (£178.5m) being sought reflects the challenges we face as a Local Authority with a large and diverse geographical area but also the economic potential of the area to contribute to regional and national economies.

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 of 1 April 2016.

In 2018/19, the third year of the partnership, the IJB were not able to set a balanced budget and had unidentified savings of £1.6m in addition to agreed savings of £10.954m. During the year both the Chief Officer and Chief Financial Officer left the organisation. A new Chief Officer was appointed in October 2018. The Chief Financial Officer post was covered by an interim between July 2018 and November 2018 and by the Council’s Head of Strategic Finance (in addition to her Council post) between December 2018 and June 2019. A new two year appointment was made in June 2019. Since the new appointments there has been an increased focus on financial planning and management and the identification of savings to deliver a balanced budget. The final outturn of the HSCP for 2018-19 was an overspend of £6.681m, made up of an overspend of £3.554m for Health related services and £3.127m for Social Work related services.

Enhanced budgetary control arrangements are now in place and comprehensive financial reports are now being presented to the IJB on a regular basis. Although unable to break even at the end of 2018-19, there is now greater control and transparency over the partnership’s financial position. The IJB approved a balanced budget for 2019-20 on 27 March 2019 which included new savings for 2019-20 of £6.794m, some of which were right sizing or efficiency savings that should be deliverable.

There remains a high financial risk associated with the 2019-20 IJB budget and whether all the savings agreed for 2019-20 can be delivered and whether they can contain expenditure within approved budget.

There is a further risk to the Council that the HSCP are not in a position to repay their 2017-18 and 2018-19 overspends. The Council were required to provide additional funding to the HSCP, as per the Scheme of Integration to cover their overspend but this should be repaid. The amount has been paid from the Council’s General Fund balance. The HSCP are due to pay a total of £4.282m back to the Council over 2019-20 to 2022-23 which would be returned to the Council’s unallocated General Fund balance.

Waste Management

The Council is both a waste collection and waste disposal authority. Waste collection is carried out by council staff with assistance from third sector groups for recycled materials. Waste disposal is dealt with by 3 separate models across the Council. These are:

- Island sites which are operated by the Council.
- A 25 year PPP contract covering the mainland other than Helensburgh and Lomond – this runs until 2026.
- Helensburgh and Lomond where collected waste is disposed of at third party sites outside Argyll and Bute.

Management Commentary

In January 2021 the Scottish Government is introducing a ban on Biodegradable Municipal Waste (BMW) going to landfill. This means that all BMW (such as food waste, garden waste, paper and cardboard) cannot be disposed of in landfill. In effect this ends landfill as a method of disposing of waste. At the moment, in some parts of the Council area, we send biodegradable items to landfill. This change will have significant cost implications for the Council as we will have to find an alternative way to dispose of waste, and it remains to be seen whether we will receive any additional funding from the Scottish Government to help us do this. In particular, the cost implications for the waste service on islands are potentially huge because of the need to transport waste off islands.

The Council's preferred approach with the Scottish Government is to seek additional funding to meet the additional costs of complying with the BMW ban. Both rural and island local authorities have expressed concern about the implications of the BMW ban for their areas and, through COSLA, discussions are ongoing with the Scottish Government about whole or even partial exemptions for rural and island locations if additional funding pressures are not met by Scottish Government. A joint Scottish Government/COSLA working group has been created with the aim of identifying how best the Scottish Government can support local authorities to meet their obligations in terms of the BMW ban. The lack of clarity on the currently proposed future changes to waste services makes the development of an overarching waste strategy difficult but imperative. The finalised waste strategy will include costed models.

9. CONCLUSION

The Council has continued to demonstrate sound financial management in 2018-19. Council services were delivered within the resources available and Social Work, part of the HSCP managed by the IJB, overspent resulting in an overall overspend which was outwith the direct control of the Council. The operating environment going forward remains very challenging from the combined effect of reduced resources and increasing demand and expectation for our services. The Council, despite these challenges, remains financially sound and is well placed to deliver services to the people of Argyll and Bute in the future.

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.

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 Head of Strategic Finance.
- 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.

THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

The Head of Strategic Finance 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 Head of Strategic Finance 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 2018-19 (in so far as it is compatible with legislation).

The Head of Strategic Finance 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 2019.

Kirsty Flanagan

Kirsty Flanagan
Head of Strategic Finance
27 June 2019

BACKGROUND / SCOPE OF RESPONSIBILITY

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

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

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance (the Code), which is consistent with the principles 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 Governance and Law, (Legal and Regulatory Services after 1 July 2019) 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 2018-19 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 June 2019.

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

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. The Council's external audit team are carrying out their BV fieldwork during the second half of 2019 with a BVAR scheduled for publication in early 2020/2021. In preparation the Council has established a BV Working Group, chaired by the Head of Improvement & Human Resources. The group's core responsibility is to self-assess the Council in relation to the eight core BV themes and, in doing so, prepare a body of evidence to provide to the external auditors to support their fieldwork. The group report progress regularly to the Strategic Management Team (SMT).

The revised Councillors' Code of Conduct and Associated Standards Commission guidance as well as the Commission's advice note on bullying and harassment was the subject of a member's seminar in August 2018.

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. The revised Councillors' Code of Conduct and Associated Standards Commission guidance as well as the Commission's advice note on bullying and harassment was the subject of a member's seminar in August 2018. A register of members' interests is available on the Council's website.

The code of conduct and protocols are supported by training and development programmes for elected members by offering Performance Review and Development (PRD) plans which inform the development of training and development programmes and seminars.

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 risk management overview report and have developed a Scrutiny Framework and Manual to support the performance of scrutiny reviews which were rolled out in 2018-19.

The anti-fraud strategy ensures there are effective arrangements for whistle-blowing and for receiving and investigating complaints from the public and partners.

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

Elected Member Development

The Council has signed up to the Improvement Service's Continuing Professional Development Framework for Elected Members. All Elected Members are provided with opportunities to progress personal development plans so that individual training needs and aspirations are identified and support provided as appropriate. This is complemented by a comprehensive seminar and workshop programme which addresses a wide range of topics and strategic issues. The 2018-19 programme included sessions on transformation, Rural Growth Deal, Treasury

Management, Code of Conduct, the Health and Social Care Partnership (HSCP), waste management, budgetary issues as well as a range of other topics. All seminar presentations are hosted on the Member's intranet ensuring the information is widely accessible.

Elected Members also engage in committee development sessions which are focused on key areas within the strategic remit of the particular committee and includes engagement with external organisations such as OFCOM and Transport Scotland. The Audit and Scrutiny Committee attended a two day scrutiny development workshop in August and the Harbour Board attended a workshop in January on the Port Marine Safety Code Duty Holder Responsibilities.

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

Officer Development

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

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

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

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

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

Annual Governance Statement

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.

Public Performance Reporting

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

Community Engagement

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

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

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

It also supports community engagement by resourcing community council liaison activities, including a training programme, which helps to build the capacity of community councils. The Council undertook a review of the Scheme of Establishment for Community Councils which involved a wide ranging consultation with communities in advance of the April 2018 community council elections.

The Council produced a Community-Led Action Planning Toolkit 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.

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

Council/Committee Meetings

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

GOVERNANCE ROLES AND RESPONSIBILITIES

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

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

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

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

The Council have also 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.

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 Council accepts the current financial climate we are in. Councils exist within the constraints of one year financial settlements which do not provide any degree of medium term certainty. Furthermore the ring fencing of monies places limitations on what the Council can do and additional policy and legislative implications, not always fully funded, creates additional financial pressures for councils. These pressures are exacerbated by the uncertainty, and largely unquantifiable potential implications, of the UK's possible withdrawal from the European Union.

The Scottish Government's announcement, as part of the 2019-20 budget process, to provide three year funding allocations for Local Government from 2020-21 is welcomed and will greatly assist with future financial planning.

The Council is well informed on financial estimates for future years. A medium term financial outlook covering three years is presented at each Policy and Resources Committee meeting. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

In 2017-18 the Council developed a medium to longer term financial strategy (covering 10 years) designed to ensure the Council addresses the challenges it faces effectively. This strategy is due to be reviewed and updated during 2019-20.

The Council has a strong track record in financial planning and management as recognised by previous year's annual external audit reports. This despite eleven years of budget reductions that have required the Council to make around £59m of cumulative savings.

Council officers have annually produced ideas for management/operational efficiencies which have helped reduce the impact of savings on service users and communities. Work is continuing on a number of areas including automating processes, depot rationalisation, reducing debt levels and repayments and many more to generate further efficiencies that may help reduce the budget gap. A Transformation Board is in place to oversee cost saving and transformational activities and they are continuing to pursue

a number of medium to longer term options. One recent success overseen by the Board is a change in the management of the Council's land and building assets to deliver a proactive property development service. This enables the Council to take a more effective, commercially astute, and strategic approach to estate management and surplus asset disposal which will help optimise value for money.

In addition to the medium to longer term opportunities being explored, work is already underway to identify options to balance the budget in 2020-21.

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 2018-19 to assess whether the revised processes are operating effectively. The audit provided substantial assurance over the Council's risk management arrangements.

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 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 2018-19, 4 of the 27 audit reports presented to the Audit and Scrutiny Committee had an overall audit opinion of 'limited' assurance. These reports focused on VAT, Off-Payroll Working, School Fund Governance and Waste Management. 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 monthly basis.

During 2018-19 the following developments were made within Internal Audit:

- developed and implemented a new approach to scrutiny including a joint officer/elected member training session
- reviewed and rolled out a new approach to continuous monitoring
- created a new audit universe to inform the development of the annual audit plan
- further enhanced team development days to include presentations from other council officers to build the team's understating of the key risks and issues facing services
- established a working group with four other councils to discuss audit approaches and share good practice and resources
- implemented the improvements identified in the team's external quality assessment.

HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute Integration Joint Board (IJB) has been established as a separate legal entity from both the Council and NHS Highland (the Health Board), with a separate board of governance. The IJB comprises eight voting members with four elected members nominated by the Council and four board members of the Board. 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 Integration Scheme. The Integration Scheme also outlines the scope and function of services that are delegated, and the clinical and care governance, financial and operational management arrangements.

From 1 April 2016 the IJB, via a process of delegation from the Council and the Health Board, has responsibility, supported by the Chief Officer, for the planning, resourcing and operational delivery of all community and acute health and social care services within Argyll and Bute. The overarching strategic vision, mission and values of the IJB are set out in the Strategic Plan and Strategic Objectives which are aligned to deliver on the National Outcomes for adults, older people and children.

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 2018-19 and the IJB's internal auditor will issue a formal annual report providing their independent opinion on the effectiveness of the IJB's risk management, internal control and governance processes.

Progress is being made in the operation of the IJB to ensure appropriate governance and information sharing arrangements are in place.

In 2018-19, the third year of the partnership, the IJB were not able to set a balanced budget and had unidentified savings of £1.6m in addition to agreed savings of £10.954m. During the year both the Chief Officer and Chief Financial Officer left the organisation. This resulted in reduced focus on the pursuit of additional savings to balance the budget and on delivering the approved savings. A new Chief Officer was appointed in October 2018. The Chief Financial Officer post was covered by an interim between July 2018 and November 2018 and by the Council's Head of Strategic Finance (in addition to her Council post) between December 2018 and June 2019. A new two year appointment was made in June 2019. Enhanced budgetary control arrangements are now in place and comprehensive financial reports are now being presented to the IJB on a regular basis. Although unable to break even at the end of 2018-19, there is now greater control and transparency over the partnership's financial position.

The operating environment going forward remains very challenging, however, the IJB approved a balanced budget for 2019-20 which should provide reassurance to the public, staff and stakeholders that the partnership is determined to work within budget. The revised Strategic Plan covering the period 2019-20 to 2021-22 was endorsed and approved by the IJB on 27 March 2019.

