

Argyll and Bute Council



Comhairle Earra Ghàidheal agus Bhòid



Unaudited Annual Accounts
for the year ended 31 March 2020

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.

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

Tel: 01546 605522

| | Page |
|--|-------------|
| Management Commentary | 4-19 |
| Statement of Responsibilities for the Annual Accounts | 20 |
| Annual Governance Statement | 21-32 |
| The Remuneration Report | 33-44 |
| Expenditure and Funding Analysis | 45-46 |
| Statement of Comprehensive Income and Expenditure | 47-48 |
| Balance Sheet | 49-50 |
| Statement of Movement in Reserves – Movement in 2019-20 | 51-52 |
| Statement of Movement in Reserves – Comparative Movement in 2018-19 | 53-54 |
| Cash Flow Statement | 55 |
| Notes to the Financial Statements (See Page 2-3) | 56-120 |
| Council Tax Income Account | 121 |
| Notes to the Council Tax Income Account | 122 |
| Non Domestic Rate Income Account | 123 |
| Notes to the Non Domestic Rate Income Account | 124 |
| Group Accounts - Introduction | 125 |
| Group Statement of Comprehensive Income and Expenditure | 126 |
| Group Balance Sheet | 127-128 |
| Group Statement of Movement in Reserves – Movement in 2019-20 | 129 |
| Group Statement of Movement in Reserves – Comparative Movement 2018-19 | 130 |
| Group Cash Flow Statement | 131 |
| Notes to the Group Financial Statements | 132-136 |
| Glossary of Terms | 137-138 |
| Appendix A: Trade Union Facility Time Statement 2019-20 | 139-140 |

| Note No | | Page |
|---------|---|-------|
| 1 | Summary of Significant Accounting Policies | 56-69 |
| 2 | Accounting Standards Issued But Not Yet Adopted | 69 |
| 3 | Critical Judgements in Applying Accounting Policies | 69-70 |
| 4 | Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty | 70-72 |
| 5 | General Fund Reserves | 73 |
| 6 | Supplementary Notes to the Statement of Comprehensive Income and Expenditure | 74-75 |
| 7 | Other Operating Income and Expenditure | 75 |
| 8 | Agency Income | 75 |
| 9 | Community Care and Health (Scotland) Act 2002 | 75 |
| 10 | Fees Payable to Audit Scotland | 76 |
| 11 | Waste Management Public Private Partnership | 76 |
| 12 | Grant Income | 77 |
| 13 | Related Parties | 78-79 |
| 14 | Property, Plant and Equipment | 80-85 |
| 15 | Heritage Assets | 85 |
| 16 | Intangible Assets | 86-87 |
| 17 | Investment Property | 87-88 |
| 18 | Schools Built under Public Private Partnership Contracts (PPP) | 88-91 |
| 19 | Operating Leases | 91 |
| 20 | Finance Leases | 92 |
| 21 | Long Term Debtors | 93 |
| 22 | Debtors | 93 |
| 23 | Assets Held for Sale | 94 |
| 24 | Cash and Cash Equivalents | 94 |
| 25 | Creditors | 95 |
| 26 | Financial Instruments Disclosures | 96-99 |
| 27 | Other Liabilities | 100 |

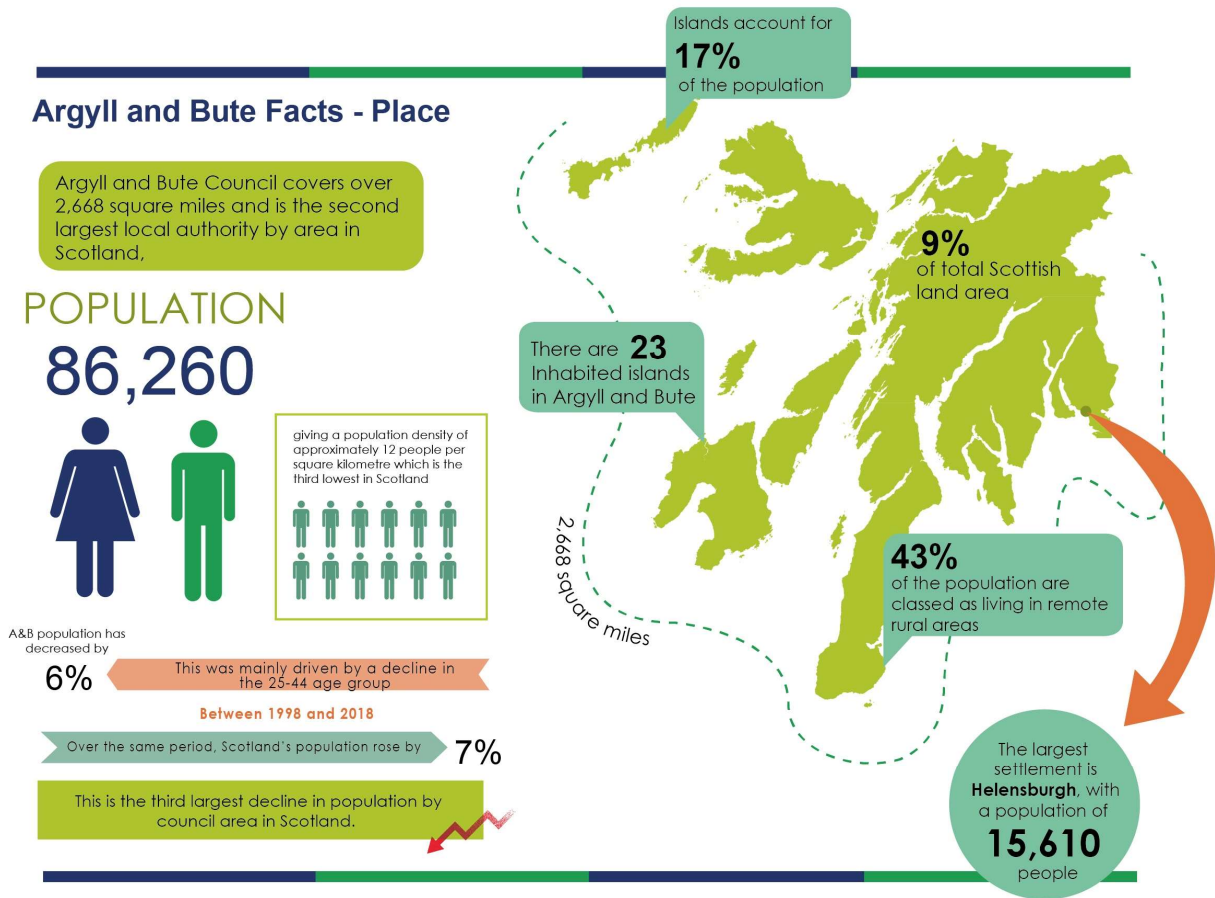
| Note No | | Page |
|----------------|--|-------------|
| 28 | Provisions | 100-101 |
| 29 | Capital Grants Received in Advance | 101-102 |
| 30 | Defined Benefit Pension Schemes | 103-109 |
| 31 | Note to the Expenditure and Funding Analysis | 110-112 |
| 32 | Unusable Reserves | 113-114 |
| 33 | Usable Reserves | 114 |
| 34 | Contingent Liabilities | 115 |
| 35 | Termination Benefits | 115-116 |
| 36 | Trust Funds and Other Third Party Funds | 116 |
| 37 | Common Good Funds | 116-117 |
| 38 | Tax Incremental Financing (TIF) Projects | 118 |
| 39 | Cash Flow Statement – Operating Activities | 119 |
| 40 | Cash Flow Statement – Investing Activities | 119 |
| 41 | Cash Flow Statement – Financing Activities | 120 |

1. INTRODUCTION

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

2. PROFILE OF ARGYLL AND BUTE COUNCIL

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



Argyll and Bute Facts - Our Council

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

ELECTED MEMBERS



36

in total across Argyll and Bute

ELECTORAL WARDS

- COWAL
- DUNOON
- HELENSBURGH CENTRAL
- HELENSBURGH AND LOMOND SOUTH
- ISLE OF BUTE
- KINTYRE & THE ISLANDS
- LOMOND NORTH
- MID ARGYLL
- OBAN NORTH AND LORN
- OBAN SOUTH AND ISLES
- SOUTH KINTYRE



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



The Council is the major employer in Argyll and Bute

4,917

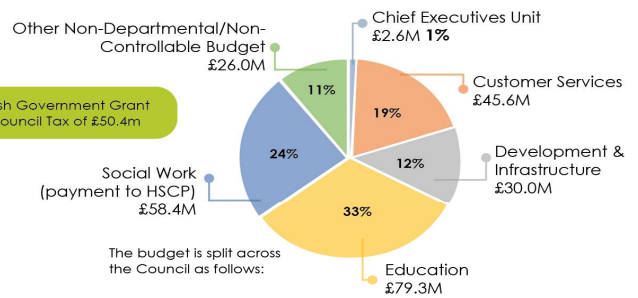
Employed across Argyll and Bute Area (per staffing watch FQ4 2019-20).

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

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

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

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



3. MISSION AND PRIORITIES

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

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

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

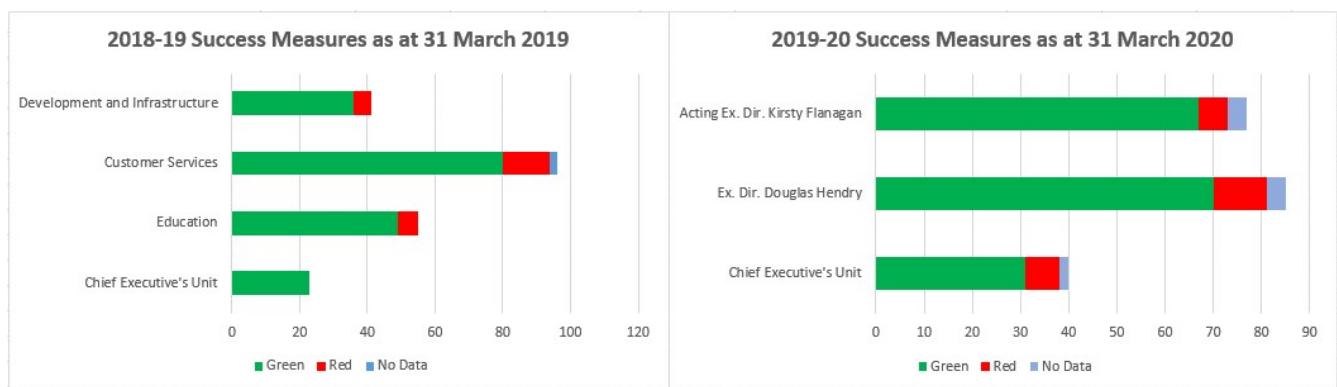
Our six outcomes are:

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

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

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

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



Some of our achievements are highlighted below.



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



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

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

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



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



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

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



4. FINANCIAL PERFORMANCE 2019-20



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

Revenue: Outturn against Budget

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

2019-20 Final Revenue Budget Outturn

| | Actuals | Budget | Variance | Percentage |
|---------------------------------------|----------------|--------------------------|---------------------------|----------------|
| | | Adjusted for Earmarkings | (Overspend) Underspend | |
| | £000 | £000 | £000 | % |
| Chief Executive's Unit | 5,013 | 5,006 | (7) | (0.14%) |
| Executive Director (Douglas Hendry) | 106,851 | 107,475 | 625 | 0.58% |
| Executive Director (Kirsty Flanagan) | 46,466 | 46,474 | 8 | 0.02% |
| Total Departmental Expenditure | 158,330 | 158,955 | 626 | 0.39% |
| Joint Boards | 1,465 | 1,456 | (9) | (0.62%) |
| Loans Charges | 18,325 | 20,693 | 2,368 | 11.44% |
| Pension Costs | 2,462 | 1,555 | (907) | (58.33%) |
| Other | 7,936 | 7,459 | (477) | (6.40%) |
| Total Central Expenditure | 30,188 | 31,163 | 975 | 3.13% |
| Social Work | 59,946 | 58,805 | (1,141) | (1.94%) |
| Total Social Work Expenditure | 59,946 | 58,805 | (1,141) | (1.94%) |
| Total Expenditure | 248,464 | 248,923 | 460 | 0.19% |
| Total Funding | 261,983 | 261,941 | 42 | 0.02% |
| UNDERSPEND | | | 502 | |

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

- An underspend that has not been utilised towards earmarking is in relation to contract efficiencies and savings in both the NPDO and Hub DBFM contracts. The team continue to be successful in bringing these annual payments in under budget through contract management during the year.
- An underspend of £2.368m on the loans fund, as previously reported to Council. This underspend has arisen due to the Loans Fund review that was approved by Council on 27 February 2020 and gave rise to savings within 2019-20 and future years.
- There is an overspend on redundancies of £0.907m and these costs have been absorbed within the overall Council position.
- There is an overspend in other services of £0.477m due to unachieved procurement savings, a provision for a VAT mis-declaration, VAT advisor fees, insurance and bank charges which are offset by underspends in NDR budgets.
- The overspend in Social Work of £1.141m arises from a combination of slippage on the delivery of planned savings and increased demand for services.