UPDATE ON AREAS FOR DEVELOPMENT IN 2017-18 ANNUAL GOVERNANCE STATEMENT

The 2017-18 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below:

Area	2018-19 Update
New scrutiny approach	The Council's new approach to scrutiny has been rolled out. A Scrutiny Framework and Manual was approved by the Audit and Scrutiny Committee as was the 2018-19 Scrutiny Plan. The first review in the plan (Money Skills Argyll) was reported to the June 2019 Audit and Scrutiny Committee and the second (Roads Maintenance) is scheduled for the September 2019 Committee. The 2019-20 Scrutiny Plan was approved at the June 2019 meeting.
GDPR	GDPR compliance is now mainstreamed into service delivery with staff very familiar with the necessary arrangements.
Electronic payslips and greater automation of payroll processing	Electronic payslips are in place for all staff and are being rolled out to elected members. Further improvements in payroll processing automation have been implemented to reduce the risk of errors and improve processing time.
Roads and Amenity Services control hub	Roads and Amenity Services have combined operations teams into one providing single area cross service teams based across Argyll and Bute. An area based management structure has been established and a control hub is being established which will hold information on programmes, asset condition and provide a direct link for communications about operational activity across the various services the hub will support.
Capital monitoring	Work to develop a revised capital monitoring process is ongoing. This is scheduled to be implemented in October 2019 and will be reviewed by Internal Audit in early 2020.
Equality impact assessments to include a socio-economic impact assessment	A new process for Equality and Socio Economic Impact Assessments which considers both services users and employees has been developed and adopted.
Review of Integration Scheme	In February 2018 the Council agreed to pursue a formal review of Argyll and Bute's full Health and Social Care Integration Scheme to ensure it continues to meet Scottish Government policy expectations, and to consider amending the provisions relating to writing back budget underspends/overspends to parent organisations. In addition changes are required to reflect GDPR. Initial proposals were drawn up however, in February 2019, the NHS Highland Director advised that the Health Board are unlikely to agree to the changes proposed relating to the change in risk transfer. There is also an emerging possibility of the Health Board coming forward with proposals which would seek to look at, and potentially change, the scope/context of NHS services included within the Scheme. It has been agreed that all of the matters which may require to be dealt with in terms of a review of the Scheme, will be dealt with as a full review to commence as soon as clarity of all of the topics to be included is achieved and completed (to include approval by the Scottish Government) by 26 June 2020.
Three year strategic plan	The revised Strategic Plan covering the period 2019-20 to 2021-22 was endorsed and approved by the IJB on 27 March 2019. It takes accounts of statutory requirements and the outcomes of the public, stakeholder and staff engagement and formal consultation. The Strategic Plan will be presented to both the Council and the Health Board.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2019-20, particularly in the context of continuous improvement within the Council:

- implement a revised capital monitoring process
- streamline treasury management processes to be more efficient whilst ensuring new arrangements have improved resilience, are robust and are fit for purpose
- implement Point-to-Point Encryption for face to face debit/credit card payments
- fully digitalise all document and evidence exchanges for Local Development Plan 2 'Examination in Public' process
- develop an automated interface between the Property Management System (Concerto) and the Financial System (Oracle) to process contractor payments
- develop a new self-evaluation tool within Early Years to align with 'How Good is our ELC' to improve self-evaluation processes
- implement the transfer of Human Resources and Organisational Development from HSCP management to Argyll & Bute management and review governance arrangements
- develop and rollout score cards for monitoring of performance and targets within Roads & Amenity Services.

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 2018-19 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.

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 2018/38). 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, 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 2018-19 the salary for the Leader of Argyll and Bute Council is £33,992. 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 £25,494 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 £0.297m. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors up to a maximum of 14 and their salary within these maximum limits. The Council's policy is to pay a salary of £24,074 to each appointed policy lead. Chairs of Area Committees without a policy lead remit are paid a salary of £20,072.

In 2018-19, Argyll and Bute Council had 10 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors (including the Provost and the Leader) during 2018-19 was £0.288m. 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 2018-19.

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

COUNCILLORS' REMUNERATION

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

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

Members Allowances	2018-19 Actual £'000	2017-18 Actual £'000
Basic Councillor Salaries	412	408
Leader and Provost's Salary	59	58
Senior Councillor Salaries	229	225
Other Expenses and Allowances paid to Members	75	88
Total Allowances	775	779

The annual return of councillors' salaries and expenses for 2018-19 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:

Senior Members	Responsibility	2018-19			2017-18
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Councillor Rory Colville	Policy Lead for Corporate Services from 18 May 2017 (<i>Lead Councillor for Education and Lifelong Learning, Chair of Mid Argyll, Kintrye & the Islands Area Committee - previous Administration</i>)	24,074	-	24,074	23,715
Councillor Robin Currie	Policy Lead for Communities, Housing, Islands and Gaelic and Chair of Mid Argyll, Kintyre & the Islands Area Committee from 18 May 2017 (<i>Lead Councillor for Community & Culture and Strategic Housing - previous Administration</i>)	24,074	413	24,487	23,725
Councillor Bobby Good	Chair of Bute & Cowal Area Committee from 18 May 2017	20,105	-	20,105	17,155
Councillor Kieron Green	Policy Lead for Health and Social Care from 18 May 2017 (<i>Lead Councillor for Health and Social Care Integration - previous Administration</i>)	24,074	-	24,074	23,669
Councillor David Kinniburgh	Policy Lead for Planning and Regulatory Services from 18 May 2017 (<i>Depute Provost and Chair of Planning, Protective Services and Licensing Committee - previous Administration</i>)	24,074	-	24,074	23,669

Senior Members	Responsibility	2018-19			2017-18
		Salary, Fees and Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
		£	£	£	£
Councillor Alistair MacDougall	<i>Lead Councillor for Strategic Transportation - previous Administration</i>	-	-	-	3,175
Councillor Roddy McCuish	Depute Provost and Policy Lead for Roads and Amenity Services from 18 May 2017 (<i>Chair of Oban, Lorn and the Isles Area Committee - previous Administration</i>)	24,074	-	24,074	23,318
Councillor Alex McNaughton	<i>Chair of Bute and Cowal Area Committee from 29/09/16 - previous Administration</i>	-	-	-	2,647
Councillor Yvonne McNeilly	Policy Lead for Education from 18 May 2017	24,074	-	24,074	20,495
Councillor Aileen Morton	Leader and Policy Lead for Economic Development from 18 May 2017	33,986	139	34,125	31,859

Senior Members	Responsibility	2018-19			2017-18
		Salary, Fees and Allowances	Taxable Expenses	Total Remuneration	Total Remuneration
		£	£	£	£
Councillor Ellen Morton	Chair of Helensburgh & Lomond Area Committee from 18 May 2017 (<i>Depute Leader, Lead Councillor for Roads, Amenity Services, Infrastructure, Asset Management and Special Projects - previous Administration</i>)	20,072	-	20,072	20,362
Councillor Gary Mulvaney	Depute Leader and Policy Lead for Strategic Finance and Capital Regeneration Programme from 18 May 2017 (<i>Chair of Helensburgh and Lomond Area Committee - previous Administration</i>)	24,074	-	24,074	23,141
Councillor Elaine Robertson	Chair of Oban, Lorn & the Isles Area Committee from 18 May 2017	20,072	-	20,072	16,678
Councillor Len Scoullar	Provost from 18 May 2017 (<i>Provost and Lead Councillor for Island Affairs - previous Administration</i>)	25,490	-	25,490	25,024
Councillor Dick Walsh	<i>Leader and Lead Councillor for Strategic Finance, (IT Services, Improvement, HR and Customer Support, Facility Services, Governance and Law) - previous Administration</i>	-	-	-	4,482

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:

Range £	2018-19 Number of Officers	2017-18 Number of Officers
£50,000 - £54,999	80	71
£55,000 - £59,999	28	22
£60,000 - £64,999	8	9
£65,000 - £69,999	2	1
£70,000 - £74,999	2	9
£75,000 - £79,999	10	3
£80,000 - £84,999	1	3
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	3
£100,000 - £104,999	2	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	-	2
Total	135	123

The Remuneration Report

SENIOR EMPLOYEES' REMUNERATION

The table below provides details of the remuneration paid to the Council's senior employees (defined by the regulations) as those forming part of the Council's senior management team, or holding certain statutory posts and any additional employee whose salary is over £150,000. In 2018-19 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2018-19 for senior officers:

Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2018-19 £	Total Remuneration 2017-18 £
Chief Executive - Cleland Sneddon	121,109	5,653	126,762	129,836
Executive Director of Customer Services - Douglas Hendry	99,508	484	99,992	99,818
Acting Executive Director of Community Services - Ann Marie Knowles (from 13-5-16 to 05-4-18) <i>(Full year equivalent)</i>	5,629	(539)	5,090	98,769
	99,433		99,433	-
Executive Director of Development and Infrastructure Services - Pippa Milne	99,363	385	99,748	99,194
Head of Strategic Finance (Section 95 Financial Officer) - Kirsty Flanagan	74,864	591	75,455	74,257
Head of Children & Families (Section 3 Social Work Officer) - Louise Long (to 07-05-17) <i>(Full year equivalent)</i>	-	-	-	8,617
	-	-	-	71,723
Head of Adult Care - East (Section 3 Social Work Officer) - Allan Stevenson (from 08-05-17 to 11-09-17) <i>(Full year equivalent)</i>	-	-	-	25,193
	-	-	-	72,440
Head of Children & Families (Section 3 Social Work Officer) - Alex Taylor (from 12-09-17) <i>(Full year equivalent)</i>	75,009	6,644	81,653	46,453
	-	-	-	72,440
Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson (from 02-10-17) <i>(Full year equivalent)</i>	72,542	-	72,542	37,503
	-	-	-	72,440

The Chief Executive's salary in 2017-18 included £5,047 of remuneration for acting as Returning Officer.

During 2017-18 Louise Long, Head of Children & Families and the Council's Section 3 Social Work Officer, left the organisation and the responsibility of Section 3 Social Work Officer was transferred to Allan Stevenson, Head of Adult Care - East. Allan Stevenson left the organisation in September 2017 and the responsibility of Section 3 Social Work Officer was transferred to Alex Taylor, Head of Children and families.

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 2018-19 are as follows:

Whole time pay	Contribution Rate 2018-19
On earnings up to and including £21,300	5.50%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.50%
On earnings above £35,700 and up to £47,600	9.50%
On earnings above £47,600	12.00%

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

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

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49th 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 2019 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.

Senior Members	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2019 £	For year to 31 March 2018 £		As at 31 March 2019 £	As at 31 March 2018 £
Councillor Rory Colville	4,646	4,578	Pension	4,865	4,248
			<i>Lump Sum</i>	1,636	1,590
Councillor Maurice Corry (left Scheme 04-05-17)	-	432	Pension	-	-
			<i>Lump Sum</i>	-	-
Councillor Robin Currie	4,646	4,569	Pension	4,696	4,092
			<i>Lump Sum</i>	850	830
Councillor Kieron Green	4,646	4,569	Pension	1,384	-
			<i>Lump Sum</i>	-	-
Councillor Bobby Good	3,880	3,310	Pension	789	789
			<i>Lump Sum</i>	-	-
Councillor David Kinniburgh	4,646	4,569	Pension	4,798	4,175
			<i>Lump Sum</i>	1,592	1,544
Councillor Roddy McCuish	4,646	4,467	Pension	4,767	4,159
			<i>Lump Sum</i>	1,680	1,638
Councillor Yvonne McNeilly	4,646	3,955	Pension	944	944
			<i>Lump Sum</i>	-	-
Councillor Aileen Morton	6,559	6,150	Pension	3,702	2,860
			<i>Lump Sum</i>	-	-
Councillor Ellen Morton	3,874	3,931	Pension	4,783	4,299
			<i>Lump Sum</i>	1,673	1,656
Councillor Gary Mulvaney	4,646	4,467	Pension	4,459	3,830
			<i>Lump Sum</i>	1,502	1,447
Councillor Elaine Robertson	3,874	3,750	Pension	4,017	3,512
			<i>Lump Sum</i>	1,418	1,383

Councillor Len Scoullar is not a member of the Strathclyde Pension Fund.

The Remuneration Report

SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2019 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.