Delivery of 2019-20 Agreed Savings

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

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



Capital: Outturn against Budget

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

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

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

Health and Social Care Partnership (HSCP)

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

In terms of the outturn position, there is an overspend on Social Work Services of £1.141m. The HSCP are required to repay this amount back to the Council, as per the Scheme of Integration, and a repayment plan was agreed by the Business Continuity Committee on 14 May 2020. The repayments are £0.500m in 2020-21 (adjusted to £0.400m as the Social Work outturn for 2019-20 included repayment of £0.100m), £1.200m in 2021-22, £1.255m in 2022-23, £1.327m in 2023-24 and £1.141m in 2024-25. Within the accounts, the repayment is not recognised as a debtor as it is a commitment against future funding, consequently, the £1.141m overspend has a direct impact on the Council's General Fund balance until it is repaid.

5. FINANCIAL STATEMENTS

Expenditure and Funding Analysis Statement

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

Comprehensive Income and Expenditure Statement

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

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

Reconciliation of Comprehensive Income and Expenditure Statement to Revenue Budget Outturn

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

Reconciliation of CIES to Revenue Budget Outturn

| | £000 | £000 |
|---|----------|--------------|
| Surplus/(Deficit) on Provision of Services | | 7,134 |
| <i>Remove statutory adjustments that don't feature in budget outturn:</i> | | |
| Depreciation | 22,662 | |
| Impairment of Assets charged to services | (287) | |
| Capital Funding | (31,136) | |
| CFCR | (812) | |
| Pension Adjustment | 18,238 | |
| Statutory Repayment of Debt | (11,098) | |
| Repayment of Finance Leases | (5,651) | |
| Transfers to/from Other Statutory Reserves | (174) | |
| Other Adjustments | 1,314 | |
| | | (6,944) |
| Movement In General Fund Balance | | 190 |
| <i>Adjust for earmarkings:</i> | | |
| Released sums earmarked to service budgets 2019-20 | 13,548 | |
| Supplementary estimates agreed during 2019-20 | 94 | |
| Budgeted Surplus in 2018-19 transferred to General Fund (for capital) | (212) | |
| Repayment of Social Work Overspend by HSCP | (100) | |
| Contributions to earmarked reserves 2019-20 | (13,018) | |
| | | 312 |
| Revenue Budget Underspend/(Overspend) | | 502 |

Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2020 and explanatory notes are provided. The net worth of the Council has increased by £83.704m from £242.667m as at 31 March 2019 to £326.371m as at 31 March 2020. The major changes are set out in the table below.

Main Balance Sheet Changes

| | 31/03/2020 £000 | 31/03/2019 £000 | Change £000 | Main Reason |
|-----------------------|--------------------|--------------------|----------------|---|
| Long Term Assets | 648,377 | 624,055 | 24,322 | Asset revaluations. |
| Current Assets | 88,364 | 92,072 | (3,708) | Small increase in short term investments and a reduction in cash held at the end of the year. |
| Current Liabilities | (47,115) | (62,455) | 15,340 | Reduction in short term borrowing. |
| Long Term Liabilities | (363,255) | (411,005) | 47,750 | Reduction in pension liability. |
| Total | 326,371 | 242,667 | 83,704 | |

Provisions

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

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

Pension Liability

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

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

The most significant change in the financial assumptions this year relates to the rate of inflation. There are two financial assumptions linked to inflation, and both have decreased from 2.5% as at 31 March

2019 to 1.9% as at 31 March 2020. With the inflation estimate lower than the previous year, the pensions liability will also be lower. Further detail on the pension estimates are included within Note 30.

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

Pension Liability at the end of the financial year

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

Borrowing

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

Statement of Movement in Reserves

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

The balance of unusable reserves has increased by £83.340m from £187.139m as at 31 March 2019 to £270.479m as at 31 March 2020. Part of the movement is the increase in the pensions reserve which is linked to the decrease in the pension liability noted earlier in this commentary. The remainder of the movement is accounting adjustments required through the Capital adjustment account and revaluation reserve.

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

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

Movement on General Fund Balance

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

General Fund Balance

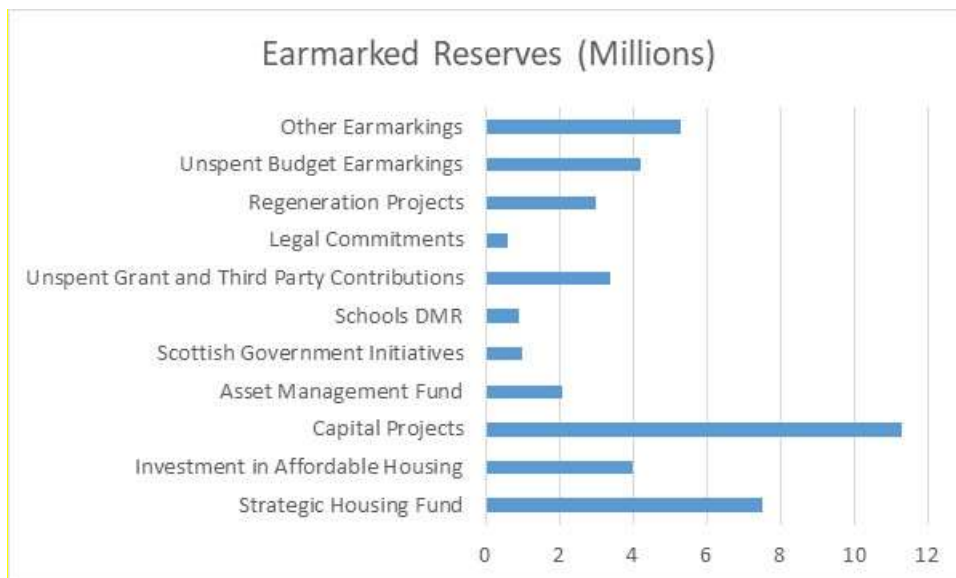
The chart below shows what is included within the General Balance as at 31 March 2020 with a comparison of the position as at 31 March 2019.

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



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

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



Group Accounts

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

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

The effect of inclusion of the Associates, Subsidiary and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £11.003m. This gives an overall net asset position for the Group of £337.374m, an increase of £84.937m from the previous year. As with the single entity Balance Sheet, the increase is mainly due to the increase in the pension liability.

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

6. KEY FINANCIAL INDICATORS

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

Key Financial Indicators

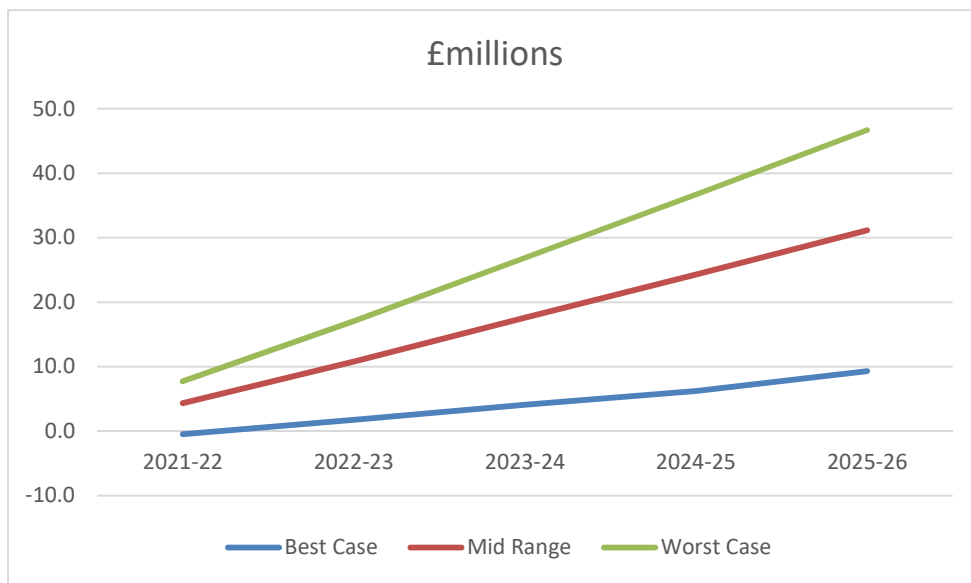
| Financial Indicator | 2019-20 | 2018-19 | Comment |
|---|-----------------|----------------------|--|
| Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure | 2.54% | 2.71% | Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. There are sufficient reserves to meet any unplanned expenditure. |
| Movement in the Unallocated General Fund Balance | Decrease £0.3m | Decrease £0.2m | Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). The overspends in Social Work are having an adverse impact on the Council's unallocated balance, however, a repayment plan is in place to repay £5.323m over the next 5 years. |
| In-year collection rate | 96.40% | 96.11% | Reflects the Council's effectiveness in collecting Council Tax debt. |
| Ratio of Council Tax Income to Overall Level of Funding | 18.78% | 19.05% | Reflects the capacity of the Council to vary expenditure by raising Council Tax income. Council Tax increased by 4.79% in 2019-20. |
| Actual Outturn compared to budgeted expenditure | £0.502 0.20% | (£1.118m) (0.45%) | A measure of how the final outturn compares to the budgeted position and is a reflection of the effectiveness of financial management. |
| Capital Financing Requirement (CFR) for the current year | £296.288m | £309.994m | Measurement of requirement to borrow for capital purposes. |
| External Debt Levels for the current year | £173.639m | £183.476m | Actual borrowing for capital investment levels. |
| Ratio of financing costs to net revenue stream | 6.99% | 6.31% | 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. |

7. OUTLOOK

A three year financial outlook informing Council of the estimated budget gap covering the period 2020-21 to 2022-23 using best case, worse case and mid-range scenarios was kept up to date during financial year 2019-20 and presented to the Policy and Resources Committee in May, August, October and December 2019. The full UK Budget was expected to be announced on 6 November 2019 with the Scottish Budget on 12 December, however, due to the 2019 General Election, the UK Budget was deferred and the draft Scottish Budget, for one year only, wasn't announced until 6 February 2020. The Council set the budget for 2020-21 on 28 February 2020.

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

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



Loans Fund Review

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

The one-off re-profiling gain can be taken in future years in any way the Council wishes, as long as it deems it to be prudent and does not result in a negative charge in the loans fund. The Council made a prudent provision to use some of the one-off gain to protect against increasing principal repayments

over the next 10 years and used the remainder to support organisational change and further invest in the capital programme.

COVID-19 Pandemic

The COVID-19 pandemic has required an urgent, multi-agency response at national and local government level. Argyll and Bute Council has been working in partnership with community planning partners and other agencies to respond to the pandemic in Argyll and Bute, to maintain critical front line services and, where possible, to look ahead with a view to service restoration and planning for the future.

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

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

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

Rural Growth Deal

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

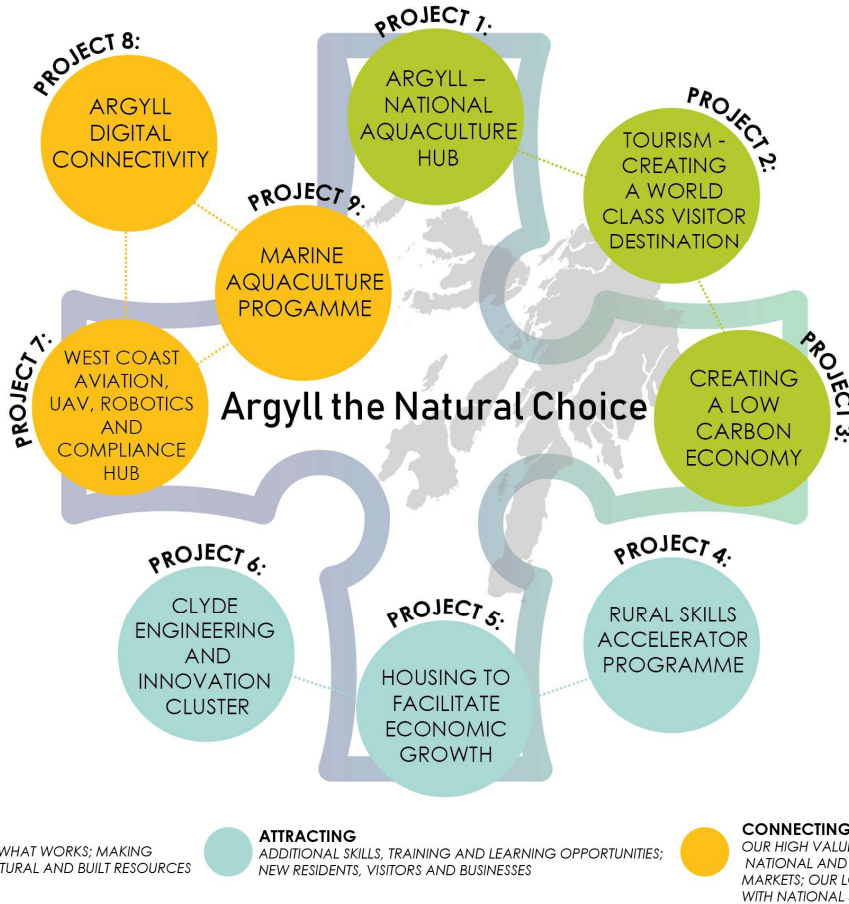
The next key milestone in the Rural Growth Deal process will be the signing of a Heads of Terms Agreement with the Scottish and UK Governments and other key stakeholders as appropriate. The Heads of Terms Agreement will officially set out the scope of the deal and commit all partners to provide adequate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

Signing a Heads of Terms Agreement will represent a key milestone in the Rural Growth Deal process and will provide further clarity as to the projects which will be taken forward as part of the Rural Growth Deal. It should be remembered that the projects that have been submitted have taken into account the likely Government funding split and the limited amount of funds available for revenue funding that will

Management Commentary

be made available from the Scottish Government. Agreeing Heads of Terms will enable the Council and key stakeholders to progress with further phases of project development work including preparation of outline business cases in line with the Treasury 5 Case Model. It is anticipated that the next stage of the process will take a minimum of 12 months albeit discussions are ongoing with the Scottish Government on how to accelerate the Growth Deal programme in light of the need to respond to COVID-19. There may also be a need to prioritise projects that are deemed to have greatest impact on improving our economy at this time.

Argyll and Bute Facts - Rural Growth Deal



Risks

The Council's Strategic Risk Register (SRR) is formally reviewed and updated by the Strategic Management Team on a six monthly basis. The SRR has 13 strategic risks identified and currently using a RAG (Red, Amber, Green) Status, 4 are classified as red, 5 are amber and 4 are green. The red risks are included with the chart below alongside the mitigating actions.



8. CONCLUSION

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

9. ACKNOWLEDGEMENTS

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

Cllr Aileen Morton
Leader

Pippa Milne
Chief Executive

Kirsty Flanagan
Section 95 Officer

25 June 2020

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

I confirm that these Annual Accounts were approved for signature by the Audit and Scrutiny Committee at its meeting on ?? September 2020.

Signed on behalf of Argyll and Bute Council

Councillor Aileen Morton
Leader
?? September 2020

SECTION 95 OFFICER RESPONSIBILITIES

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

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

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

The Section 95 Officer has also:

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

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

Kirsty Flanagan
Section 95 Officer
25 June 2020

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 Legal and Regulatory Support, Argyll and Bute Council, Kilmory, Lochgilphead, PA31 8RT and is also available on the Council's website.

THE GOVERNANCE FRAMEWORK

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

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

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

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

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

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

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

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.

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

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

A report on the Best Value Review will be presented to Council at their June meeting and an associated Action Plan will also be considered at that meeting.

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

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

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

- Caring
- Committed
- Collaborative
- Creative

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

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities. A register of members' interests is available on the Council's website.

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

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

Our standing orders, financial instructions, scheme of delegation and supporting procedure notes/manuals clearly define how decisions are taken and the processes and controls in place to manage risks. These are reviewed and updated on an annual basis. We ensure compliance with

relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Council's Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair.

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

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

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

Elected Member Development

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

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

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

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

Officer Development

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

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

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

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

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

Annual Budget Consultation

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

Consultation Diary

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

Keep in the Loop Service

2019/20 was the first full year that the pro-active Keep In the Loop Service was deployed. It proved hugely popular as a customer engagement tool and 7927 customers subscribed to receive notifications across the range of services. For customers it meant that they have been kept up to date with topical council information and opportunities to provide valued input on matters that affect them

Public Performance Reporting

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

Community Engagement

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

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

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

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

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

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

- The 3 local Members of the Scottish Youth Parliament (MSYP's) attend the Community Planning Partnership Management Committee meetings on a rotational basis.

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

The Council continues to promote the Community-Led Action Planning Toolkit (developed in partnership with Scottish Community Development Centre). Communities are being supported to consider use of the online toolkit in developing action plans that the community can lead on to address issues and needs in their communities. There are a number of existing community-led action plans and these are recognised as important community contributions to area community planning.

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

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

Council/Committee Meetings

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

GOVERNANCE ROLES AND RESPONSIBILITIES

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

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

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

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

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

IMPACT OF COVID-19 ON GOVERNANCE

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

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

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

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

The Council's constitution gives specific delegations to the Chief Executive, in an emergency, to instruct executive action on any matter after consultation with the Leader or, in his/her absence, the Deputy Leader of the Council. This provided a basis for taking any urgent decisions which were required in response to COVID-19. The Council agreed that, for the life of the COVID-19 crisis, the consultation by the Chief Executive will be with the Leader, Deputy Leader and Leader of the Opposition Group. Decisions taken in consultation with this Leadership Group are logged and a formal report on all decisions taken will be submitted to a future meeting of the Council.

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

Some specific areas where service delivery has been impacted are:

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

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

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

Some specific examples of new areas of activity are:

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

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

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

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

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

FINANCIAL SUSTAINABILITY

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

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

The Council continues to provide financial estimates for future years and, in 2019-20, agreed to extend their medium term financial outlook to cover a five year window (previously three year) to provide a longer term view of the Council's estimated budget gap. The first five year budget outlook

was reported to the Business Continuity Committee in May 2020. During 2019-20 this outlook was presented to the Policy and Resources Committee meeting. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

The Council has a strong track record in financial management as recognised by previous year's annual external audit reports and the Council's Best Value report issued in May 2020. The Best Value report also recognises that the Council's medium to long term financial strategy helps support financial planning arrangements whilst noting it could be further enhanced when it is next reviewed. The ten year strategy was first developed in 2017-18 and was to be updated in October 2019 however this was delayed as the Council was expecting a three year budget settlement. It was then further delayed due to the General Election in early 2020 and the outbreak of COVID-19. In April 2020 the Business Continuity Committee agreed to delay the review until the impact of COVID-19 has been managed and there is greater clarity over its financial impact. The review will take on board the recommendations made by our external auditors.

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

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

INTERNAL FINANCIAL CONTROL

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

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

In particular the system includes:

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

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

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

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

RISK MANAGEMENT

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

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

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

INTERNAL AUDIT

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

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

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

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

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

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

- enhanced the annual audit report to incorporate reference to post audit survey feedback
- introduced a new value for money audit finding category to highlight areas where the Council may generate efficiencies
- further revised the continuous monitoring approach to reflect on lessons learned during the first year of its full roll out

- introduced an annual strategic risk assurance mapping exercise
- incorporated external audit's recommendations into the follow-up process
- changed from a monthly to a quarterly follow up process to better prioritise resources
- implemented local benchmarking indicators with five other local authorities.

HEALTH AND SOCIAL CARE INTEGRATION

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

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

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

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

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

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

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

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

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

ISSUES FOR FURTHER DEVELOPMENT

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

- Continue to progress the work to digitalise all document and evidence exchanges for LDP2 Examination in Public (Head of Development and Economic Growth – March 2021)
- Develop an integrated production process for the Strategic Housing Improvement Plan (SHIP) and Local Housing Strategy which will utilise Geographic Information System data to improve due diligence knowledge of proposed Registered Social Landlord housing sites, thus identifying risks to delivering the SHIP (Head of Development and Economic Growth – March 2021)
- Procure and implement enhanced logistical software that will facilitate route optimisation for many transport related functions (Head of Roads and Infrastructure Services – March 2021)

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

ASSURANCE

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

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

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

Cllr Aileen Morton
Leader

Pippa Milne
Chief Executive

Kirsty Flanagan
Section 95 Officer

?? September 2020

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 and the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019-20 the salary for the Leader of Argyll and Bute Council is £34,944. The Regulations permit the Council to remunerate one civic head. The Regulations set out the maximum salary that may be paid to that civic head. The Council's civic head is the Provost and their remuneration is set at £26,208 which is the maximum allowed for local authorities in Band B.

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

In 2019-20, Argyll and Bute Council had 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 2019-20 was £0.237m. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

Senior Employees

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

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

COUNCILLORS' REMUNERATION

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

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

| 2018-19 Actual £'000 | Members Allowances | 2019-20 Actual £'000 |
|----------------------------|---|----------------------------|
| 412 | Basic Councillor Salaries | 424 |
| 59 | Leader and Provost's Salary | 61 |
| 229 | Senior Councillor Salaries | 231 |
| 75 | Other Expenses and Allowances paid to Members | 71 |
| 775 | Total Allowances | 787 |

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

The Remuneration Report

SENIOR COUNCILLORS' REMUNERATION

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

| 2018-19 Total Remuneration £ | Senior Members | Responsibility | 2019-20 | | |
|---------------------------------------|-----------------------------|--|--|--------------------------|----------------------------|
| | | | Salary, Fees and Allowances £ | Taxable Expenses £ | Total Remuneration £ |
| 24,074 | Councillor Rory Colville | Policy Lead for Support Services from 26-09-19, Policy Lead for Corporate Services to 25-09-19 | 24,723 | - | 24,723 |
| 24,487 | Councillor Robin Currie | Policy Lead for Housing, Roads and Infrastructure Services and Chair of Mid Argyll, Kintyre & the Islands Area Committee from 26-09-19, Policy Lead for Communities, Housing, Islands and Gaelic and Chair of Mid Argyll, Kintyre & the Islands Area Committee to 25-09-19 | 24,723 | 258 | 24,981 |
| 20,105 | Councillor Bobby Good | Chair of Bute & Cowal Area Committee | 20,613 | - | 20,613 |
| 24,074 | Councillor Kieron Green | Policy Lead for Health and Social Care | 24,723 | 866 | 25,589 |
| 24,074 | Councillor David Kinniburgh | Policy Lead for Planning Services from 26-09-19, Policy Lead for Planning and Regulatory Services to 25-09-19 | 24,723 | - | 24,723 |

| 2018-19 Total Remuneration £ | Senior Members | Responsibility | 2019-20 | | |
|---------------------------------------|----------------------------|--|--|--------------------------|----------------------------|
| | | | Salary, Fees and Allowances £ | Taxable Expenses £ | Total Remuneration £ |
| 24,074 | Councillor Roddy McCuish | Depute Provost and Policy Lead for Roads and Amenity Services to 25-09-19 | 21,305 | - | 21,305 |
| 24,074 | Councillor Yvonne McNeilly | Policy Lead for Education | 24,723 | - | 24,723 |
| 34,125 | Councillor Aileen Morton | Leader and Policy Lead for Commercial Services and Strategic Priorities from 26-09-19 with oversight of Economic Growth from 26-11-19, Leader and Policy Lead for Economic Development to 25-09-19 | 34,903 | - | 34,903 |
| 20,072 | Councillor Ellen Morton | Chair of Helensburgh & Lomond Area Committee | 20,613 | - | 20,613 |

| 2018-19 Total Remuneration £ | Senior Members | Responsibility | 2019-20 | | |
|---------------------------------------|-----------------------------|---|--|--------------------------|----------------------------|
| | | | Salary, Fees and Allowances £ | Taxable Expenses £ | Total Remuneration £ |
| 24,074 | Councillor Gary Mulvaney | Depute Leader and Policy Lead for Financial Services and Major Projects from 26-09-19, Depute Leader and Policy Lead for Strategic Finance and Capital Regeneration Programme to 25-09-19 | 24,723 | - | 24,723 |
| 20,072 | Councillor Elaine Robertson | Chair of Oban, Lorn & the Isles Area Committee | 20,613 | - | 20,613 |
| - | Councillor Alasdair Redman | Policy Lead for Economic Growth from 26-09-19 to 25-11-19 | 4,057 | - | 4,057 |
| 25,490 | Councillor Len Scoullar | Provost | 26,177 | - | 26,177 |

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

EMPLOYEES' REMUNERATION

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

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

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

| 2018-19 Number of Officers | Range £ | 2019-20 Number of Officers |
|-------------------------------|---------------------|-------------------------------|
| 82 | £50,000 - £54,999 | 135 |
| 28 | £55,000 - £59,999 | 75 |
| 9 | £60,000 - £64,999 | 27 |
| 3 | £65,000 - £69,999 | 13 |
| 2 | £70,000 - £74,999 | 4 |
| 9 | £75,000 - £79,999 | 10 |
| 2 | £80,000 - £84,999 | 2 |
| 1 | £85,000 - £89,999 | 2 |
| - | £90,000 - £94,999 | - |
| - | £95,000 - £99,999 | 1 |
| 2 | £100,000 - £104,999 | 2 |
| - | £105,000 - £109,999 | 2 |
| - | £110,000 - £114,999 | - |
| - | £115,000 - £119,999 | - |
| - | £120,000 - £124,999 | 1 |
| 1 | £125,000 - £129,999 | - |
| 139 | Total | 274 |

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 2019-20 there were no employees earning more than £150,000.