Senior Officers	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2019 £	For year to 31 March 2018 £		As at 31 March 2019 £	As at 31 March 2018 £
Chief Executive - Cleland Sneddon	23,346	24,052	Pension <i>Lump Sum</i>	50,646 86,572	47,456 85,527
Acting Executive Director of Community Services - Ann Marie Knowles	1,086	18,904	Pension <i>Lump Sum</i>	41,296 83,748	43,256 83,845
Executive Director of Customer Services - Douglas Hendry	19,177	18,904	Pension <i>Lump Sum</i>	51,553 99,705	48,684 98,215
Executive Director of Development and Infrastructure Services - Pippa Milne	19,177	18,904	Pension <i>Lump Sum</i>	45,430 81,338	42,653 80,122
Head of Strategic Finance (Section 95 Financial Officer) - Kirsty Flanagan	14,449	13,997	Pension <i>Lump Sum</i>	20,705 21,676	18,556 20,967
Head of Adult Care - East (Section 3 Social Work Officer) - Allan Stevenson	-	6,876	Pension <i>Lump Sum</i>	- -	- -
Head of Children and Families (Section 3 Social Work Officer) - Alex Taylor	14,449	13,794	Pension <i>Lump Sum</i>	41,425 85,795	38,090 81,785
Head of Children and Families (Section 3 Social Work Officer) - Louise Long	-	1,988	Pension <i>Lump Sum</i>	- -	- -
Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	14,001	1,088	Pension <i>Lump Sum</i>	24,367 35,580	19,530 29,714

EMPLOYEE EXIT PACKAGES

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

No	2017-18			Exit Package Cost Band	No	2018-19		
	Cash Value					Cash Value		
	Compulsory Redundancies £	Other Departures £	Total Cash Value Cost £			Compulsory Redundancies £	Other Departures £	Total Cash Value Cost £
13	1,470	112,397	113,867	£0 - £20,000	11	21,907	22,679	44,586
8	29,049	212,841	241,890	£20,001 - £40,000	4	91,478	23,992	115,470
-	-	-	-	£40,001 - £60,000	1	45,618	-	45,618
1	-	60,783	60,783	£60,001 - £80,000	1	78,615	-	78,615
4	97,457	284,867	382,324	£80,001 - £100,000	5	184,575	259,539	444,114
2	-	248,562	248,562	£100,001 - £150,000	5	340,033	229,318	569,351
-	-	-	-	£150,001 - £200,000	1	-	192,617	192,617
28	127,976	919,450	1,047,426*		28	762,226	728,145	1,490,371

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 2019.

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 £1.490m 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 2019 of £1.223m, this represents the amount which has yet to be paid out by the Council and this amount is included within the bands above.

**The capitalised value of the recurring Compensatory Added Years payment was inadvertently omitted from the 2017-18 Total Cash Value Costs. The notional cost that should have been included in respect of this for 2017-18 is £0.343m which would have provided a Total Cash Value Cost of £1.391m as at 31 March 2018.*

The supplementary Termination Benefits Note 35 on page 108 provides more information on the exit packages agreed in the last two financial years.

Expenditure and Funding Analysis

2017-18			Service	2018-19		
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
2,405	320	2,725	Chief Executive and Strategic Finance	2,375	320	2,695
			Community Services:			
184	48	232	Executive Director of Community Services	-	-	-
4,479	1,941	6,420	Community and Culture	-	-	-
77,476	10,321	87,797	Education	76,274	11,558	87,832
			Customer Services			
6,342	(10)	6,332	Executive Director of Customer Services	9,073	1,893	10,966
7,923	1,997	9,920	Customer and Support Services	8,680	2,738	11,418
8,177	5,511	13,688	Facility Services	12,853	8,767	21,620
2,159	137	2,296	Governance and Law	2,004	209	2,213
3,102	323	3,425	Improvement and HR	3,034	335	3,369
			Development and Infrastructure Services			
1,399	225	1,624	Executive Director of Development & Infrastructure Services	427	(16)	411
4,547	421	4,968	Economic Development	4,319	716	5,035
8,090	745	8,835	Planning, Regulatory and Housing Services	7,031	777	7,808
18,164	12,778	30,942	Roads and Amenity Services	21,608	12,067	33,675
58,022	3,512	61,534	Social Work	59,344	4,472	63,816
8,219	393	8,612	Other Non-Departmental Costs	8,215	1,099	9,314
210,688	38,662	249,350	Net Cost of Services	215,237	44,935	260,172

Expenditure and Funding Analysis

(207,541)	(26,399)	(233,940)	Other Income and Expenditure	(214,375)	(29,226)	(243,601)
3,147	12,263	15,410	(Surplus) / Deficit	862	15,709	16,571
(53,489)			Opening General fund Balance	(50,342)		
3,147			Plus (Surplus) or Deficit on General Fund Balance	862		
(50,342)			Closing General Fund Balance at 31 March 2019	(49,480)		

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 44 to 45.

Statement of Comprehensive Income and Expenditure

2017-18			Note	2018-19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Service	Gross Expenditure £'000	Gross Income £'000
2,886	157	2,725	Chief Executive and Strategic Finance	3,197	502	2,695
			Community Services:			
237	-	232	Executive Director of Community Services	-	-	-
7,549	1,139	6,420	Community and Culture	-	-	-
88,172	5,010	87,797	Education	94,193	6,361	87,832
			Customer Services			
9,094	2,790	6,332	Executive Director of Customer Services	15,037	4,071	10,966
34,750	24,671	9,920	Customer and Support Services	35,790	24,372	11,418
20,069	2,902	13,688	Facility Services	24,604	2,984	21,620
2,536	356	2,296	Governance and Law	2,587	374	2,213
3,435	31	3,425	Improvement and HR	3,474	105	3,369
			Development and Infrastructure Services			
1,706	2	1,624	Executive Director of Development & Infrastructure Services	411	-	411
6,058	1,435	4,968	Economic Development	5,598	563	5,035
13,937	5,171	8,835	Planning, Regulatory & Housing Services	14,634	6,826	7,808
50,972	18,060	30,942	Roads and Amenity Services	56,792	23,117	33,675
137,136	76,045	61,534	Social Work	142,074	78,258	63,816
9,117	535	8,612	Other Non-Departmental Costs	10,321	1,007	9,314
387,654	138,304	249,350	Net Cost of Services	408,712	148,540	260,172

Statement of Comprehensive Income and Expenditure



		Other Operating Income and Expenditure:	
	3,544	Net (Gain)/loss on Disposal of Long Term Assets	(222)
	1,430	Other Operating Income and Expenditure	7
	4,974	Total Other Operating Income and Expenditure	1,034
		Financing and Investment Income and Expenditure:	
	16,021	Interest Payable and Similar charges	16,728
	(970)	Interest and Investment Income	(1,269)
	4,033	Net Pension Interest Expense	1,676
	19,084	Total Financing and Investment Income and Expenditure	17,135
		Taxation and Non-Specific Grant Income:	
	(162,798)	General Government Grants	(159,277)
	(17,243)	Government Capital Grants and Other Capital Contributions	12
	(29,615)	Non-domestic Rates Redistribution	(33,035)
	(223)	Non-domestic Rates TIF	(251)
	(39)	Non-domestic Rates BRIS	-
	(48,080)	Council Tax Income	(49,868)
	(257,998)	Total Taxation and Non-Specific Grant Income	(261,770)
	15,410	Deficit on Provision of Services	6.1
	(52,880)	(Surplus)/Deficit on revaluation of Long Term Assets	(6,347)
	(108,111)	Other Post Employment Benefits (Pensions)	30.2
	(160,991)	Other Comprehensive Income and Expenditure	30,392
	(145,581)	Total Comprehensive Income and Expenditure	46,963

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 48 to 49.

Balance Sheet



31 March 2018		Note	31 March 2019	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment	14	
321,827		- Other Land and Buildings		358,892
8,716		- Vehicles, Plant, Furniture and Equipment		9,645
202,628		- Infrastructure Assets		214,904
2,324		- Community Assets		2,354
1,156		- Surplus Assets		2,741
66,852		- Assets Under Construction		24,362
	603,503	Total Property Plant & Equipment		612,898
	1,804	Heritage Assets	15	2,080
	633	Intangible Assets	16	664
	2,260	Investment Property	17	2,110
	492	Long Term Investments	26	492
	5,936	Long-Term Debtors	21	5,811
	614,628	Total Long Term Assets		624,055
		Current Assets		
539		Inventories		812
20,686		Short Term Debtors (Net of Impairment)	22	17,607
3,061		Assets Held for Sale	23	2,322
55,002		Short Term Investments		57,500
10,426		Cash and Cash Equivalents	24	13,831
	89,714	Total Current Assets		92,072
		Current Liabilities		
(8,477)		Short-term Borrowing	26	(19,743)
(32,334)		Short-term Creditors	25	(34,415)
(21)		Capital Grant Receipts in Advance	29	(7)
(1,813)		Provisions	28	(2,638)
(4,420)		Other Short Term Liabilities	27	(5,652)
	(47,065)	Total Current Liabilities		(62,455)
		Long-term Liabilities		
(172,429)		Borrowing Repayable within a Period in Excess of 12 Months	26	(166,071)
(124,961)		Other Long-term liabilities	27	(124,865)
(1,300)		Provisions	28	(1,301)
(5,000)		Capital Grant Receipts in Advance	29	(5,000)
(56,442)		Other Long-term liabilities (Pensions)	30	(106,253)
	(360,132)	Total Long-term Liabilities		(403,490)
	297,145	Total Assets less Liabilities		250,182

Balance Sheet



31 March 2018			Note	31 March 2019	
£'000	£'000			£'000	£'000
108,820		Unusable Reserves	32	115,150	
196,126		- Revaluation Reserve		195,045	
(3,506)		- Capital Adjustment Account		(3,176)	
(56,442)		- Financial Instruments Adjustment Account		(106,253)	
(4,036)		- Pensions Reserve		(6,112)	
	240,962	- Accumulated Absences Account			
		Usable Reserves	33		194,654
4,326		- Capital Funds		4,352	
1,515		- Repairs and Renewals Funds		1,696	
50,342		- General Fund Balance		49,480	
	56,183				55,528
	297,145	Total Reserves			250,182

The Balance Sheet is a snapshot of the value as at the 31 March 2019 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported as follows:

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

The Unaudited Annual Accounts were issued on 27 June 2019.

Kirsty Flanagan

Kirsty Flanagan
Head of Strategic Finance
27 June 2019

Statement of Movement in Reserves

Movements in 2018-19	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2018	(50,342)	(1,515)	(4,326)	(56,183)	(108,820)	(196,126)	56,442	3,506	4,036	(240,962)	(297,145)
(Surplus)/Deficit on Provision of Services	16,571			16,571						-	16,571
Other Comprehensive Income and Expenditure					(6,347)		36,739			30,392	30,392
Total Comprehensive Income and Expenditure	16,571	-	-	16,571	(6,347)	-	36,739	-	-	30,392	46,963
<i>Adjustments between accounting basis and funding basis under regulations:</i>											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost	-			-	17	(17)				-	-
Amortisation of Intangible Assets	(223)			(223)		223				223	-
Depreciation of Non-current Assets	(22,128)			(22,128)		22,128				22,128	-
Impairment of Non-current Assets	(11,887)			(11,887)		11,887				11,887	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	19,349			19,349		(19,349)				(19,349)	-
Capital Expenditure Charged to the General Fund	575			575		(575)				(575)	-
Net Gain or Loss on Sale of Non-current Assets	222		(383)	(161)		161				161	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	330			330				(330)		(330)	-
Employee Benefits	(2,076)			(2,076)					2,076	2,076	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(13,072)			(13,072)			13,072			13,072	-

Statement of Movement in Reserves

Movements in 2018-19	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Statutory Repayment of Debt - Loans Fund Advances	9,211			9,211		(9,211)				(9,211)	-
Statutory Repayment of Debt - Finance Leases	50			50		(50)				(50)	-
Statutory Repayment of Debt - NPDO Finance	3,733			3,733		(3,733)				(3,733)	-
Total Statutory Adjustments	(15,916)	-	(383)	(16,299)	17	1,464	13,072	(330)	2,076	16,299	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	655	-	(383)	272	(6,330)	1,464	49,811	(330)	2,076	46,691	46,963
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	207	(181)	357	383		(383)				(383)	-
(Increase)/Decrease in Year	862	(181)	(26)	655	(6,330)	1,081	49,811	(330)	2,076	46,308	46,963
Balance at 31 March 2019 Carried Forward	(49,480)	(1,696)	(4,352)	(55,528)	(115,150)	(195,045)	106,253	3,176	6,112	(194,654)	(250,182)