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

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

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

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

PENSION BENEFITS

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

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

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

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

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

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

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

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

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

SENIOR COUNCILLORS' PENSION BENEFITS

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

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

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

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

SENIOR EMPLOYEES' PENSION BENEFITS

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

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

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

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

For the purposes of this note, Exit Packages include:

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

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

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

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

FACILITY TIME STATEMENT

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

Cllr Aileen Morton
Leader

Pippa Milne
Chief Executive

24 September 2020

Expenditure and Funding Analysis

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

Expenditure and Funding Analysis

| | | | | | | |
|-----------------|---------------|---------------|--|-----------------|----------------|----------------|
| (214,375) | (29,126) | (243,501) | Other Income and Expenditure | (218,350) | (40,071) | (258,421) |
| 862 | 23,224 | 24,086 | (Surplus) / Deficit | (188) | (6,946) | (7,134) |
| (50,342) | | | Opening General fund Balance | (49,480) | | |
| 862 | | | Plus (Surplus) or Deficit on General Fund Balance | (188) | | |
| (49,480) | | | Closing General Fund Balance at 31 March 2020 | (49,668) | | |

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

Statement of Comprehensive Income and Expenditure

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

Statement of Comprehensive Income and Expenditure

| | | | |
|--|------------------|--|------------------|
| | | Other Operating Income and Expenditure: | |
| | (222) | Net (Gain)/loss on Disposal of Long Term Assets | 587 |
| | 1,256 | Other Operating Income and Expenditure | 1,390 |
| | 1,034 | Total Other Operating Income and Expenditure | 1,977 |
| | | Financing and Investment Income and Expenditure: | |
| | 16,728 | Interest Payable and Similar charges | 17,954 |
| | (1,269) | Interest and Investment Income | (1,478) |
| | 1,776 | Net Pension Interest Expense | 2,913 |
| | 17,235 | Total Financing and Investment Income and Expenditure | 19,389 |
| | | Taxation and Non-Specific Grant Income: | |
| | (159,277) | General Government Grants | (160,081) |
| | (19,339) | Government Capital Grants and Other Capital Contributions | (31,136) |
| | (33,035) | Non-domestic Rates Redistribution | (35,634) |
| | (251) | Non-domestic Rates TIF | (301) |
| | - | Non-domestic Rates BRIS | (102) |
| | (49,868) | Council Tax Income | (52,533) |
| | (261,770) | Total Taxation and Non-Specific Grant Income | (279,787) |
| | 24,086 | (Surplus)/Deficit on Provision of Services | (7,134) |
| | (6,347) | (Surplus)/Deficit on revaluation of Long Term Assets | (11,910) |
| | 36,739 | Other Post Employment Benefits (Pensions) | (64,660) |
| | 30,392 | Other Comprehensive Income and Expenditure | (76,570) |
| | 54,478 | Total Comprehensive Income and Expenditure | (83,704) |

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

| 31 March 2019 | | Note | 31 March 2020 | |
|---------------|------------------|--|---------------|------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | | Long Term Assets | | |
| | | Property Plant & Equipment | 14 | |
| 359,366 | | - Other Land and Buildings | | 360,940 |
| 9,656 | | - Vehicles, Plant, Furniture and Equipment | | 9,627 |
| 214,904 | | - Infrastructure Assets | | 221,154 |
| 2,354 | | - Community Assets | | 5,647 |
| 2,741 | | - Surplus Assets | | 3,254 |
| 23,877 | | - Assets Under Construction | | 36,482 |
| | 612,898 | Total Property Plant & Equipment | | 637,104 |
| | 2,080 | Heritage Assets | 15 | 2,086 |
| | 664 | Intangible Assets | 16 | 583 |
| | 2,110 | Investment Property | 17 | 2,449 |
| | 492 | Long Term Investments | 26 | 492 |
| | 5,811 | Long-Term Debtors | 21 | 5,663 |
| | 624,055 | Total Long Term Assets | | 648,377 |
| | | Current Assets | | |
| 812 | | Inventories | | 749 |
| 17,607 | | Short Term Debtors (Net of Impairment) | 22 | 17,756 |
| 2,322 | | Assets Held for Sale | 23 | 1,574 |
| 57,500 | | Short Term Investments | | 59,500 |
| 13,831 | | Cash and Cash Equivalents | 24 | 8,785 |
| | 92,072 | Total Current Assets | | 88,364 |
| | | Current Liabilities | | |
| (19,743) | | Short-term Borrowing | 26 | (6,070) |
| (34,415) | | Short-term Creditors | 25 | (34,288) |
| (7) | | Capital Grant Receipts in Advance | 29 | (7) |
| (2,638) | | Provisions | 28 | (2,177) |
| (5,652) | | Other Short Term Liabilities | 27 | (4,573) |
| | (62,455) | Total Current Liabilities | | (47,115) |
| | | Long-term Liabilities | | |
| (166,071) | | Borrowing Repayable within a Period in Excess of 12 Months | 26 | (169,219) |
| (124,865) | | Other Long-term liabilities | 27 | (120,294) |
| (1,301) | | Provisions | 28 | (1,396) |
| (5,000) | | Capital Grant Receipts in Advance | 29 | (5,000) |
| (113,768) | | Other Long-term liabilities (Pensions) | 30 | (67,346) |
| | (411,005) | Total Long-term Liabilities | | (363,255) |
| | 242,667 | Total Assets less Liabilities | | 326,371 |

| 31 March 2019 | | Note | 31 March 2020 | |
|---------------|----------------|--|---------------|----------------|
| £'000 | £'000 | | £'000 | £'000 |
| 115,150 | 187,139 | Unusable Reserves 32 | 126,560 | 270,479 |
| 195,045 | | - Revaluation Reserve | 221,163 | |
| (3,176) | | - Capital Adjustment Account | (2,850) | |
| (113,768) | | - Financial Instruments Adjustment Account | (67,346) | |
| (6,112) | | - Pensions Reserve | (7,048) | |
| | | - Accumulated Absences Account | | |
| 4,352 | 55,528 | Usable Reserves 33 | 4,379 | 55,892 |
| 1,696 | | - Capital Funds | 1,843 | |
| 49,480 | | - Repairs and Renewals Funds | 49,670 | |
| | | - General Fund Balance | | |
| | 242,667 | Total Reserves | | 326,371 |

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

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

The Unaudited Annual Accounts were issued on 25 June 2020.

Kirsty Flanagan
Section 95 Officer
25 June 2020

Statement of Movement in Reserves

| Movements in 2019-20 | Usable Reserves (Note 33) | | | | Unusable Reserves (Note 32) | | | | | | Total Reserves |
|--|---------------------------|---------------------------|----------------|-----------------------|-----------------------------|----------------------------|------------------|---|------------------------------|-------------------------|------------------|
| | General Fund Balance | Repairs and Renewals Fund | Capital Funds | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | Total Unusable Reserves | |
| | | | | | | | | | | | |
| Balance at 31 March 2019 | (49,480) | (1,696) | (4,352) | (55,528) | (115,150) | (195,045) | 113,768 | 3,176 | 6,112 | (187,139) | (242,667) |
| (Surplus)/Deficit on Provision of Services | (7,134) | | | (7,134) | | | | | | - | (7,134) |
| Other Comprehensive Income and Expenditure | | | | | (11,910) | | (64,660) | | | (76,570) | (76,570) |
| Total Comprehensive Income and Expenditure | (7,134) | - | - | (7,134) | (11,910) | - | (64,660) | - | - | (76,570) | (83,704) |
| Adjustments between accounting basis and funding basis under regulations: | | | | | | | | | | | |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost | - | | | - | 500 | (500) | | | | - | - |
| Amortisation of Intangible Assets | (117) | | | (117) | | 117 | | | | 117 | - |
| Depreciation of Non-current Assets | (22,662) | | | (22,662) | | 22,662 | | | | 22,662 | - |
| Impairment of Non-current Assets | 287 | | | 287 | | (287) | | | | (287) | - |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement | 31,136 | | | 31,136 | | (31,136) | | | | (31,136) | - |
| Capital Expenditure Charged to the General Fund | 812 | | | 812 | | (812) | | | | (812) | - |
| Net Gain or Loss on Sale of Non-current Assets | (587) | | (1,974) | (2,561) | | 2,561 | | | | 2,561 | - |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | 326 | | | 326 | | | | (326) | | (326) | - |
| Employee Benefits | (936) | | | (936) | | | | | 936 | 936 | - |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations | (18,238) | | | (18,238) | | | 18,238 | | | 18,238 | - |

Statement of Movement in Reserves

| Movements in 2019-20 | Usable Reserves (Note 33) | | | | Unusable Reserves (Note 32) | | | | | | Total Reserves | |
|---|---------------------------|---------------------------|----------------|-----------------|-----------------------------|---------------------|----------------------------|------------------|---|------------------------------|------------------|-------------------------|
| | General Fund Balance | Repairs and Renewals Fund | | Capital Funds | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | | Total Unusable Reserves |
| | | £'000 | £'000 | | | | | | | | | |
| Statutory Repayment of Debt - Loans Fund Advances | 11,098 | | | 11,098 | | (11,098) | | | | | (11,098) | - |
| Statutory Repayment of Debt - Finance Leases | 41 | | | 41 | | (41) | | | | | (41) | - |
| Statutory Repayment of Debt - NPDO Finance | 5,610 | | | 5,610 | | (5,610) | | | | | (5,610) | - |
| Total Statutory Adjustments | 6,770 | - | (1,974) | 4,796 | 500 | (24,144) | 18,238 | (326) | 936 | | (4,796) | - |
| Net (Increase)/Decrease before Transfers to Other Statutory Reserves | (364) | - | (1,974) | (2,338) | (11,410) | (24,144) | (46,422) | (326) | 936 | | (81,366) | (83,704) |
| <i>Other Transfers required by Statute</i> | | | | | | | | | | | | |
| Transfer to/from Other Statutory Reserves | 174 | (147) | 1,947 | 1,974 | | (1,974) | | | | | (1,974) | - |
| (Increase)/Decrease in Year | (190) | (147) | (27) | (364) | (11,410) | (26,118) | (46,422) | (326) | 936 | | (83,340) | (83,704) |
| Balance at 31 March 2020 Carried Forward | (49,670) | (1,843) | (4,379) | (55,892) | (126,560) | (221,163) | 67,346 | 2,850 | 7,048 | | (270,479) | (326,371) |

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

Statement of Movement in Reserves

| Comparative Movements in 2018-19 | Usable Reserves (Note 33) | | | | Unusable Reserves (Note 32) | | | | | | Total Reserves |
|--|---------------------------|---------------------------|----------------|-----------------------|-----------------------------|----------------------------|------------------|---|------------------------------|-------------------------|------------------|
| | General Fund Balance | Repairs and Renewals Fund | Capital Funds | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Pensions Reserve | Financial Instrument Adjustment Account | Accumulated Absences Account | Total Unusable Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| 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 | 24,086 | | | 24,086 | | | | | | - | 24,086 |
| Other Comprehensive Expenditure and Income | | | | | (6,347) | | 36,739 | | | 30,392 | 30,392 |
| Total Comprehensive Expenditure and Income | 24,086 | - | - | 24,086 | (6,347) | - | 36,739 | - | - | 30,392 | 54,478 |
| 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. | | | | - | 17 | (17) | | | | - | - |
| Amortisation of Intangible Assets | (223) | | | (223) | | 223 | | | | 223 | - |
| Depreciation and of Non-current Assets | (22,128) | | | (22,128) | | 22,128 | | | | 22,128 | - |
| Impairment of Non-current Assets | (11,887) | | | (11,887) | | 11,887 | | | | 11,887 | - |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure | 19,349 | | | 19,349 | | (19,349) | | | | (19,349) | - |
| Capital Expenditure Charged to the General Fund | 575 | | | 575 | | (575) | | | | (575) | - |
| Net Gain or Loss on Sale of Non-current Assets | 222 | | (383) | (161) | | 161 | | | | 161 | - |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | 330 | | | 330 | | | | (330) | | (330) | - |
| Employee Benefits | (2,076) | | | (2,076) | | | | | 2,076 | 2,076 | - |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations | (20,587) | | | (20,587) | | | 20,587 | | | 20,587 | - |

Statement of Movement in Reserves

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

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

Cash Flow Statement

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

| 2018-19 £'000 | | Note | 2019-20 £'000 |
|------------------|---|------|------------------|
| 24,086 | Net (Surplus) on the Provision of Services | | (7,134) |
| (33,393) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | | (1,291) |
| 5,800 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 5,181 |
| (3,507) | Net Cash Flows from Operating Activities | 40 | (3,244) |
| 2,226 | Net Cash Flows from Investing Activities | 41 | (4,480) |
| (2,124) | Net Cash Flows from Financing Activities | 42 | 12,770 |
| (3,405) | Net (Increase)/Decrease in Cash and Cash Equivalents | | 5,046 |
| (10,426) | Cash and Cash Equivalents at the beginning of the Reporting Period | | (13,831) |
| (13,831) | Cash and Cash Equivalents at the end of the Reporting Period | 24 | (8,785) |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

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

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

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

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

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

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.

1.6.3 Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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

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

Local Government Pension Scheme

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

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

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

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

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

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

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

1.6.4 Post Employment Discretionary Benefits

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

1.7 Events after the Reporting Period

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

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

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

1.8 Financial Liabilities

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

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

- 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:

The Art Collections

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

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

Inveraray Jail and Courthouse and “Other” Historic Buildings

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

Archaeology and “Other” Museum Exhibits

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

Heritage Assets – General

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

1.12 Intangible Assets

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

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

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

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

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

1.13 Interests in Companies and Other Entities

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

1.14 Inventories

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

1.15 Investment Properties

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

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

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

1.16 Leases

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

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

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

1.16.1 The Council as Lessee

a) Finance Leases

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

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

Lease payments are apportioned between:

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

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

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

b) Operating Leases

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

1.16.2 The Council as Lessor

a) Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

b) Operating Leases

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

1.17 Overheads and Support Services

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

1.18 Assets Held for Sale

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

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

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

1.19 Property, Plant and Equipment

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

1.19.1 Recognition

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

1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

1.19.3 Impairment

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

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

- 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

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.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

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

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

For this disclosure there are no new standards, introduced by the 2020-21 Code of Practice, which will impact on the 2019-20 Financial Statements.

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 2020 but not taken at that date has been quantified on the basis of a 5% sample of all non-term time Council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement as at 31 March and no estimation is required for these staff. The liability shown in the 2019-20 financial statements in respect of the holiday pay accrual is £7.047m.

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

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

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

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|--|
| Property, Plant and Equipment | <p>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> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1.117m for every year that useful lives had to be reduced.</p> |
| Asset Valuations | <p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.</p> | <p>Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we intend to keep the valuations under frequent review.</p> |

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

5. GENERAL FUND RESERVES

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

| Ring-fenced Balances | Balance 1 April 2019 £'000 | Funds Used £'000 | Contributions to/from Funds £'000 | New Earmarking agreed 2019-20 £'000 | New Earmarking at end of 2019-20 £'000 | Balance 31 March 2020 £'000 |
|--|----------------------------------|---------------------|--|---|--|--------------------------------------|
| Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund) | 6,310 | (946) | - | - | 2,136 | 7,500 |
| Investment in Affordable Housing | 4,200 | - | (200) | - | - | 4,000 |
| Capital Projects | 5,579 | - | - | - | 1,873 | 7,452 |
| Lochgilphead and Tarbert Regeneration | 2,917 | (541) | - | - | - | 2,376 |
| Inward Investment Fund | 935 | (52) | - | - | - | 883 |
| Rural Resettlement Fund | 180 | (28) | - | - | - | 152 |
| Asset Management | 2,507 | - | - | - | 44 | 2,551 |
| Piers and Harbours Investment Fund | 240 | - | - | - | 368 | 608 |
| Scottish Government Initiatives | 492 | (128) | 9 | - | 578 | 951 |
| Transformation | 78 | (5) | - | - | - | 73 |
| CHORD | 141 | - | - | - | 72 | 213 |
| School Budget Carry Forwards | 814 | (747) | - | - | 850 | 917 |
| Energy Efficiency Fund | 136 | - | - | - | 82 | 218 |
| Unspent Budget Required for Existing Legal Commitments | 797 | (153) | - | - | - | 644 |
| Unspent Grants | 1,631 | (1,236) | (53) | - | 2,939 | 3,281 |
| Contributions Carried Forward | 132 | (5) | - | - | 10 | 137 |
| Other Previous Council Decisions | 11,644 | (8,872) | (164) | 92 | 267 | 2,967 |
| Redundancy Provision | | | | | 2,100 | 2,100 |
| Supporting Organisational Change | | | | | 500 | 500 |
| Spend to Save Route Optimisation Software | | | | | 100 | 100 |
| Unspent Budget Carried Forward | 4,203 | (927) | 207 | 1,170 | 1,099 | 5,752 |
| Total Ring-fenced | 42,936 | (13,640) | (201) | 1,262 | 13,018 | 43,375 |
| Contingency | 4,837 | - | 92 | - | - | 4,929 |
| Budget Smoothing in 2019-20 | - | - | - | - | - | - |
| Unallocated | 1,707 | (94) | 923 | (1,170) | - | 1,366 |
| Total General Fund Balance | 49,480 | (13,734) | 814 | 92 | 13,018 | 49,670 |

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

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

6.1 Expenditure and Income Analysed by Nature

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

| 2018-19 £'000 | Expenditure/Income | 2019-20 £'000 |
|------------------|---|------------------|
| | Expenditure | |
| 155,569 | Employee benefits expenses | 164,538 |
| 167,082 | Other services expenses | 157,176 |
| 59,344 | Contribution to Argyll and Bute Integration Joint Board | 59,946 |
| 34,132 | Depreciation, amortisation, impairment | 22,474 |
| 18,504 | Interest payments | 20,867 |
| 1,281 | Precepts and levies | 1,377 |
| (25) | Other operating expenditure | 13 |
| (222) | Net Loss/(Gain) on the disposal of assets | 587 |
| 435,665 | Total Expenditure | 426,978 |
| | Income | |
| (89,196) | Fees, charges and other service income | (92,901) |
| (59,344) | Income to fund social care services (Argyll and Bute Integration Joint Board) | (59,946) |
| (1,269) | Interest and investment income | (1,478) |
| (83,154) | Income from council tax and non-domestic rates | (88,570) |
| (178,616) | Government grants and contributions | (191,217) |
| (411,579) | Total Income | (434,112) |
| 24,086 | Deficit on the Provision of Services | (7,134) |

Notes to the Financial Statements

6.2 Revenue from Contracts with Service Recipients

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

7. OTHER OPERATING INCOME AND EXPENDITURE

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

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

8. AGENCY INCOME

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

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

9. COMMUNITY CARE AND HEALTH (SCOTLAND) ACT 2002

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

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

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

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

| Purpose of Services | Income £'000 | Expenditure £'000 |
|---|-----------------|----------------------|
| Care of the Elderly | 2,643 | 4,186 |
| Provision of Services for People with Learning Disabilities | 2,652 | 3,309 |
| Provision of Services for People with Mental Health Needs | 1,398 | 1,605 |
| Total | 6,693 | 9,100 |

Notes to the Financial Statements

10. FEES PAYABLE TO AUDIT SCOTLAND

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

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

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

Audit Scotland did not receive any fees in relation to non-audit work in 2019-20.

11. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

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

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

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

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

Notes to the Financial Statements

12. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2019-20:

| 2018-19 £'000 | Grant Income | 2019-20 £'000 |
|------------------|---|------------------|
| | Credited to Taxation and Non Specific Grant Income | |
| 159,277 | Revenue Support Grant | 160,081 |
| 33,035 | Non Domestic Rates | 35,634 |
| 46 | Specific Capital Grant | 3,495 |
| 15,237 | General Capital Grant | 18,205 |
| 1,308 | Heritage Lottery Fund | 3,569 |
| 1,637 | Scottish Timber Transport Strategy | 1,667 |
| 38 | Scottish Government | 225 |
| 33 | Strathclyde Partnership for Transport (SPT) | - |
| 515 | SUSTRANS | 989 |
| - | - Capital Grants Funded from Revenue | 1,408 |
| 535 | Other Grants | 1,016 |
| - | - Other Government Capital Grants | 561 |
| 211,661 | Total | 226,850 |
| | Credited to Services | |
| 4,208 | Scottish Government Specific Grants | 7,599 |
| 3,735 | Scottish Government Specific Grants - Scotland's Schools for the Future | - |
| 942 | General Capital Grant - Private Sector Housing Improvement Grants | 1,064 |
| - | - General Capital Grant - Economic Development | - |
| 22,498 | Housing Benefit Subsidy | 19,683 |
| 1,287 | Other Revenue Government Grants | 5,685 |
| 32,670 | Total | 34,031 |

Notes to the Financial Statements

13. RELATED PARTIES

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

The aim of the Financial Reporting Standard dealing with Related Parties is to highlight instances where influence and control has been exercised over an external organisation by the Council, and where an elected member, their close family or someone in their household, has the ability to exercise the influence or control. Elected members and Senior Officers have completed a signed declaration on Related Party Interests and these have been used to compile this disclosure.

13.1 Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 12 – Grant Income on page 77.

13.2 Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019-20 is shown in the Remuneration Report on page 34.

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

| Transactions in which Members have a significant interest | Expenditure £'000 |
|---|----------------------|
| Bookfan Ltd - Trading as Southpeak | 88 |

Notes to the Financial Statements

13.3 Other Related Bodies

This category relates to transactions with entities which are controlled or significantly influenced by the Council.

During the year transactions with other related bodies were as follows:

| Related Bodies | Expenditure £'000 |
|--|----------------------|
| Transactions with related bodies during the year totalled | |
| <i>Of these, transactions with the following exceeded £10,000:</i> | |
| Oban and Lorn Community Enterprise - Atlantis Leisure | 480 |
| Fyne Homes Ltd | 240 |
| Argyll Community Housing Association (ACHA) | 264 |
| Duke of Edinburgh Award Scheme | 10 |
| Kintyre Alcohol and Drugs Advisory Service (KADAS) | 11 |
| Argyll and the Isles Tourism Ltd | 30 |
| Islay and Jura Community Enterprise | 185 |
| South Kintyre Development Trust | 12 |
| Mid Argyll Community Enterprise | 154 |
| Scotland Excel | 88 |
| Fyne Futures | 171 |
| Convention of Scottish Local Authorities (COSLA) | 70 |
| Argyll and Bute Citizens Advice Bureau | 45 |
| Bute Advice | 74 |
| Kintyre Recycling | 198 |
| Oban Addiction Support and Information Services (OASIS) | 15 |
| SEEMIS | 116 |
| Mull & Iona Community Trust (MICT) | 161 |
| Argyll and the Isles Coast & Countryside Trust | 22 |
| Carr Gomm | 356 |
| Argyll & Bute Women's Aid | 121 |
| Argyll & Bute Care & Repair | 231 |
| Total | 3,054 |

Given the relationships the Council has with other organisations and partners it is possible that some related party transactions may exist. However, the purpose of the requirement to complete the disclosure is to provide additional information to the users of the Annual Accounts and, by declaring possible instances, there is no suggestion that any inappropriate transactions have taken place.