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

Statement of Movement in Reserves

Comparative Movements in 2017-18	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 2017	(53,489)	(896)	(4,064)	(58,449)	(56,033)	(195,007)	149,777	3,836	4,312	(93,115)	(151,564)
(Surplus)/Deficit on Provision of Services	15,410			15,410						-	15,410
Other Comprehensive Expenditure and Income					(52,880)		(108,111)			(160,991)	(160,991)
Total Comprehensive Expenditure and Income	15,410	-	-	15,410	(52,880)	-	(108,111)	-	-	(160,991)	(145,581)
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.				-	93	(93)				-	-
Amortisation of Intangible Assets				-						-	-
Depreciation and of Non-current Assets	(21,378)			(21,378)		21,378				21,378	-
Impairment of Non-current Assets	(7,581)			(7,581)		7,581				7,581	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	17,243			17,243		(17,243)				(17,243)	-
Capital Expenditure Charged to the General Fund	4,135			4,135		(4,135)				(4,135)	-
Net Gain or Loss on Sale of Non-current Assets	(3,544)		(5,677)	(9,221)		9,221				9,221	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	330			330				(330)		(330)	-
Employee Benefits	276			276					(276)	(276)	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(14,776)			(14,776)			14,776			14,776	-

Statement of Movement in Reserves

Comparative Movements in 2017-18	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	10,361			10,361		(10,361)				(10,361)	-
Statutory Repayment of Debt - Finance Leases	34			34		(34)				(34)	-
Statutory Repayment of Debt - NPDO Finance	2,008			2,008		(2,008)				(2,008)	-
Total Statutory Adjustments	(12,892)	-	(5,677)	(18,569)	93	4,306	14,776	(330)	(276)	18,569	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	2,518	-	(5,677)	(3,159)	(52,787)	4,306	(93,335)	(330)	(276)	(142,422)	(145,581)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	629	(619)	5,415	5,425		(5,425)				(5,425)	-
(Increase)/Decrease in Year	3,147	(619)	(262)	2,266	(52,787)	(1,119)	(93,335)	(330)	(276)	(147,847)	(145,581)
Balance at 31 March 2018 Carried Forward	(50,342)	(1,515)	(4,326)	(56,183)	(108,820)	(196,126)	56,442	3,506	4,036	(240,962)	(297,145)

This Statement shows the movement in the 2017-18 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.

2017-18 £'000		Note	2018-19 £'000
15,410	Net Deficit on the Provision of Services		16,571
(29,604)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(25,878)
4,986	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,800
(9,208)	Net Cash OutFlow from Operating Activities	39	(3,507)
11,438	Investing Activities	40	2,226
(4,767)	Financing Activities	41	(2,124)
(2,537)	Net (Increase)/Decrease in Cash and Cash Equivalents		(3,405)
(7,889)	Cash and Cash Equivalents at the beginning of the Reporting Period		(10,426)
(10,426)	Cash and Cash Equivalents at the end of the Reporting Period	24	(13,831)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2018-19 financial year and its position at the year-end of 31 March 2019. 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 2018-19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

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

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

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

Notes to the Financial Statements

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

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

1.5 Charges to Revenue for Non-Current Assets

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

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

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

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

1.6 Employee Benefits

1.6.1 Benefits Payable during Employment

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

1.6.2 Termination Benefits

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

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

Notes to the Financial Statements

1.6.3 Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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

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

Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on a "high quality corporate bond of equivalent term and currency to the liability" (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years)).
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

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

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

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

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

1.6.4 Post Employment Discretionary Benefits

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

1.7 Events after the Reporting Period

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

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

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

1.8 Financial Liabilities

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

Notes to the Financial Statements

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

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

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

1.9 Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

- Instruments with quoted market prices – the market price

Notes to the Financial Statements

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

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

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

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

Expected Credit Loss Model

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

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Heritage Assets

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

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

Notes to the Financial Statements

The Art Collections

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

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

Inveraray Jail and Courthouse and “Other” Historic Buildings

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

Archaeology and “Other” Museum Exhibits

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

Heritage Assets – General

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

1.12 Intangible Assets

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

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

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

Notes to the Financial Statements

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

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

1.13 Interests in Companies and Other Entities

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

1.14 Inventories

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

1.15 Investment Properties

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

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

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

1.16 Leases

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

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

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

1.16.1 The Council as Lessee

a) Finance Leases

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

Notes to the Financial Statements

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

Lease payments are apportioned between:

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

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

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

b) Operating Leases

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

1.16.2 The Council as Lessor

a) Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Notes to the Financial Statements

b) Operating Leases

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

1.17 Overheads and Support Services

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

1.18 Assets Held for Sale

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

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

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

1.19 Property, Plant and Equipment

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

1.19.1 Recognition

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

1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

1.19.3 Impairment

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

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

Notes to the Financial Statements

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

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

1.19.4 Disposals and Non-current Assets Held for Sale

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

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

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

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

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

1.19.5 Depreciation

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

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

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

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

Notes to the Financial Statements

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

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

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

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

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

1.21 Provisions, Contingent Liabilities and Contingent Assets

1.21.1 Provisions

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

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

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

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

1.21.2 Contingent Liabilities

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

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

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.

1.24 Accounting for the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the third year of its second phase, which ended on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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 2019 for 2019-20). For this disclosure the standards introduced by the 2019-20 code include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014-2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

For this disclosure there are no new standards, introduced by the 2019-20 Code of Practice, which will impact on the 2018-19 Financial Statements.

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.
- 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 2019 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 2018-19 financial statements in respect of the holiday pay accrual is £6.112m.

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 2019 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 £0.881m for every year that useful lives had to be reduced.</p>												
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.	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:</p> <table border="1" data-bbox="1218 944 2125 1370"> <thead> <tr> <th data-bbox="1218 944 1630 1114">Sensitivities at 31 March 2019</th> <th data-bbox="1635 944 1872 1114">Approximate % Increase to Employer Liability</th> <th data-bbox="1877 944 2125 1114">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1218 1114 1630 1198">0.5% decrease in real discount rate</td> <td data-bbox="1635 1114 1872 1198">9%</td> <td data-bbox="1877 1114 2125 1198">75,406</td> </tr> <tr> <td data-bbox="1218 1198 1630 1283">0.5% increase in salary increase rate</td> <td data-bbox="1635 1198 1872 1283">1%</td> <td data-bbox="1877 1198 2125 1283">12,026</td> </tr> <tr> <td data-bbox="1218 1283 1630 1370">0.5% increase in pension increase rate</td> <td data-bbox="1635 1283 1872 1370">8%</td> <td data-bbox="1877 1283 2125 1370">61,908</td> </tr> </tbody> </table>	Sensitivities at 31 March 2019	Approximate % Increase to Employer Liability	Approximate monetary amount £'000	0.5% decrease in real discount rate	9%	75,406	0.5% increase in salary increase rate	1%	12,026	0.5% increase in pension increase rate	8%	61,908
Sensitivities at 31 March 2019	Approximate % Increase to Employer Liability	Approximate monetary amount £'000												
0.5% decrease in real discount rate	9%	75,406												
0.5% increase in salary increase rate	1%	12,026												
0.5% increase in pension increase rate	8%	61,908												

<p>Arrears</p>	<p>At 31 March 2019, the Council had a balance of sundry debtors of £2.724m. A review of significant balances suggested that an impairment of doubtful debts of 31.7% (£0.863m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, an increase of the allowance by 10% would increase the bad debt provision required by £0.273m.</p>
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5. TRANSFERS TO/FROM EARMARKED RESERVES

The Council has ring-fenced £42.936m of the balance on the General Fund.

Ring-fenced Balances	Balance 1 April 2018 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed 2018-19 £'000	New Earmarking at end of 2018-19 £'000	Balance 31 March 2019 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	5,900	(1,675)	-	-	2,085	6,310
Unspent Grants	1,323	(954)	-	-	1,262	1,631
Contributions Carried Forward	184	(72)	-	-	20	132
Unspent Budget Carried Forward	5,437	(1,219)	(118)	103	-	4,203
School Budget Carry Forwards	751	(509)	-	-	572	814
Unspent Budget Required for Existing Legal Commitments	920	(123)	-	-	-	797
CHORD	333	(10)	(254)	-	72	141
Revenue Contribution to Capital (Dunoon and Campbeltown Schools)	-	-	-	-	-	-
Investment in Affordable Housing	5,000	-	(800)	-	-	4,200
Severance Costs	1,238	(1,238)	-	-	-	-
Helensburgh Waterfront	5,579	-	-	-	-	5,579
Argyll, Lomond and the Islands Regeneration Initiative	-	-	-	-	-	-
Asset Management	2,507	-	-	-	-	2,507
Energy Efficiency Fund	136	-	-	-	-	136
Transformation	83	(5)	-	-	-	78
Scottish Government Initiatives	566	(104)	-	-	30	492
Lochgilphead and Tarbert Regeneration	2,995	(78)	-	-	-	2,917
Inward Investment Fund	960	(25)	-	-	-	935
Rural Resettlement Fund	328	(148)	-	-	-	180
Piers and Harbours Investment Fund	107	-	-	-	133	240
Other	9,370	(545)	2,408	-	411	11,644
Total Ring-fenced	43,717	(6,705)	1,236	103	4,585	42,936
Contingency	4,726	-	112	-	-	4,838
Unallocated	1,899	(32)	(161)	-	-	1,706
Total General Fund Balance	50,342	(6,737)	1,187	103	4,585	49,480

The contingency balance of £4.838m is 2% of the Council's budgeted net expenditure for 2019-20.

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:

Expenditure/Income	2018-19 £'000	2017-18 £'000
Expenditure		
Employee benefits expenses	155,569	148,394
Other services expenses	159,667	152,611
Contribution to Argyll and Bute Integration Joint Board	59,344	57,579
Depreciation, amortisation, impairment	34,132	29,070
Interest payments	18,404	20,054
Precepts and levies	1,281	1,281
Other operating expenditure	(25)	149
Net Loss/(Gain) on the disposal of assets	(222)	3,544
Total Expenditure	428,150	412,682
Income		
Fees, charges and other service income	(89,196)	(80,725)
Income to fund social care services (Argyll and Bute Integration Joint Board)	(59,344)	(57,579)
Interest and investment income	(1,269)	(970)
Income from council tax and non-domestic rates	(83,154)	(77,957)
Government grants and contributions	(178,616)	(180,041)
Total Income	(411,579)	(397,272)
Deficit on the Provision of Services	16,571	15,410

Notes to the Financial Statements

6.2 Revenue from Contracts with Service Recipients

	31 March 2019 £'000	31 March 2018 £'000
Revenue from contracts with service recipients	27,324	28,049
Total Included in Comprehensive Income and Expenditure Statement	27,324	28,049

7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.256m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

Other Operating Income and Expenditure	2018-19 Actual £'000	2017-18 Actual £'000
Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,281	1,281
Equal Pay Settlements and Legal Costs	(26)	152
Other Operating Income and Expenditure not attributable to Services	1	(3)
Total	1,256	1,430

8. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2018-19 income from this agreement amounted to £0.309m (2017-18 £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 115 to 116.

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 2018-19 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 2018-19 income received by the Council from this source amounted to £6.415m and the related expenditure was £8.741m. This can be analysed as follows.

Purpose of Services	Income £'000	Expenditure £'000
Care of the Elderly	2,516	3,940
Provision of Services for People with Learning Disabilities	2,439	3,125
Provision of Services for People with Mental Health Needs	1,460	1,676
Total	6,415	8,741

Notes to the Financial Statements

10. FEES PAYABLE TO AUDIT SCOTLAND

In 2018-19 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2018-19 £'000	2017-18 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	258	255
Total Remuneration	258	255

The fee for 2018-19 includes £3,500 for the audit of the Council's charitable trusts.

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 the provider will hand back to the Council the waste disposal facilities with a life of 5 years.