Notes to the Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Movement in Property, Plant and Equipment

| Movements in 2019-20 | Other Land & Buildings £'000 | Vehicles Plant & Equipment £'000 | Infra-structure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total 2019-20 £'000 |
|--|---------------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------------|------------------------------------|------------------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2019 | 382,592 | 39,073 | 297,137 | 2,363 | 2,740 | 23,877 | 747,782 |
| Additions | 8,003 | 2,254 | 12,565 | 3,219 | 13 | 10,665 | 36,719 |
| Additions financed under a new leasing arrangement | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 3,461 | - | - | - | 144 | 3,397 | 7,002 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (658) | - | - | - | 16 | - | (642) |
| Derecognition - Disposals | (1,981) | (623) | - | - | (9) | - | (2,613) |
| Assets reclassified (to)/from Held for Sale | (886) | - | - | - | 346 | - | (540) |
| Other movements in cost or valuation | 290 | - | 1,059 | 74 | - | (1,457) | (34) |
| At 31 March 2020 | 390,821 | 40,704 | 310,761 | 5,656 | 3,250 | 36,482 | 787,674 |
| Depreciation and Impairments | | | | | | | |
| At 1 April 2019 | (23,226) | (29,417) | (82,233) | (9) | 1 | - | (134,884) |
| Depreciation Charge for 2019-20 | (12,998) | (2,283) | (7,374) | - | (6) | - | (22,661) |
| Depreciation written out to the Revaluation Reserve | 4,763 | - | - | - | 52 | - | 4,815 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 1,191 | - | - | - | (44) | - | 1,147 |
| Derecognition - Disposals | 385 | 623 | - | - | 1 | - | 1,009 |
| Other movements in depreciation and impairment | 4 | - | - | - | - | - | 4 |
| At 31 March 2020 | (29,881) | (31,077) | (89,607) | (9) | 4 | - | (150,570) |
| Balance Sheet amount at 31 March 2020 | 360,940 | 9,627 | 221,154 | 5,647 | 3,254 | 36,482 | 637,104 |
| Balance Sheet amount at 31 March 2019 | 359,366 | 9,656 | 214,904 | 2,354 | 2,741 | 23,877 | 612,898 |

| Comparative Movements in 2018-19 | Other Land & Buildings £'000 | Vehicles Plant & Equipment £'000 | Infra-structure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total 2018-19 £'000 |
|--|---------------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------------|------------------------------------|------------------------|
| 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 agreement | 4,919 | - | - | - | - | - | 4,919 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (7,439) | 0 | - | - | 361 | - | (7,078) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (7,844) | (217) | (8) | - | (86) | (53) | (8,208) |
| Derecognition - Disposals | - | (477) | - | - | (92) | - | (569) |
| Assets reclassified (to)/from Held for Sale | (1,019) | - | - | - | 1,387 | - | 368 |
| Other movements in cost or valuation | 45,864 | 1,442 | 7,791 | - | - | (55,569) | (472) |
| At 31 March 2019 | 382,592 | 39,073 | 297,137 | 2,363 | 2,740 | 23,877 | 747,782 |
| 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 | (3,179) | - | - | - | - | - | (3,179) |
| Derecognition - Disposals | - | 475 | - | - | 7 | - | 482 |
| Other movements in depreciation and impairment | 148 | - | - | - | 2 | - | 150 |
| At 31 March 2019 | (23,226) | (29,417) | (82,233) | (9) | 1 | - | (134,884) |
| Balance Sheet amount at 31 March 2019 | 359,366 | 9,656 | 214,904 | 2,354 | 2,741 | 23,877 | 612,898 |
| Balance Sheet amount at 31 March 2018 | 321,827 | 8,716 | 202,628 | 2,324 | 1,156 | 66,852 | 603,503 |

14.2 Valuation of Property, Plant and Equipment

IAS 16 – Property, Plant and Equipment has been adapted for the public sector by IPSAS 17 – Property, Plant and Equipment. Under IPSAS 17 each category of Property, Plant and Equipment is valued as follows:

- Infrastructure, community assets and assets under construction are valued at historical cost.
- Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for fair value.
- All other classes of assets are valued at fair value. Where there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold then an estimate of fair value is made using a depreciated replacement cost approach.

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is re-valued at least every five years. Assets identified as Corporate Surplus Assets are valued in accordance with IFRS 13 - Fair Value Measurement. The Balance Sheet value of Corporate Surplus assets at 31 March 2020 was £3.254m. Corporate Surplus assets are valued at their fair value on 31 March each year. Level 2 or 3 inputs were used for most Corporate Surplus asset valuations.

Revaluations of Council owned land and property were carried out at 31 March 2020 in accordance with the Council's rolling programme of revaluations. The revaluations have been carried out in house by the Council's Estates Service. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following table shows the progress of the Council's rolling programme for the revaluation of Other Land and Buildings:

| Valued at Fair Value as at: | Other Land & Buildings £'000 |
|--------------------------------|---------------------------------|
| 31 March 2020 | 32,491 |
| 31 March 2019 | 105,986 |
| 31 March 2018 | 158,833 |
| 31 March 2017 | 23,379 |
| 31 March 2016 | 40,251 |
| Total Cost or Valuation | 360,940 |

14.3 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer (20 to 60 years)
- Infrastructure – straight-line allocation over 40 – 60 years
- Vessels – straight line allocation over 25 years
- Vehicles, Plant and Equipment - straight-line allocation over the useful life of the asset as determined by a suitably qualified officer (5 to 20 years)

Notes to the Financial Statements

14.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and Council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2019-20 total spending on capital projects was £36.772m.

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| 306,433 | Opening Capital Financing Requirement | 309,994 |
| | Capital Investment: | |
| 5,672 | Property Plant and Equipment: Other Land and Buildings | 7,672 |
| 2,279 | Vehicles, Plant, Furniture and Equipment | 2,254 |
| 11,410 | Infrastructure Assets | 12,565 |
| 30 | Community Assets | 3,219 |
| 10 | Surplus Assets | 13 |
| 12,647 | Assets Under Construction | 10,665 |
| 4,919 | Property Plant and Equipment acquired under Finance Leases: Other Land and Buildings - DBFM Schools | 331 |
| (8) | Heritage Assets | 6 |
| 13 | Intangible Assets | 47 |
| 36,972 | Total Capital Investment | 36,772 |
| | Sources of Finance: | |
| (383) | Capital Receipts | (1,974) |
| (19,349) | Government Grants | (31,136) |
| (575) | Capital Financed from Current Revenue | (812) |
| (9,211) | Repayment of External Loans | (11,098) |
| (50) | Capital Element of Finance Lease Payments | (41) |
| (3,733) | Capital Element of Schools NPDO Payments | (5,610) |
| 383 | Capital Receipts transferred to Capital Fund | 1,974 |
| (357) | Capital Receipts Used from Capital Fund | (1,947) |
| (136) | Other | 166 |
| (33,411) | Total Funding | (50,478) |
| 309,994 | Closing Capital Financing Requirement | 296,288 |

Notes to the Financial Statements

14.5 Commitments under Capital Contracts

At 31 March 2020, the Council had commitments on capital contracts of £18.594m. This expenditure will be funded from a combination of Government Grants, borrowing and income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2019 were £13.860m. The major commitments are:

| | £'000 |
|---|--------|
| Rothesay Pavilion | 12,262 |
| Oban High School Replacement | 842 |
| Town Centre Fund | 816 |
| Lorn Resource Centre - Office Rationalisation | 812 |
| Willow View Community Centre - Early Years 1140 Hours | 788 |
| Dunoon Primary School Refurbishment | 693 |
| Campbeltown Grammar School Replacement | 319 |
| Campbeltown Flood Protection Scheme | 306 |
| Kirn Primary School Replacement | 295 |
| Helensburgh Office Project Restructure of Departments | 238 |
| Dunoon Queens Hall | 161 |
| Cycleways - Helensburgh and Lomond | 150 |

15. HERITAGE ASSETS

The main heritage assets held by the Council are two art collections, an archaeology collection and Inveraray Jail and Courthouse. The Council holds other heritage assets which are not valued and shown on the Balance Sheet. Further details on the council's heritage assets policy can be found in note 1.11 on page 61.

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

| Movements in 2019-20 | Art Collections | Heritage Property | Total |
|---|--------------------|----------------------|--------------|
| | £'000 | £'000 | £'000 |
| Cost or Valuation | | | |
| Net Book Value at 1 April 2019 | 1,600 | 480 | 2,080 |
| Additions | - | 6 | 6 |
| Disposals | - | - | - |
| Revaluations | - | - | - |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | - | - | - |
| Transfer from Assets Under Construction | - | - | - |
| At 31 March 2020 | 1,600 | 486 | 2,086 |

16. INTANGIBLE ASSETS

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

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

The movement in intangible assets during the year was:

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

| Comparative 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 |

17. INVESTMENT PROPERTY

Investment property has been accounted for in accordance with IAS 4 - Investment Property, except where interpretations or adaptations to fit the public sector are detailed in the Code. The definition of an investment property in the context of the public sector is one that is used solely to earn rentals or for capital appreciation or both.

The value of investment property is initially measured at cost and thereafter measured at fair value. The fair value of investment property reflects market conditions at 31 March 2020. Revaluations of investment properties were carried out at 31 March 2020 in house by the Estates Service.

17.1 Movement in Investment Property

The movement in investment property during 2019-20 was:

| Movements in 2019-20 | Investment Properties £'000 |
|--|--------------------------------|
| Cost or Valuation | |
| At 1 April 2019 | 2,110 |
| Acquisitions | - |
| Disposals | - |
| Net Gains/Losses from fair value adjustments | 15 |
| Transfers | 324 |
| At 31 March 2020 | 2,449 |

17.2 Investment Property Income and Expenditure

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

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| 115 | Rental income from investment property | 120 |
| 26 | Direct operating expenses arising from investment property | (4) |
| 141 | | 116 |

18. SCHOOLS BUILT UNDER PUBLIC PRIVATE PARTNERSHIP CONTRACTS (PPP)

Argyll and Bute Council have two schemes:

Schools Non-Profit Distributing Organisation (NPDO)

During 2007-08 two secondary schools, two joint campuses and one primary campus, developed as part of the Non-Profit Distributing Organisation (NPDO) variant of a Public Private Partnership (PPP), became operational. When the agreement ends in 2035 the provider will hand the five school complexes back to the Council, it is expected at that point in time each school will have an estimated life of 30 years remaining.

Schools Hub Design, Build, Finance and Maintain Contract (DBFM)

Campbeltown and Oban High Schools have been built under this type of arrangement which reached Financial Close in March 2016.

Campbeltown Grammar School Construction Phase 1 was completed on 19 February 2018 and provided a new secondary school for pupils aged between 12 and 18. The new school has capacity for 500 pupils and replaces the existing Campbeltown Grammar School on the current school site at Hutcheon Road, Campbeltown. Phase 2 which included the demolition of the existing school buildings, provision of a car park, landscaping and 3G artificial turf pitch was completed during 2018-19.

Oban High School Construction Phase 1 was completed on 5 April 2018 and provided a new secondary school for pupils between 12 and 18. The new school has capacity for 1300 pupils and replaces the existing Oban High School, on the current school site at Soroba Road, Oban. Phase 2 includes the demolition of the existing school buildings, provision of a car park, landscaping and a pedestrian footway with lighting from the new school facilities to the grass pitches owned by the Council at Glencruitten, Oban was completed during 2018-19.

Notes to the Financial Statements

18.1 Assets Held under Schools NPDO and DBFM Contracts

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 2020 and depreciation to date are included as part of Operational Land and Buildings.

As noted above two schools were completed under the Schools DBFM Contract. Oban High School and Campbeltown Grammar have been included within Operational Land & Buildings and revalued at 31 March 2020.

| Movements in 2019-20 | Buildings Under Construction £'000 | Schools DBFM - Other Land & Buildings £'000 | Schools NPDO - Other Land & Buildings £'000 | Total Schools Built under PFI Contracts £'000 |
|--|---------------------------------------|--|--|--|
| Cost or Valuation | | | | |
| At 1 April 2019 | - | 55,221 | 130,677 | 185,898 |
| Additions at Cost | - | 331 | - | 331 |
| Transfers | - | - | - | - |
| Revaluations | - | 1,593 | - | 1,593 |
| At 31 March 2020 | - | 57,145 | 130,677 | 187,822 |
| Depreciation and Impairments | | | | |
| At 1 April 2019 | - | - | (2,881) | (2,881) |
| Charge for 2019-20 | - | (1,711) | (2,875) | (4,586) |
| Transfers | - | (2,087) | - | (2,087) |
| Revaluations | - | - | - | - |
| At 31 March 2020 | - | (3,798) | (5,756) | (9,554) |
| Balance Sheet amount at 31 March 2020 | - | 53,347 | 124,921 | 178,268 |
| Balance Sheet amount at 31 March 2019 | - | 55,221 | 127,796 | 183,017 |

Notes to the Financial Statements

18.2 Schools NPDO Finance Lease Liability

The finance lease liability arising from the Schools NPDO contract is as follows:

| Movements in 2019-20 | Schools DBFM £'000 | Schools NPDO £'000 | Total Schools Finance Lease Liability £'000 |
|---|-----------------------|-----------------------|--|
| Balance at 1 April 2019 | (59,310) | (69,934) | (129,244) |
| Additions | - | - | - |
| Repayments | 3,342 | 2,268 | 5,610 |
| Schools Finance Lease Liability at 31 March 2020 | (55,968) | (67,666) | (123,634) |
| Split: | | | |
| Obligations payable within 1 year | (2,039) | (2,491) | (4,530) |
| Obligations payable after 1 year | (53,929) | (65,175) | (119,104) |
| Schools Finance Lease Liability at 31 March 2020 | (55,968) | (67,666) | (123,634) |

18.3 Payments due to Operator under Schools NPDO Contract

The Council is committed to paying the following sums under the Schools NPDO contract:

| Future Repayment Periods | Repayment of Liability £'000 | Lifecycle Costs £'000 | Payment of Interest £'000 | Service Charges £'000 | Total Payments £'000 |
|--------------------------|---------------------------------|--------------------------|------------------------------|--------------------------|-------------------------|
| 2020 - 2021 | 2,491 | - | 6,935 | 5,536 | 14,962 |
| 2021 - 2025 | 12,397 | 948 | 25,079 | 23,159 | 61,583 |
| 2025 - 2030 | 22,156 | 2,901 | 23,260 | 32,903 | 81,220 |
| 2030 - 2035 | 30,622 | 3,192 | 9,903 | 33,912 | 77,629 |
| Total | 67,666 | 7,041 | 65,177 | 95,510 | 235,394 |

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:

| | £'000 | £'000 | £'000 | £'000 |
|--------------|---------------|---------------|---------------|----------------|
| 2020 - 2021 | 2,039 | 2,478 | 536 | 5,053 |
| 2021 - 2026 | 8,009 | 9,132 | 3,342 | 20,483 |
| 2026 - 2031 | 10,462 | 9,659 | 6,140 | 26,261 |
| 2031 - 2036 | 12,085 | 6,790 | 8,208 | 27,083 |
| 2036 - 2041 | 15,211 | 2,465 | 10,335 | 28,011 |
| 2041 - 2043 | 8,162 | 1,227 | 7,116 | 16,505 |
| Total | 55,968 | 31,751 | 35,677 | 123,396 |

19. OPERATING LEASES

19.1 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2019-20 were as follows:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---------------------|------------------|
| 277 | Land and Buildings | 285 |
| 627 | Vehicles | 730 |
| 168 | Plant and Equipment | 152 |
| 1,072 | Total | 1,167 |

19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2020 to making payments of £2.816m under operating leases comprising the following elements:

| | Other Land and Buildings £'000 | Vehicles, Plant and Equipment £'000 |
|-------------------------------|---|--|
| Due within 1 year | 179 | 315 |
| Due between 1 and 5 years | 511 | 328 |
| Due after 5 years | 1,483 | - |
| Value at 31 March 2020 | 2,173 | 643 |

Notes to the Financial Statements

20. FINANCE LEASES

20.1 Finance Leases – Amounts Paid to Lessors

During 2017-18 the Council purchased a new cremator for Cardross Crematorium under a finance lease arrangement. The amount paid under this arrangement in 2019-20 was as follows:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---------------------|------------------|
| 63 | Plant and Equipment | 63 |
| 63 | Total | 63 |

20.2 Assets Held Under Finance Leases

Assets purchased under a finance leases are included within the assets of the Council and depreciated over the life of the asset as follows:

| Movements in 2019-20 | Vehicles, Plant and Equipment £'000 |
|-------------------------------|--|
| Value at 1 April 2019 | 529 |
| Additions | - |
| Depreciation | (51) |
| Value at 31 March 2020 | 478 |

20.3 Finance Lease Liability

The Council was committed at 31 March 2020 to making payments of £0.483m under finance leases comprising the following elements:

| Movements in 2019-20 | £'000 |
|---|--------------|
| Balance at 1 April 2019 | (523) |
| Additions | - |
| Repayments | 40 |
| Finance Lease Liability at 31 March 2020 | (483) |
| Split: | |
| Obligations payable within 1 year | (63) |
| Obligations payable between 1 and 5 years | (252) |
| Obligations payable after 5 years | (280) |
| Finance Lease Obligations at 31 March 2020 | (595) |
| Less Interest element of lease | 112 |
| Finance Lease Liability at 31 March 2020 | (483) |

21. LONG TERM DEBTORS

| 31st March 2019 £'000 | | 31st March 2020 £'000 |
|-----------------------------|---|-----------------------------|
| 15 | House Loans | 14 |
| 750 | Waste PPP Historic Contamination Fund | 750 |
| 1,216 | Charging Orders - Care Home Fees | 1,199 |
| 3,730 | Strategic Housing Fund Loans to Registered Social Landlords | 3,600 |
| 100 | Other Long Term Debtors | 100 |
| 5,811 | Total Long Term Debtors | 5,663 |

22. DEBTORS

| 31 March 2019 | | | 31 March 2020 | |
|--------------------|---------------|--|--------------------|---------------|
| £'000 | £'000 | | £'000 | £'000 |
| 16,477 (13,980) | | Arrears of Local Taxation | 17,111 (14,998) | |
| | 2,497 | Housing Benefits Overpayments | 1,100 | 2,113 |
| 1,130 (976) | | Less: Provision for Bad Debts | (1,016) | |
| | 154 | Debtor Accounts | 4,151 | 84 |
| 2,724 (863) | | Less: Provision for Bad Debts | (1,177) | |
| | 1,861 | | | 2,974 |
| | 1,233 | Net Debtor to Scottish Government for Non Domestic Rates | | - |
| | 3,326 | VAT Recoverable from HMRC | | 1,926 |
| | 479 | Year | | 367 |
| | 8,057 | Other Debtors | | 10,292 |
| | 17,607 | Total Debtors | | 17,756 |

Notes to the Financial Statements

23. ASSETS HELD FOR SALE

The movement in assets held for sale during 2019-20 was:

| 2018-19 £'000 | Movements | 2019-20 £'000 |
|------------------|--|------------------|
| 3,061 | Balance outstanding at 1st April 2019 | 2,322 |
| 923 | Assets newly classified as "Held for Sale" (Property, Plant and Equipment) | 217 |
| (261) | Revaluation losses | (8) |
| - | Revaluation gains | - |
| - | Impairment losses | - |
| (1,355) | Assets declassified as "Held for Sale" (Property, Plant and Equipment) | - |
| (46) | Assets Sold | (957) |
| 2,322 | Balance outstanding at 31st March 2020 | 1,574 |

24. CASH AND CASH EQUIVALENTS

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

| 31 March 2019 £'000 | | 31 March 2020 £'000 |
|---------------------------|---|---------------------------|
| 24 | Cash held by the Authority | 4 |
| (26) | Cash in transit | 180 |
| 1,043 | Short term deposits with banks | 242 |
| 16,500 | Short term deposits in Money Market Funds | 15,050 |
| (3,710) | Bank Current Accounts (Overdraft) | (6,691) |
| 13,831 | Total Cash and Cash Equivalents | 8,785 |

25. CREDITORS

| 31 March 2019 £'000 | | 31 March 2020 £'000 |
|---------------------------|--|---------------------------|
| 6,948 | Accrued Payrolls and Superannuation | 6,937 |
| 3,379 | Accrued Employer's National Insurance Contributions and PAYE | 2,679 |
| 6,112 | Accrual for Short Term Accumulating Absences | 7,047 |
| 1,380 | Creditors System Liability | 1,268 |
| 7,137 | Accrued Expenditure | 5,841 |
| 1,246 | RCGF Grant Income | 174 |
| 779 | Housing Benefit Subsidy | 228 |
| 777 | Trust Funds | 804 |
| 611 | A.L.I.E.A - Argyll Affordable Warmth Project | 612 |
| - | Net Creditor to Scottish Government for Non Domestic Rates | 1,484 |
| 6,046 | Other Creditors | 8,698 |
| 34,415 | Total Creditors | 34,288 |

26. FINANCIAL INSTRUMENTS DISCLOSURES

26.1 Types of Financial Instruments

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

| 31 March 2019 | | | 31 March 2020 | |
|--------------------|------------------|--------------------------------|--------------------|------------------|
| Long Term £'000 | Current £'000 | | Long Term £'000 | Current £'000 |
| | | Investments and Lending | | |
| 6,303 | 88,938 | Loans and Receivables | 6,155 | 86,041 |
| | | Borrowing | | |
| 290,927 | 59,953 | Liabilities at amortised | 289,513 | 44,931 |

26.2 Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2020 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

| 31 March 2019 | | | 31 March 2020 | |
|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| | | Lending | | |
| 95,241 | 95,473 | Loans and Receivables | 92,496 | 92,507 |
| | | Borrowing | | |
| 350,880 | 431,554 | Financial Liabilities | 334,444 | 402,357 |

The fair value is greater than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to receive interest above the current market rates increases the amount the Council would receive if it agreed the early repayment of loans.

Notes to the Financial Statements

26.3 Gains and Losses on Financial Instruments

There are no gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments.

26.4 Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

26.5 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, money market funds, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and money market funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

| | Amount at 31 March 2020 £'000 | Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2020 % | Estimated Maximum Exposure to Default and Uncollectability £'000 |
|--|-------------------------------------|---|---|
| Deposits with Banks and Money Market Funds | 15,292 | - | - |

The information in respect of the Council's debtors can be found in note 21 and 22 on page 93. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 22 represents the Council's assessment of the likely recoverability of the debt outstanding.

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

26.6 Liquidity Risk

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

Notes to the Financial Statements

The maturity analysis of financial liabilities is as follows:

| 31 March 2019 £'000 | Maturity analysis of financial liabilities | 31 March 2020 £'000 |
|---------------------------|--|---------------------------|
| 59,944 | Less than one year | 44,809 |
| 8,432 | Between one and two years | 5,358 |
| 24,571 | Between two and five years | 23,873 |
| 257,933 | More than five years | 260,404 |
| 350,880 | | 334,444 |

All other amounts due to the Council for council tax, non-domestic rates and other income are due to be paid in less than one year.

26.7 Market Risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional “fair value” of lending and borrowing. For example, a rise in interest rates would reduce the “fair value” of both lending and borrowing at fixed rates. Changes in “fair value” of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council.

It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.

During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.

The Council takes the daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

Any potential for a financial impact on the Council is also significantly limited by the Scottish Government’s grant distribution mechanism that automatically adjusts for changes in interest rates in the Government Grant support the Council receives for “loan charges”.

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2020, with all other variables held constant:

| Impact on tax-payer | 31 March 2020 £'000 |
|--|---------------------------|
| Increase on interest payable on variable rate borrowings | 6 |
| Increase in interest receivable on variable rate lending | - |
| Increases in government grant receivable for “loan charges” | - |
| Net effect on Statement of Comprehensive Income & Expenditure | 6 |

| | 31 March 2020 £'000 |
|--|---------------------------|
| Other accounting presentational changes | |
| A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements) | 45,545 |

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

26.8 Price Risk

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

26.9 Foreign Exchange Risk

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

26.10 Short-Term Deposits

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

| 31 March 2019 £'000 | | 31 March 2020 £'000 |
|---------------------------|------------------------------|---------------------------|
| 17,543 | Banks and Money Market Funds | 15,292 |

26.11 Soft Loans

The Council has no material soft loans at 31 March 2020, on which no interest was being charged.