The Council has paid a service charge of £5.408m (2017-18 £5.045m) which represents the value of the service provided from 1 April 2018 to 31 March 2019. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2019 - 2020	6,320
2020 - 2023	18,697
2023 - 2027	23,207
Total	48,224

The average service charge equates to £5.328m 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 2018-19:

Grant Income	2018-19 £'000	2017-18 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	159,277	162,798
Non Domestic Rates	33,035	29,615
Specific Capital Grant	46	45
General Capital Grant	15,237	12,747
Heritage Lottery Fund	1,308	617
Scottish Timber Transport Strategy	1,637	345
Scottish Government	38	986
Strathclyde Partnership for Transport (SPT)	33	419
SUSTRANS	515	-
Other Grants	525	890
Other Government Capital Grants	-	1,194
Total	211,651	209,656
Credited to Services		
Scottish Government Specific Grants	4,208	3,107
Scottish Government Specific Grants - Scotland's Schools for the Future	3,735	-
General Capital Grant - Private Sector Housing Improvement Grants	942	1,000
General Capital Grant - Economic Development	-	744
Housing Benefit Subsidy	22,498	22,468
Other Revenue Government Grants	1,287	2,782
Total	32,670	30,101

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 74.

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 2018-19 is shown in the Remuneration Report on page 31.

During the year there was one organisation in which members had a significant interest and where the total of transactions exceeded £10,000.

Transactions in which Members have a significant interest	Expenditure £'000
Bookfan Ltd - Trading as Southpeak	73

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	4,502
<i>Of these, transactions with the following exceeded £10,000:</i>	
Oban and Lorn Community Enterprise - Atlantis Leisure	467
Fyne Homes Ltd	48
Argyll Community Housing Association (ACHA)	1,164
LINK Group Ltd	96
Kintyre Alcohol and Drugs Advisory Service (KADAS)	11
West Highland Housing Association Ltd	168
Argyll and the Isles Tourism Ltd	40
Islay and Jura Community Enterprise	117
South Kintyre Development Trust	15
Mid Argyll Community Enterprise	88
Scotland Excel	91
Fyne Futures	135
Convention of Scottish Local Authorities (COSLA)	69
Argyll and Bute Citizens Advice Bureau	41
Bute Advice	118
Kintyre Recycling	211
Oban Addiction Support and Information Services (OASIS)	19
SEEMIS	236
Mull & Iona Community Trust (MICT)	491
Argyll and the Isles Coast & Countryside Trust	14
HELP	149
Carr Gomm	339
Argyll & Bute Women's Aid	121
Argyll & Bute Care & Repair	231
Total	4,479

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 2018-19	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2018-19 £'000
Cost or Valuation							
At 1 April 2018	342,439	36,046	277,944	2,333	1,160	66,852	726,774
Additions	5,672	2,279	11,410	30	10	12,647	32,048
Additions financed under a new leasing arrangement	2,068	-	-	-	-	2,851	4,919
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7,439)	-	-	-	361	-	(7,078)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,150)	(217)	(8)	-	(86)	(53)	(8,514)
Derecognition - Disposals	-	(477)	-	-	(92)	-	(569)
Assets reclassified (to)/from Held for Sale	(1,019)	-	-	-	1,387	-	368
Other movements in cost or valuation	48,241	1,431	7,791	-	-	(57,935)	(472)
At 31 March 2019	381,812	39,062	297,137	2,363	2,740	24,362	747,476
Depreciation and Impairments							
At 1 April 2018	(20,612)	(27,330)	(75,316)	(9)	(4)	-	(123,271)
Depreciation Charge for 2018-19	(12,642)	(2,562)	(6,917)	-	(9)	-	(22,130)
Depreciation written out to the Revaluation Reserve	13,059	-	-	-	5	-	13,064
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,873)	-	-	-	-	-	(2,873)
Derecognition - Disposals	-	475	-	-	7	-	482
Other movements in depreciation and impairment	148	-	-	-	2	-	150
At 31 March 2019	(22,920)	(29,417)	(82,233)	(9)	1	-	(134,578)
Balance Sheet amount at 31 March 2019	358,892	9,645	214,904	2,354	2,741	24,362	612,898
Balance Sheet amount at 31 March 2018	321,827	8,716	202,628	2,324	1,156	66,852	603,503

Notes to the Financial Statements

Comparative Movements in 2017-18	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2017-18 £'000
Cost or Valuation							
At 1 April 2017	273,916	34,148	269,553	2,280	2,911	24,366	607,174
Additions	4,158	1,429	5,820	53	-	23,866	35,326
Additions financed under a new leasing agreement	23,527	607	-	-	-	32,480	56,614
Revaluation increases/(decreases) recognised in the Revaluation Reserve	38,094	-	-	-	44	-	38,138
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,980)	-	-	-	(169)	-	(8,149)
Derecognition - Disposals	(4)	(486)	-	-	-	-	(490)
Assets reclassified (to)/from Held for Sale	(203)	-	-	-	-	-	(203)
Other movements in cost or valuation	10,931	348	2,571	-	(1,626)	(13,860)	(1,636)
At 31 March 2018	342,439	36,046	277,944	2,333	1,160	66,852	726,774
Depreciation and Impairments							
At 1 April 2017	(23,326)	(24,941)	(68,609)	(9)	(4)	-	(116,889)
Depreciation Charge for 2017-18	(11,611)	(2,863)	(6,707)	-	(43)	-	(21,224)
Depreciation written out to the Revaluation Reserve	13,748	-	-	-	1	-	13,749
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	481	-	-	-	22	-	503
Derecognition - Disposals	-	474	-	-	-	-	474
Other movements in depreciation and impairment	96	-	-	-	20	-	116
At 31 March 2018	(20,612)	(27,330)	(75,316)	(9)	(4)	-	(123,271)
Balance Sheet amount at 31 March 2018	321,827	8,716	202,628	2,324	1,156	66,852	603,503
Balance Sheet amount at 31 March 2017	250,590	9,207	200,944	2,271	2,907	24,366	490,285

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 2019 was £2.741m. 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 2019 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 2019	109,522
31 March 2018	162,281
31 March 2017	23,928
31 March 2016	40,146
31 March 2015	23,015
Total Cost or Valuation	358,892

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 50 years)
- Infrastructure – straight-line allocation over 40 years
- Vehicles, Plant and Equipment - straight-line allocation over the useful life of the asset as determined by a suitably qualified officer (3 to 20 years)
- Vessels – straight line allocation over 25 years

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 2018-19 total spending on capital projects was £41.891m.

	2018-19 £'000	2017-18 £'000
Opening Capital Financing Requirement	306,433	253,483
Capital Investment:		
Property Plant and Equipment:		
Other Land and Buildings	5,672	4,158
Vehicles, Plant, Furniture and Equipment	2,279	1,429
Infrastructure Assets	11,410	5,820
Community Assets	30	53
Surplus Assets	10	-
Assets Under Construction	12,647	23,866
Property Plant and Equipment acquired under Finance Leases:		
Other Land and Buildings - DBFM Schools	2,068	23,527
Assets Under Construction - DBFM Schools	2,851	32,480
Vehicles, Plant, Furniture and Equipment	-	607
Heritage Assets	(8)	133
Intangible Assets	13	238
Total Capital Investment	36,972	92,311
Sources of Finance:		
Capital Receipts	(383)	(5,677)
Government Grants	(19,349)	(17,243)
Capital Financed from Current Revenue	(575)	(4,135)
Repayment of External Loans	(9,211)	(10,361)
Capital Element of Finance Lease Payments	(50)	(34)
Capital Element of Schools NPDO Payments	(3,733)	(2,008)
Capital Receipts transferred to Capital Fund	383	5,677
Capital Receipts Used from Capital Fund	(357)	(5,415)
Other	(117)	(165)
Total Funding	(33,392)	(39,361)
Closing Capital Financing Requirement	310,013	306,433

Notes to the Financial Statements

14.5 Commitments under Capital Contracts

At 31 March 2019, the Council had commitments on capital contracts of £13.860m. 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 2018 were £33.429m. The major commitments are:

	£'000
Rothesay Pavilion	5,746
Dunoon Primary School Refurbishment	3,600
Oban High School Replacement	850
Helensburgh Waterfront Development	572
Oban - Maritime Visitor Facility	530
Kirn Primary School Replacement	300
Campbeltown Flood Protection Scheme	280
Port Askaig Rock Netting	274
St Muns Primary School Rewire	252
Dunoon Queens Hall	246
Campbeltown Grammar School Replacement	197
CHORD - Oban Phase 2	134

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 58.

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

Movements in 2018-19	Art Collections £'000	Heritage Property £'000	Total £'000
Cost or Valuation			
Net Book Value at 1 April 2018	1,316	488	1,804
Additions	-	(8)	(8)
Disposals	-	-	-
Revaluations	284	-	284
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	-	-
At 31 March 2019	1,600	480	2,080

Notes to the Financial Statements

16. INTANGIBLE ASSETS

Intangible assets comprise software licences and carbon reduction commitment allowances purchased in advance. Purchased software licences are shown at cost and this cost is charged to the relevant service lines within the Comprehensive Income and Expenditure Statement over the economic life of the licences, assessed as five years.

The carbon reduction commitment allowances relate to allowances purchased in advance as part of the Carbon Reduction Energy Efficiency Scheme (Phase 2). These allowances will be surrendered in October of each year on the basis of emissions, i.e. carbon dioxide produced as energy is used.

The movement in intangible assets during the year was:

Movements in 2018-19	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
	£'000	£'000	£'000
Cost or Valuation			
At 1 April 2018	224	1,616	1,840
Additions	-	13	13
Disposals	(213)	-	(213)
Revaluations	-	(12)	(12)
Reclassifications	-	465	465
At 31 March 2019	11	2,082	2,093
Depreciation and Impairments			
At 1 April 2018	-	(1,207)	(1,207)
Charge for 2018-19	-	(222)	(222)
Disposals	-	-	-
At 31 March 2019	-	(1,429)	(1,429)
Balance Sheet amount at 31 March 2019	11	653	664
Balance Sheet amount at 31 March 2018	224	409	633

Notes to the Financial Statements

Comparative Movements in 2017-18	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
	£'000	£'000	£'000
Cost or Valuation			
At 1 April 2017	282	1,499	1,781
Additions	172	66	238
Disposals	(230)	-	(230)
Reclassifications	-	51	51
At 31 March 2018	224	1,616	1,840
Depreciation and Impairments			
At 1 April 2017	-	(1,053)	(1,053)
Charge for 2017-18	-	(154)	(154)
Disposals	-	-	-
At 31 March 2018	-	(1,207)	(1,207)
Balance Sheet amount at 31 March 2018	224	409	633
Balance Sheet amount at 31 March 2017	282	446	728

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 2019. Revaluations of investment properties were carried out at 31 March 2019 in house by the Estates Service.

17.1 Movement in Investment Property

The movement in investment property during 2018-19 was:

Movements in 2018-19	Investment Properties £'000
Cost or Valuation	
At 1 April 2018	2,260
Acquisitions	-
Disposals	(28)
Net Gains/Losses from fair value adjustments	(37)
Transfers	(85)
At 31 March 2019	2,110

Notes to the Financial Statements

17.2 Investment Property Income and Expenditure

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2018-19 £'000	2017-18 £'000
Rental income from investment property	115	192
Direct operating expenses arising from investment property	26	(62)
Net gain/(loss)	141	130

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 2019 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 2019.

Movements in 2018-19	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 2018	32,480	23,527	130,682	186,689
Additions at Cost	2,851	2,068	(5)	4,914
Transfers	(35,331)	(4,529)	-	(39,860)
Revaluations	-	-	-	-
At 31 March 2019	-	21,066	130,677	151,743
Depreciation and Impairments				
At 1 April 2018	-	-	(6)	(6)
Charge for 2018-19	-	(1,023)	(2,875)	(3,898)
Revaluations	-	1,021	-	1,021
At 31 March 2019	-	(2)	(2,881)	(2,883)
Balance Sheet amount at 31 March 2019	-	21,064	127,796	148,860
Balance Sheet amount at 31 March 2018	32,480	23,527	130,676	186,683

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 2018-19	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
Balance at 1 April 2018	(56,007)	(72,051)	(128,058)
Additions	(4,919)	-	(4,919)
Repayments	1,616	2,117	3,733
Schools Finance Lease Liability at 31 March 2019	(59,310)	(69,934)	(129,244)
Split:			
Obligations payable within 1 year	(3,343)	(2,268)	(5,611)
Obligations payable after 1 year	(55,967)	(67,666)	(123,633)
Schools Finance Lease Liability at 31 March 2019	(59,310)	(69,934)	(129,244)

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
2019 - 2020	2,268	-	7,117	5,343	14,728
2020 - 2024	11,590	394	26,278	22,322	60,584
2024 - 2029	20,174	2,783	25,144	31,722	79,823
2029 - 2034	31,660	3,515	13,008	36,744	84,927
2034 - 2035	4,241	274	599	3,713	8,827
Total	69,933	6,966	72,146	99,844	248,889

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 £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2019 - 2020	3,343	2,619	(933)	5,029
2020 - 2025	10,048	11,610	3,878	25,536
2025 - 2030	10,462	9,659	6,140	26,261
2030 - 2035	12,085	6,790	8,208	27,083
2035 - 2040	15,211	2,465	10,335	28,011
2040 - 2043	8,162	1,227	7,116	16,505
Total	59,311	34,370	34,744	128,425

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 2018-19 were as follows:

	2018-19 £'000	2017-18 £'000
Land and Buildings	277	229
Vehicles	627	*662
Plant and Equipment	168	168
Total	1,072	1,059

*Please note that the vehicles figure for 2017-18 has been adjusted to include vehicles on contract hire for 365 days or longer.

19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2019 to making payments of £2.338m under operating leases comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Due within 1 year	174	337
Due between 1 and 5 years	476	344
Due after 5 years	1,007	-
Value at 31 March 2019	1,657	681

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 2018-19 was as follows:

	2018-19 £'000	2017-18 £'000
Plant and Equipment	63	34
Total	63	34

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 2018-19	Vehicles, Plant and Equipment £'000
Value at 1 April 2018	580
Additions	-
Depreciation	(51)
Value at 31 March 2019	529

20.3 Finance Lease Liability

The Council was committed at 31 March 2019 to making payments of £0.523m under finance leases comprising the following elements:

Movements in 2018-19	£'000
Balance at 1 April 2018	(573)
Additions	-
Repayments	50
Finance Lease Liability at 31 March 2019	(523)
Split:	
Obligations payable within 1 year	(63)
Obligations payable between 1 and 5 years	(251)
Obligations payable after 5 years	(343)
Finance Lease Obligations at 31 March 2019	(657)
Less Interest element of lease	134
Finance Lease Liability at 31 March 2019	(523)

Notes to the Financial Statements

21. LONG TERM DEBTORS

	31st March 2019 £'000	31st March 2018 £'000
House Loans	15	18
Waste PPP Historic Contamination Fund	750	750
Charging Orders - Care Home Fees	1,216	1,214
Strategic Housing Fund Loans to Registered Social Landlords	3,730	3,854
Other Long Term Debtors	100	100
Total Long Term Debtors	5,811	5,936

22. DEBTORS

	31 March 2019		31 March 2018	
	£'000	£'000	£'000	£'000
Arrears of Local Taxation	16,477		15,699	
Council Tax				
Less: Provision for Bad Debts	(13,980)		(12,980)	
		2,497		2,719
Housing Benefits Overpayments	1,130		1,063	
Less: Provision for Bad Debts	(976)		(883)	
		154		180
Debtor Accounts	2,724		3,001	
Less: Provision for Bad Debts	(863)		(684)	
		1,861		2,317
Net Debtor to Scottish Government for Non Domestic Rates		1,233		2,152
VAT Recoverable from HMRC		3,326		3,657
Strategic Housing Fund Loans due within 1 Year		479		570
Other Debtors		8,057		9,091
Total Debtors		17,607		20,686

Notes to the Financial Statements

23. ASSETS HELD FOR SALE

The movement in assets held for sale during 2018-19 was:

Movements	2018-19 £'000	2017-18 £'000
Balance outstanding at start of year	3,061	691
Assets newly classified as "Held for Sale" (Property, Plant and Equipment)	923	2,624
Revaluation losses	(261)	-
Revaluation gains	-	46
Impairment losses	-	-
Assets declassified as "Held for Sale" (Property, Plant and Equipment)	(1,355)	-
Assets Sold	(46)	(300)
Balance outstanding at year-end	2,322	3,061

24. CASH AND CASH EQUIVALENTS

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

	31 March 2019 £'000	31 March 2018 £'000
Cash held by the Authority	24	49
Cash in transit	(26)	269
Short term deposits with banks	1,043	914
Short term deposits in Money Market Funds	16,500	14,000
Bank Current Accounts (Overdraft)	(3,710)	(4,806)
Total Cash and Cash Equivalents	13,831	10,426

25. CREDITORS

	31 March 2019 £'000	31 March 2018 £'000
Accrued Payrolls and Superannuation	6,948	6,279
Accrued Employer's National Insurance Contributions and PAYE	3,379	2,899
Accrual for Short Term Accumulating Absences	6,112	4,036
Creditors System Liability	1,380	2,806
Accrued Expenditure	7,337	5,365
Other Creditors	9,259	10,949
Total Creditors	34,415	32,334

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS DISCLOSURES

26.1 Types of Financial Instruments

Accounting regulations require the “Financial Instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “Financial Instruments”:

	31 March 2019		31 March 2018	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000
Investments and Lending				
Loans and Receivables	6,303	88,938	6,428	86,114
Borrowing				
Financial Liabilities at amortised cost	290,927	59,953	297,433	45,188

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 2019 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2019		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and Receivables	95,241	95,473	92,542	92,648
Borrowing				
Financial Liabilities	350,880	431,554	342,621	420,465

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 2019 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2019 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks and Money Market Funds	17,543	-	-

The information in respect of the Council's debtors can be found in note 21 and 22 on page 89. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 22 represents the Council's assessment of the likely recoverability of the debt outstanding.

The credit risk around unprovided for debt is considered to be low. Debtors relate to the normal business of the Council and credit is issued on the Council's standard credit terms. There are no significant amounts past due but not impaired where recoverability is considered to be an issue.

26.6 Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under Financial Instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

Notes to the Financial Statements

The maturity analysis of financial liabilities is as follows:

	31 March 2019 £'000	31 March 2018 £'000
Maturity analysis of financial liabilities		
Less than one year	59,944	45,188
Between one and two years	8,432	10,757
Between two and five years	24,571	24,345
More than five years	257,933	262,331
	350,880	342,621

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 2019, with all other variables held constant:

	31 March 2019 £'000
Impact on tax-payer	
Increase on interest payable on variable rate borrowings	81
Increase in interest receivable on variable rate lending	-
Increases in government grant receivable for "loan charges"	-
Net effect on Statement of Comprehensive Income & Expenditure	81

Notes to the Financial Statements

	31 March 2019 £'000
Other accounting presentational changes	
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	49,883

The impact of a 1% fall in the interest rates would be as above but with the changes being reversed.

26.8 Price Risk

The Council has no investment classified as "available-for-sale".

26.9 Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

26.10 Short-Term Deposits

The short-term deposits arise as a result of the timing of expenditure and associated income and movements in fund and revenue balances. The Council adopts a proactive but prudent approach to its Treasury Management operations, which are governed by the fully revised edition of CIPFA's Code of Practice on Treasury Management.

	31 March 2019 £'000	31 March 2018 £'000
Banks and Money Market Funds	17,543	14,914

26.11 Soft Loans

The Council has one material soft loan totalling £0.015m, which was outstanding at 31 March 2019, 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 2019 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 108 to 109.

	31 March 2019 £'000	31 March 2018 £'000
Common Good	124	117
Trust Funds	777	738

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 £130.517m as at 31 March 2019 and comprise the following:

Movements in 2018-19	Opening Balance 1 April 2018 £'000	Movement in Year £'000	Closing Balance 31 March 2019 £'000
Finance Lease Liability (See note 20.3)	(573)	50	(523)
Schools Finance Lease Liability (See note 18.2)	(128,058)	(1,186)	(129,244)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(129,381)	(1,136)	(130,517)
Split:			
Short Term Liabilities (due within 1 year)			(5,652)
Long Term Liabilities (due after 1 year)			(124,865)
Total Other Liabilities			(130,517)

28. PROVISIONS

	Opening Balance 1 April 2018 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2019 £'000
VAT Misdeclaration Provision	(72)	-	-	72	-
Equal Pay Claims	(153)	-	29	-	(124)
Income due to Registered Social Landlords	(138)	-	41	-	(97)
Reorganisation Redundancy Costs	(69)	-	11	-	(58)
Service Choices Redundancy Costs	(222)	(1,165)	222	-	(1,165)
Landfill Sites - Restoration and Aftercare Costs	(1,162)	(42)	-	-	(1,204)
Utilities Provision	(370)	-	-	96	(274)
NPDO and Hub DBFM Payments	(927)	(153)	58	5	(1,017)
Total Provisions	(3,113)	(1,360)	361	173	(3,939)
Split:					
Short Term Provisions (due within 1 year)					(2,638)
Long Term Provisions (due after 1 year)					(1,301)
Total Other Liabilities					(3,939)

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 2018-19 amounted to £2.085m; this amount is to be paid

Notes to the Financial Statements

to registered social landlords to invest in social housing. A provision for cash not yet collected has been created amounting to £0.97m.

In line with expectations, liabilities have arisen in respect of employees who will be made redundant as a result of operational restructuring and Service Choices. The Council has significant budget savings to make over the next 5 years and there has been a complete service provision review, Service Choices. As a result of Service Choices and other savings agreed as part of the budget process for 2018-19, a number of posts will be removed resulting in increased redundancy costs. In line with normal practice, the Council invited all employees to express an interest in voluntary redundancy and a number of employees have subsequently either taken or have been offered a redundancy package. For the employees who have confirmed acceptance of redundancy but have not left or are leaving after 31 March 2019, a provision of £1.165m has been created during 2018-19. For further information refer to note 35 - Termination Benefits on page 108.

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 2019 and the provision for restoration and aftercare increased to £1.204m. 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, £0.096m has been reversed during 2018-19 resulting in a total provision of £0.274m.

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 2018 £'000	Capital Grants Received £'000	Amounts Used £'000	Closing Balance 31 March 2019 £'000
Ministry of Defence LIBOR Funding - Helensburgh & Lomond	(5,000)	-	-	(5,000)
Grant in Aid - Gaelic School Capital Fund	(21)	-	14	(7)
Total Other Liabilities	(5,021)	-	14	(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)

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 2019. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2019. The amounts are as follows:

- Local Government Pension Scheme – £1.891m
- Teachers' Scheme – £0.761m

30.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2017. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2019 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:

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	2018-19 £'000	2017-18 £'000
Comprehensive Income and Expenditure Statement:		
Cost of Services:		
<i>Service cost comprising:</i>		
Current Service Cost	25,710	24,125
Past Service Cost (Including Curtailments)	600	492
Net Cost of Services	26,310	24,617
Net Interest Expense	1,676	4,033
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	27,986	28,650
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on Assets (excluding amounts included in net interest)	(21,639)	(17,302)
Other Experience (see note (i) below)	1,107	(57,368)
Change in Financial and Demographic Assumptions	57,271	(33,441)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	64,725	(79,461)
Statement of Movement in Reserves:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(13,072)	(14,776)
Actual Amount charged against the General Fund Balance for pensions in the year:		
Employer's Contributions Payable to the Scheme	14,914	13,874

- (i) *A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular cost method. (ASOP No. 4)*

30.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

	2018-19 £'000	2017-18 £'000
Defined Benefit Obligation at 1 April	724,207	786,341
Current Service Cost	25,710	24,125
Past Service Costs including Curtailments	600	492
Interest Cost	19,695	20,550
Contributions by Scheme Participants	3,865	3,802
Re-measurement Gains and (Losses)	58,378	(90,809)
Estimated Benefits Paid	(19,603)	(20,294)
Defined Benefit Obligation at 31 March	812,852	724,207

Notes to the Financial Statements

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

	2018-19 £'000	2017-18 £'000
Fair Value of Employer Assets at 1 April	667,765	636,564
Re-measurement Gains and (Losses):		
Expected Rate of Return on Pension Fund Assets	21,639	17,302
Actuarial Gains and Losses	-	-
Interest Income on Plan Assets	18,019	16,517
Employers Contributions	14,914	13,874
Contributions by Scheme Participants	3,865	3,802
Estimated Benefits Paid	(19,603)	(20,294)
Fair Value of Employer Assets at 31 March	706,599	667,765

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

30.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

	2018-19 £'000	2017-18 £'000
Local Government Pension Scheme		
Present Value of Funded Liabilities	(783,064)	(695,392)
Present Value of Unfunded Liabilities	(29,788)	(28,815)
Fair Value of Employer Assets	706,599	667,765
(Deficit) in the Scheme	(106,253)	(56,442)

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 2019 comprised:

	2018-19 £'000	2017-18 £'000
Cash and Cash Equivalents	71,431	67,506
Equity Instruments (by industry type)		
Consumer	45,378	42,884
Manufacturing	36,774	34,752
Energy and Utilities	9,446	8,927
Financial Institutions	30,461	28,787
Health and Care	18,073	17,080
Information Technology	23,292	22,012
Other	-	-
Sub-total Equity Instruments	163,424	154,442
Bonds (by sector)		
Corporate	22,170	20,952
Government	-	-
Sub-total Bonds	22,170	20,952
Real Estate		
UK Property	63,976	60,460
Overseas Property	-	-
Sub-total Real Estate	63,976	60,460
Private Equity (All)	84,435	79,795
Investment Funds and Unit Trusts		
Equities	218,078	206,093
Bonds	81,808	77,312
Commodities	354	335
Infrastructure	-	-
Other	906	856
Sub-total Investment Funds and Unit Trusts	301,146	284,596
Derivatives		
Forward Foreign Exchange Contracts	-	-
Other	15	14
Sub-total Derivatives	15	14
Total Assets	706,597	667,765

Notes to the Financial Statements

Fair Value of Pension Fund Assets	2018-19 £'000	2017-18 £'000
Equity Securities		
Quoted in an Active Market	162,997	154,038
Not Quoted in an Active Market	427	404
Sub-total Equity Securities	163,424	154,442

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:

Mortality assumptions	2018-19 Years	2017-18 Years
Longevity at 65 for current pensioners:		
Men	21.4	21.4
Women	23.7	23.7
Longevity at 65 for future pensioners:		
Men	23.4	23.4
Women	25.8	25.8
Financial Assumptions	2018-19 %	2017-18 %
Rate of Inflation (CPI)	2.5%	2.4%
Rate of Increase in Salaries	3.7%	3.6%
Rate of Increase in Pensions (CPI)	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%
Long-term Expected Rate of Return on Assets in the Fund	2018-19 %	2017-18 %
Equity Investments	2.4%	2.7%
Bonds	2.4%	2.7%
Property	2.4%	2.7%
Cash	2.4%	2.7%

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 2019-2020.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £12.499m. This is based on an assumed pensionable payroll of £64.760m.

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 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 paying contributions at progressively higher marginal rates based on pensionable pay, as specified by the regulations.

Employers currently pay a contribution rate of 17.2% - about two thirds of the cost of an individual's pension. With effect from 1 September 2019 the employer contribution rate will increase to 23%.

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.

The employer contribution rate from 1 September 2015 was 17.2% of pensionable pay. While the employee rate applied is variable it provides an actuarial yield of 9.6% of pensionable pay.

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 17.2% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2019, the council's own contributions equate to 1.49%

	2018-19	2017-18
Amount Paid Over (£'000)	6,130	5,841
Rate of Contribution (%)	17.20%	17.20%
Amount of Added Years Awarded by the Council (£'000)	528	528

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £8.122m.

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 2018-19				
	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	311	-	7	320
Community Services:					
Executive Director of Community Services	-	-	-	-	-
Community and Culture	-	-	-	-	-
Education	14,975	2,138	-	(5,555)	11,558
Customer Services					
Executive Director of Customer Services	3,178	120	(3,733)	2,328	1,893
Customer and Support Services	1,605	940	-	193	2,738
Facility Services	3,839	993	-	3,935	8,767
Governance and Law	3	258	-	(52)	209
Improvement and HR	-	341	-	(6)	335
Development and Infrastructure Services					
Executive Director of Development & Infrastructure Services	-	26	-	(42)	(16)
Economic Development	449	324	-	(57)	716
Planning, Regulatory and Housing Services	51	816	-	(90)	777
Roads and Amenity Services	8,792	1,872	-	1,403	12,067
Social Work	1,234	3,288	-	(50)	4,472
Other Non-Departmental Costs	4	1,032	-	63	1,099
Net Cost of Services	34,132	12,459	(3,733)	2,077	44,935
Other Income and Expenditure	(29,251)	613	-	(587)	(29,225)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit	4,881	13,072	(3,733)	1,490	15,710

(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.
- The Code requirements for 2018-19 now prohibit the inclusion of internal income and expenditure between segments within the Comprehensive Income and Expenditure Statement. Internal income has now been removed from the Comprehensive Income and Expenditure Statement for 2018-19 and 2017-18 comparatives have also been restated.

Notes to the Financial Statements

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts (Comparative Year)	Adjustments between Funding and Accounting Basis 2017-18				
	Adjustments for Capital Purposes Note (i)	Net change for Pension Adjustments Note (ii)	Capital element of Schools NPDO payment Note (iii)	Other Adjustments Note (iv)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000
Chief Executive and Strategic Finance	2	314	-	4	320
Community Services:					
Executive Director of Community Services	-	43	-	5	48
Community and Culture	1,709	288	-	(56)	1,941
Education	13,160	1,904	-	(4,743)	10,321
Customer Services					
Executive Director of Customer Services	1,935	90	(2,007)	(28)	(10)
Customer and Support Services	907	934	-	156	1,997
Facility Services	1,086	946	-	3,479	5,511
Governance and Law	-	253	-	(116)	137
Improvement and HR	-	344	-	(21)	323
Development and Infrastructure Services					
Executive Director of Development & Infrastructure Services	-	145	-	80	225
Economic Development	426	340	-	(345)	421
Planning and Regulatory Services	39	792	-	(86)	745
Roads and Amenity Services	9,036	1,790	-	1,952	12,778
Social Work	770	3,230	-	(488)	3,512
Other Non-Departmental Costs	-	463	-	(70)	393
Net Cost of Services	29,070	11,876	(2,007)	(277)	38,662
Other Income and Expenditure from the Expenditure and Funding Analysis	(28,306)	2,900	-	(993)	(26,399)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit	764	14,776	(2,007)	(1,270)	12,263

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 48 to 49.

32.1 Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

32.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

32.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

32.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

Notes to the Financial Statements

32.5 Accumulated Absences Account

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

33. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Statement of Movement in Reserves on pages 48 to 49.

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 2018-19	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2018	2,802	1,524	4,326
Proceeds of Disposals	11	372	383
Transfer to Capital Adjustment Account	-	(382)	(382)
Contribution to Capital Fund From Revenue	-	-	-
Interest Earned	16	10	26
Balance at 31 March 2019	2,829	1,524	4,353

33.2 Repairs and Renewals Fund

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

Movements in 2018-19	Balance at 1 April 2018 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2019 £'000
Education	1,515	581	8	(407)	1,696
Total	1,515	581	8	(407)	1,696

Notes to the Financial Statements

34. CONTINGENT LIABILITIES

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.

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.

There are other legal challenges which are on-going and may result in future liabilities.

35. TERMINATION BENEFITS

A number of savings options as a result of service reviews and other savings 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 as part of the programme of service reviews 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 2018-19 is £1.490m for 28 employees and in 2017-18 was £1.047m for 28 employees. These costs are detailed further in the Remuneration Report on page 41.

Therefore termination costs for all Council employees who have accepted redundancy by 31 March 2019 have been accounted for in 2018-19, 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 service review and other savings agreed by the Council. There are likely to be further redundancy costs incurred as the Council is required to make further savings to balance the budget in future years.

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	Expenditure	Net Assets	Reserves
	£'000	£'000	£'000	£'000
Argyll Education Trust	16	5	535	535
GM Duncan Trust	1	3	76	76
MacDougall Trust	29	-	845	845
Various Other Trust Funds	3	1	490	490
Total Trust Funds	49	9	1,946	1,946

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.

Notes to the Financial Statements

Further information on the Trust Funds, administered by the Council, can be obtained from Strategic Finance within the Chief Executive's Unit.

A number of the trust funds administered by the Council are charitable trusts and as such are required to comply with current Office of the Scottish Charities Regulator (OSCR) financial reporting requirements. Arrangements have been put in place to ensure that all charities administered by the Council comply and will continue to comply with these requirements.

37. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2019. 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 Strategic Finance within the Chief Executive's Unit.

37.1 Common Good Income and Expenditure Account for the year ended 31 March 2019

2017-18 Actual £'000		2018-19 Actual £'000
191	Expenditure	203
(128)	Income	(277)
63	(Surplus)/Deficit for the Year	(74)

37.2 Common Good Balance Sheet at 31 March 2019

2017-18 Actual £'000		2018-19 Actual £'000
3,751	Tangible Fixed Assets	5,145
2,345	Investments	2,531
217	Current Assets	260
(5)	Current Liabilities	(37)
6,308	Total Assets less Liabilities	7,899
3,755	Revaluation Reserve	5,149
2,553	Common Good Fund	2,750
6,308	Total Net Worth	7,899

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 2019, to be funded from borrowing, in respect of TIF assets totalled £0.010m. This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 14.4 on page 80. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2019, has been calculated in accordance with finance circular No. 4/2014 at £1.155m.

There is a retention of £0.251m of TIF income during 2018-19 to repay the notional borrowing for TIF. Principal sums accumulated by 2018-19 amount to £0.094m and cumulative interest £0.087m resulting in a net cumulative surplus of £0.375m which will be used to pay down TIF debt per the TIF agreement.

Notes to the Financial Statements

39. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The Net Cash Flows for Operating Activities can be reconciled to the Net (Surplus)/Deficit on the Provision of Services as follows:

	2018-19 £'000	2017-18 £'000
Net (Surplus)/Deficit on Provision of Services	16,571	15,410
Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:		
Statutory Adjustments through Statement of Movement in Reserves	(15,916)	(12,892)
Transfer to/from Other Statutory Reserves	207	629
Increase/(Decrease) in Inventories	273	10
Increase/(Decrease) in Debtors	276	1,916
(Increase)/Decrease in Creditors and Provisions	(2,640)	(3,943)
Other Revenue Adjustments	(8,078)	(15,324)
	(25,878)	(29,604)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:		
Non Cash Capital	9,583	7,028
Capital Element of Finance Lease Payments	(3,783)	(2,042)
	5,800	4,986
Net Cash Flows from Operating Activities	(3,507)	(9,208)
The cash flows for Operating Activities include the following items:		
Interest Paid on Borrowings	8,233	7,656
Interest Paid on Finance Leases	8,413	7,509
Interest Received on Bank Deposits	(649)	(595)
Net Cash Outflow from Servicing of Finance	15,997	14,570

40. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

	2018-19 £'000	2017-18 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	22,022	29,347
Investments made/(disposed of) during year	2,498	2,502
Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(3,033)	(3,027)
Other Receipts from Investing Activities	(19,261)	(17,384)
Net Cash Outflow from Investing Activities	2,226	11,438

Notes to the Financial Statements

41. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

	2018-19 £'000	2017-18 £'000
Cash Receipts of Short and Long Term Borrowing	(7,673)	(40,145)
Other Receipts from Financing Activities	(919)	1,176
Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	3,783	2,042
Repayments of Short and Long Term Borrowing	2,685	32,160
Other Payments from Financing Activities	-	-
Net Cash (Inflow)/Outflow from Financing Activities	(2,124)	(4,767)

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.

2017-18 Actual £'000		2018-19 Actual £'000
62,131	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	64,148
	Less:	
(13,044)	Other Discounts and Reductions	(13,413)
(1,171)	Provision for Bad and Doubtful Debts	(1,210)
47,916	Total	49,525
164	Adjustment to Previous Years' Community Charge and Council Tax	343
48,080	Transfers to General Fund	49,868

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 2018-19 was as follows:

Band	Valuation Band	Ratio Band D	£ per year
A	Up to £27,000	6/9	832.67
B	£27,001 - £35,000	7/9	971.44
C	£35,001 - £45,000	8/9	1,110.22
D	£45,001 - £58,000	9/9	1,249.00
E	£58,001 - £80,000	473/360	1,641.05
F	£80,001 - £106,000	585/360	2,029.63
G	£106,001 - £212,000	705/360	2,445.96
H	Over £212,000	882/360	3,060.05

2. CALCULATION OF THE COUNCIL TAX BASE 2018-19

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,625	10,000	9,452	6,069	7,465	4,188	2,840	245	47,884
Less - Exemptions / Deductions	1,065	751	999	503	577	245	162	48	4,350
- Adjustment for Single Chargepayers	866	1,029	754	433	436	214	109	7	3,846
Effective Number of Properties	5,694	8,221	7,700	5,133	6,453	3,729	2,569	190	39,688
Band D Equivalent Factor (ratio)	67%	78%	89%	100%	131%	163%	196%	245%	
Band D Equivalent Number of Properties	3,796	6,393	6,844	5,133	8,477	6,059	5,031	464	42,197
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									522
Nominal Tax Yield									42,719
Less Provision for Non-Collection - 2.90%									1,239
Council Tax Base 2018-19 - Number of Band D equivalents									41,480

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.

2017-18 Actual £'000		2018-19 Actual £'000
52,838	Gross rates levied and Contributions in Lieu	54,516
	Less:	
(14,248)	Reliefs and other deductions	(15,742)
-	Payment of Interest	-
(386)	Provision for Bad and Doubtful Debts	(388)
38,204	Total Net Non-Domestic Rate Income	38,386
(2,026)	Adjustments for prior years	(2,570)
(39)	Business Rate Incentivisation Scheme (BRIS) NDR Income Retained	-
(223)	Tax Incremental Finance (TIF) Scheme NDR Income Retained	(251)
35,916	Contribution to National Non-Domestic Rate Pool	35,565
(6,301)	Difference between Distributable and Contributable NDR Income amounts	(2,530)
29,615	Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement	33,035

Notes to the Non Domestic Rate Income Account

1. ANALYSIS OF RATEABLE VALUES

	2018-19 £	2017-18 £
Industrial and freight transport subjects	8,890,440	8,723,960
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	75,057,432	75,167,172
Commercial subjects:		
Shops	14,115,815	14,247,025
Offices	5,923,670	5,924,725
Hotels, Boarding Houses etc.	9,083,300	8,479,050
Others	1,996,030	1,996,230
Total Rateable Value	115,066,687	114,538,162

2. NON-DOMESTIC RATE CHARGE

	2018-19 Pence	2017-18 Pence
Rate Per Pound	48.0p	46.6p
Supplementary Rate Per Pound for Properties over £51,000	2.6p	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 2018-19: 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 48 to 49.
- **Group Balance Sheet:** The Balance Sheet is a snapshot of the value at the 31 March 2019 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 48 to 49 gives a more detailed analysis of the movement in the Council’s usable and unusable reserves during 2018-19.

Group Statement of Comprehensive Income and Expenditure

2017-18			Service	2018-19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,886	157	2,729	Chief Executive and Strategic Finance	3,197	502	2,695
97,213	6,149	91,064	Community Services	97,014	6,361	90,653
68,094	30,750	37,344	Customer Services	77,935	31,906	46,029
72,673	24,668	48,005	Development and Infrastructure Services	77,435	30,506	46,929
137,136	76,045	61,091	Health and Social Care Integration	142,074	78,258	63,816
9,308	535	8,773	Other Non-Departmental Costs	10,523	1,007	9,516
5,637	6,849	(1,212)	Associates and Joint Ventures Accounted for on an Equity Basis	8,269	8,604	(335)
392,947	145,153	247,794	Net Cost of Services	416,447	157,144	259,303
			Other Operating Income and Expenditure:			
		3,544	Net (Gain)/loss on Disposal of Fixed Assets			(222)
		1,430	Other Operating Income and Expenditure			1,256
		4,974	Total Other Operating Income and Expenditure			1,034
			Financing and Investment Income and Expenditure:			
		15,893	Interest Payable and Similar charges			16,452
		(970)	Interest and Investment Income			(1,269)
		4,503	Net Pension Interest Expense			2,857
		19,426	Total Financing and Investment Income and Expenditure			18,040
			Taxation and Non-Specific Grant Income:			
		(162,798)	General Government Grants			(159,277)
		(17,243)	Government Capital Grants and Other Capital Contributions			(19,339)
		(29,877)	Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS)			(33,286)
		(48,080)	Council Tax Income			(49,868)
		(257,998)	Total Taxation and Non-Specific Grant Income			(261,770)
		14,196	(Surplus)/Deficit on Provision of Services			16,607
		(52,880)	(Surplus)/Deficit on revaluation of Fixed Assets			(7,865)
		(107,848)	Other Post Employment Benefits (Pensions)			37,477
		(2,825)	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			820
		(163,553)	Other Comprehensive Income and Expenditure			30,432
		(149,357)	Total Comprehensive Income and Expenditure			47,039

Group Balance Sheet



31 March 2018			31 March 2019	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment		
321,827		- Other Land and Buildings	358,892	
8,716		- Vehicles, Plant, Furniture and Equipment	9,645	
202,628		- Infrastructure Assets	214,904	
6,075		- Community Assets	7,499	
1,156		- Surplus Assets	2,741	
66,852		- Assets Under Construction	24,362	
	607,254	Total Property Plant & Equipment		618,043
	1,804	Heritage Assets		2,080
	633	Intangible Assets		664
	2,260	Investment Property		2,110
	5,936	Long-Term Debtors		5,811
	2,838	Long-Term Investments		3,023
	5,330	Investment in Associates and Joint Ventures		5,478
	626,055	Total Long Term Assets		637,209
		Current Assets		
539		Inventories	828	
20,815		Short Term Debtors (Net of Impairment)	17,774	
3,061		Assets Held for Sale	2,322	
55,002		Short Term Investments	57,500	
11,076		Cash and Cash Equivalents	14,647	
	90,493	Total Current Assets		93,071
		Current Liabilities		
(8,360)		Short-term Borrowing	(19,619)	
(32,811)		Short-term Creditors	(34,973)	
(21)		Capital Grant Receipts in Advance	(7)	
(1,813)		Provisions	(2,638)	
(4,420)		Other Short Term Liabilities	(5,652)	
	(47,425)	Total Current Liabilities		(62,889)
		Long-term Liabilities		
(172,429)		Borrowing Repayable within a Period in Excess of 12 Months	(166,071)	
(124,961)		Other Long-term liabilities	(124,865)	
(1,300)		Provisions	(1,301)	
(5,000)		Capital Grant Receipts in Advance	(5,000)	
(56,848)		Other Long-term liabilities (Pensions)	(107,975)	
(1,111)		Liabilities in Associates and Joint Ventures	(1,744)	
	(361,649)	Total Long-term Liabilities		(406,956)
	307,474	Total Assets less Liabilities		260,435

Group Balance Sheet



31 March 2018			31 March 2019	
£'000	£'000		£'000	£'000
108,820		Unusable Reserves		
196,126		- Revaluation Reserve	115,150	
(3,506)		- Capital Adjustment Account	195,045	
(56,848)		- Financial Instruments Adjustment Account	(3,176)	
(4,036)		- Pensions Reserve	(107,975)	
		- Accumulated Absences Account	(6,112)	
	240,556			192,932
		Usable Reserves		
4,326		- Capital Funds	4,352	
1,515		- Repairs and Renewals Funds	1,696	
50,342		- General Fund Balance	49,480	
	56,183			55,528
	4,427	Group Reserves		4,075
	6,308	Common Good Reserves		7,900
	307,474	Total Reserves		260,435

The Unaudited Annual Accounts were issued on 27 June 2019.

Kirsty Flanagan

Kirsty Flanagan
Head of Strategic Finance
27 June 2019

Group Statement of Movement in Reserves



Movements in 2018-19	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2018	(50,342)	(1,515)	(4,326)	(56,183)	(240,962)	(297,145)	(4,219)	(208)	406	(6,308)	(307,474)
(Surplus)/Deficit on Provision of Services	16,571	-	-	16,571	-	16,571	(335)	444	-	(74)	16,606
Other Comprehensive Income and Expenditure	-	-	-	-	30,392	30,392	820	738	-	(1,518)	30,432
Total Comprehensive Income and Expenditure	16,571	-	-	16,571	30,392	46,963	485	1,182	-	(1,592)	47,038
Total Statutory Adjustments (See Page 48 to 49)	(15,916)	-	(383)	(16,299)	16,299	-		(1,315)	1,316	-	1
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	655	-	(383)	272	46,691	46,963	485	(133)	1,316	(1,592)	47,039
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	207	(181)	357	383	(383)	-	-	-	-	-	-
(Increase)/Decrease in Year	862	(181)	(26)	655	46,308	46,963	485	(133)	1,316	(1,592)	47,039
Balance at 31 March 2019 Carried Forward	(49,480)	(1,696)	(4,352)	(55,528)	(194,654)	(250,182)	(3,734)	(341)	1,722	(7,900)	(260,435)

Group Statement of Movement in Reserves

Comparative Movements in 2017-18	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2017	(53,489)	(896)	(4,064)	(58,449)	(93,115)	(151,564)	(183)	-	-	(6,371)	(158,118)
Surplus/(Deficit) on Provision of Services	15,410	-	-	15,410	-	15,410	(1,211)	(65)	-	63	14,197
Other Comprehensive Expenditure and Income	-	-	-	-	(160,991)	(160,991)	(2,825)	-	-	-	(163,816)
Total Comprehensive Expenditure and Income	15,410	-	-	15,410	(160,991)	(145,581)	(4,036)	(65)	-	63	(149,619)
Total Statutory Adjustments (See Page 50 to 51)	(12,892)	-	(5,677)	(18,569)	18,569	-	-	(143)	406	-	263
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	2,518	-	(5,677)	(3,159)	(142,422)	(145,581)	(4,036)	(208)	406	63	(149,356)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	629	(619)	5,415	5,425	(5,425)	-	-	-	-	-	-
(Increase)/Decrease in Year	3,147	(619)	(262)	2,266	(147,847)	(145,581)	(4,036)	(208)	406	63	(149,356)
Balance at 31 March 2018 Carried Forward	(50,342)	(1,515)	(4,326)	(56,183)	(240,962)	(297,145)	(4,219)	(208)	406	(6,308)	(307,474)

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 53 to 66.

- 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 2019.

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 £0.067m towards Scotland Excel in the 2018-19 financial year.

The Council also has an interest in the Highlands and Islands Transport Partnership (HITRANS). The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport (Scotland) Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic well-being; promote safety; social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other partnerships.

These entities are part of the Council's group for the purposes of Group Accounts. As such it is recognised that the nature of the relationship with these bodies should be included within these notes. However, it has been decided that the Council's share of the net worth of these entities is not material to a fair understanding of the financial position of the Council, and so they have not been consolidated into the Group Accounts.

Notes to the Group Financial Statements

4. ARGYLL AND BUTE INTEGRATION JOINT BOARD

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between the Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working)(Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the Strategic Planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. The Council contributed £59.344m towards the Argyll and Bute Integration Joint Board in the 2018-19 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 £10.253m. This gives an overall net asset position for the Group of £260.435m.

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 £0.582m or 1.62% of the Board's estimated net running costs during 2018-19 and accounted for £5.425m 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 2018-19 the Council contributed £0.169m or 4.14% of the net annual running costs and accounted for £0.053m 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 2018-19 Argyll and Bute Council paid £3.557m in the form of a Management Fee to Live Argyll and accounted for £1.381m 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 2018-19 Argyll and Bute Council contributed £1.281m towards estimated running costs and accounted for £1.744m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

The following disclosures are also required for Dunbartonshire and Argyll and Bute Valuation Joint Board because the Council's interest exceeds the 25% threshold for accounting purposes:-

	2018-19 £'m	2017-18 £'m
Argyll and Bute Council has a 48.1% share of:		
Gross Income	2.686	2.704
Net (Surplus)/Deficit	0.358	0.549
Long Term Assets	0.635	0.642
Current Assets	0.682	0.684
Liabilities due within one year	(0.121)	(0.121)
Liabilities due over one year	-	-
Pension Liability	(4.821)	(3.515)
Capital and Revenue Reserves	(3.625)	(2.310)

8. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 44 to 45) 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 page 109 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £7.900m.

9. GROUP CASH FLOW STATEMENT

The impact of the incorporation of the associates has no effect upon the Cash Flow statement for the Council on page 52. The Common Good transactions would have an impact, however, the impact is not considered material. The net change in cash within Live Argyll amounted to £128,601 and this is the only item that appears on Live Argyll's cash flow statement. A decision has been taken that this one amendment to the Council's single entity Cash Flow statement on page 52 does not merit the preparation of a Group Cash Flow Statement.

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.

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.

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