26.12 Short-Term Borrowing

The Common Good and the various Trust Funds administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2020 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and Trust Funds are shown in notes 36 and 37 on pages 116 to 117.

| 31 March 2019 £'000 | | 31 March 2020 £'000 |
|---------------------------|-------------|---------------------------|
| 124 | Common Good | 128 |
| 777 | Trust Funds | 804 |

Notes to the Financial Statements

27. OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £124.867m as at 31 March 2020 and comprise the following:

| Movements in 2019-20 | Opening Balance 1 April 2019 £'000 | Movement in Year £'000 | Closing Balance 31 March 2020 £'000 |
|---|--|------------------------------|--|
| Finance Lease Liability (See note 20.3) | (523) | 40 | (483) |
| Schools Finance Lease Liability (See note 18.2) | (129,244) | 5,610 | (123,634) |
| Land Contamination | (750) | - | (750) |
| Total Other Liabilities | (130,517) | 5,650 | (124,867) |
| Split: | | | |
| Short Term Liabilities (due within 1 year) | | | (4,573) |
| Long Term Liabilities (due after 1 year) | | | (120,294) |
| Total Other Liabilities | | | (124,867) |

28. PROVISIONS

| | Opening Balance 1 April 2019 £'000 | Additional Provision £'000 | Amounts Used £'000 | Unused Amounts Reversed £'000 | Closing Balance at 31 March 2020 £'000 |
|--|---|----------------------------------|--------------------------|--|---|
| VAT Misdeclaration Provision | - | (171) | - | - | (171) |
| Equal Pay Claims | (124) | - | 34 | - | (90) |
| Income due to Registered Social Landlords | (97) | - | 3 | - | (94) |
| Commercial Rent Balances | - | (117) | - | - | (117) |
| Service Choices Redundancy Costs | (1,223) | (182) | 1,081 | 64 | (260) |
| Landfill Sites - Restoration and Aftercare Costs | (1,203) | (99) | - | - | (1,302) |
| Utilities Provision | (274) | (1) | - | 77 | (198) |
| NPDO and Hub DBFM Payments | (1,017) | (829) | 317 | 188 | (1,341) |
| Total Provisions | (3,938) | (1,399) | 1,435 | 329 | (3,573) |
| Split: | | | | | |
| Short Term Provisions (due within 1 year) | | | | | (2,177) |
| Long Term Provisions (due after 1 year) | | | | | (1,396) |
| Total Other Liabilities | | | | | (3,573) |

A VAT provision was created in 2019-20 in relation to a voluntary disclosure submitted to HMRC in October 2019. This was a result of the Council over claiming input tax of £0.172m while processing third-party supplier invoices for payment as part of the administrative support provided. Payment has not yet been requested from HMRC but it is certain this amount will be required to be settled.

Notes to the Financial Statements

A provision was created at the end of 2005-06 in relation to employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. There may be further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.

The Council reduced the discount on Council Tax from second homes to 10% during 2005-06. The additional Council Tax income invoiced during 2019-20 amounted to £2.136m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected has been created amounting to £0.94m.

There is a provision for Commercial Rents where arrangements have been put in place for repayment over a number of years. The provision reflects the uncertainty of collection of the debt.

Liabilities have arisen in respect of employees who will be made redundant as a result of savings options agreed. The cost for any employee, whose contract has been terminated on or before 31 March 2020 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2020, a provision of £0.260m has been created.

A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. The landfills sites were revalued at 31 March 2020 and the provision for restoration and aftercare increased to £1.302m. These have been provided for based on the net present value of estimated future costs.

The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.076m has been reversed during 2019-20 resulting in a total provision of £0.198m.

The NPDO provision for withheld sums from the Unitary Charge paid to ABC Schools which relate to disputed performance deductions and unbilled utility costs. The HUB DBFM provision for withheld sums from the Monthly Service Payment paid to Hub North Scotland (O&C) Ltd which relate to disputed performance deductions.

29. CAPITAL GRANTS RECEIVED IN ADVANCE

| | Opening Balance 1 April 2019 £'000 | Capital Grants Received £'000 | Amounts Used £'000 | Closing Balance 31 March 2020 £'000 |
|---|--|--|--------------------------|---|
| Ministry of Defence LIBOR Funding - Helensburgh & Grant in Aid - Gaelic School Capital Fund | (5,000) | - | - | (5,000) |
| | (7) | - | - | (7) |
| Total Other Liabilities | (5,007) | - | - | (5,007) |
| Split: | | | | |
| Capital Grant Receipts in Advance (due within 1 year) | | | | (7) |
| Capital Grant Receipts in Advance (due after 1 year) | | | | (5,000) |
| Total Other Liabilities | | | | (5,007) |

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.

Notes to the Financial Statements

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.

30. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two separate pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

Local Government Pension Scheme

This is administered by Strathclyde Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contributions are based on rates determined by the Fund's professionally qualified actuary and based on triennial valuations of the Fund.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts due by statute as described in the accounting policies note.

30.1 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the pension schemes by the 31 March 2020. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2020. The amounts are as follows:

- Local Government Pension Scheme – £1.487m
- Teachers' Scheme – £1.032m

30.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2017. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2020 remains substantially stable with new entrants replacing any leavers.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| | Comprehensive Income and Expenditure Statement: | |
| | Cost of Services: | |
| | <i>Service cost comprising:</i> | |
| 25,710 | Current Service Cost | 29,590 |
| 8,015 | Past Service Cost (Including Curtailments) | 984 |
| 33,725 | Net Cost of Services | 30,574 |
| 1,776 | Net Interest Expense | 2,913 |
| 35,501 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 33,487 |
| | Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | |
| (21,639) | Return on Assets (excluding amounts included in net interest) | 47,073 |
| 1,107 | Other Experience (see note (i) below) | (4,584) |
| 57,271 | Change in Financial and Demographic Assumptions | (107,149) |
| 72,240 | Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | (31,173) |
| | Statement of Movement in Reserves: | |
| (20,587) | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (18,238) |
| | Actual Amount charged against the General Fund Balance for pensions in the year: | |
| 14,914 | Employer's Contributions Payable to the Scheme | 15,249 |

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

30.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| 724,207 | Defined Benefit Obligation at 1 April 19 | 820,367 |
| 25,710 | Current Service Cost | 29,590 |
| 8,015 | Past Service Costs including Curtailments | 984 |
| 19,795 | Interest Cost | 19,867 |
| 3,865 | Contributions by Scheme Participants | 4,045 |
| 58,378 | Re-measurement Gains and (Losses) | (111,733) |
| (19,603) | Estimated Benefits Paid | (19,700) |
| 820,367 | Defined Benefit Obligation at 31 March 20 | 743,420 |

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

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| 667,765 | Fair Value of Employer Assets at 1 April 19 | 706,599 |
| | Re-measurement Gains and (Losses): | |
| 21,639 | Expected Rate of Return on Pension Fund Assets | (47,073) |
| - | Actuarial Gains and Losses | - |
| 18,019 | Interest Income on Plan Assets | 16,954 |
| 14,914 | Employers Contributions | 15,249 |
| 3,865 | Contributions by Scheme Participants | 4,045 |
| (19,603) | Estimated Benefits Paid | (19,700) |
| 706,599 | Fair Value of Employer Assets at 31 March 20 | 676,074 |

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

30.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

| 2018-19 £'000 | Local Government Pension Scheme | 2019-20 £'000 |
|------------------|---------------------------------------|------------------|
| (790,579) | Present Value of Funded Liabilities | (717,826) |
| (29,788) | Present Value of Unfunded Liabilities | (25,594) |
| 706,599 | Fair Value of Employer Assets | 676,074 |
| (113,768) | (Deficit) in the Scheme | (67,346) |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits.

30.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2020 comprised:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| 71,431 | Cash and Cash Equivalents | 68,346 |
| | Equity Instruments (by industry type) | |
| 45,379 | Consumer | 43,418 |
| 36,774 | Manufacturing | 35,185 |
| 9,446 | Energy and Utilities | 9,038 |
| 30,461 | Financial Institutions | 29,145 |
| 18,073 | Health and Care | 17,293 |
| 23,292 | Information Technology | 22,286 |
| - | Other | - |
| 163,425 | Sub-total Equity Instruments | 156,365 |
| | Bonds (by sector) | |
| 22,170 | Corporate | 21,213 |
| - | Government | - |
| 22,170 | Sub-total Bonds | 21,213 |
| | Real Estate | |
| 63,976 | UK Property | 61,212 |
| - | Overseas Property | - |
| 63,976 | Sub-total Real Estate | 61,212 |
| 84,436 | Private Equity (All) | 80,788 |
| | Investment Funds and Unit Trusts | |
| 218,078 | Equities | 208,656 |
| 81,808 | Bonds | 78,274 |
| 354 | Commodities | 339 |
| - | Infrastructure | - |
| 906 | Other | 867 |
| 301,146 | Sub-total Investment Funds and Unit Trusts | 288,136 |
| | Derivatives | |
| - | Forward Foreign Exchange Contracts | - |
| 15 | Other | 14 |
| 15 | Sub-total Derivatives | 14 |
| 706,599 | Total Assets | 676,074 |

| 2018-19 £'000 | Fair Value of Pension Fund Assets | 2019-20 £'000 |
|------------------|------------------------------------|------------------|
| | Equity Securities | |
| 162,998 | Quoted in an Active Market | 155,956 |
| 427 | Not Quoted in an Active Market | 409 |
| 163,425 | Sub-total Equity Securities | 156,365 |

30.6 Basis for Estimating Assets and Liabilities

The Council's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

| 2018-19 Years | Mortality assumptions | 2019-20 Years |
|------------------|---|------------------|
| 21.4 | Longevity at 65 for current pensioners: Men | 20.7 |
| 23.7 | Women | 22.9 |
| 23.4 | Longevity at 65 for future pensioners: Men | 22.2 |
| 25.8 | Women | 24.6 |
| 2018-19 % | Financial Assumptions | 2019-20 % |
| 2.5% | Rate of Inflation (CPI) | 1.9% |
| 3.7% | Rate of Increase in Salaries | 3.0% |
| 2.5% | Rate of Increase in Pensions (CPI) | 1.9% |
| 2.4% | Rate for discounting scheme liabilities | 2.3% |
| 2018-19 % | Long-term Expected Rate of Return on Assets in the Fund | 2019-20 % |
| 2.4% | Equity Investments | 2.3% |
| 2.4% | Bonds | 2.3% |
| 2.4% | Property | 2.3% |
| 2.4% | Cash | 2.3% |

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

30.7 Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range.

30.8 Impact on the Council's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2020-2021.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £12.920m. This is based on an assumed pensionable payroll of £66.945m.

The assumed weighted average duration of the defined benefit obligation for the Council falls into the "Medium" duration category which is between 17 and 23 years (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

30.9 Impact of McCloud/Sargeant Ruling on Strathclyde Pension Fund

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The 'underpin' ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £7.515m for Argyll & Bute Council. There has been no further revision to this adjusted estimate at 31 March 2020.

30.10 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency. The Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The Scheme is financed by payments from employers and from those current employees who are members of the Scheme and

Notes to the Financial Statements

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

Employers currently pay a contribution rate of 23% - about two thirds of the cost of an individual's pension. This took effect from 1 September 2019.

The Council has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the Scheme or withdrawal from the Scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Authority is unable to identify its share of the underlying assets and liabilities of the scheme.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 23% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2020, the council's own contributions equate to 1.49%

| 2018-19 | | 2019-20 |
|---------|--|---------|
| 6,130 | Amount Paid Over (£'000) | 7,901 |
| 17.20% | Rate of Contribution (%) April 2019 - August 2019 | 17.20% |
| | Rate of Contribution (%) September 2019 - March 2020 | 23.00% |
| 528 | Amount of Added Years Awarded by the Council (£'000) | 528 |

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £9.100m.

Notes to the Financial Statements

31. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to 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 2019-20 | | | | |
|---|--|---|---|--------------------------------------|----------------------------|
| | Adjustments for Capital Purposes Note (i) £'000 | Net change for Pension Adjustments Note (ii) £'000 | Capital element of Schools NPDO payment Note (iii) £'000 | Other Adjustments Note (iv) £'000 | Total Adjustments £'000 |
| Chief Executive and Strategic Finance | 2 | 750 | - | (32) | 720 |
| Executive Director (Douglas Hendry) | | | | | |
| Executive Director (Douglas Hendry) | - | 51 | - | (4) | 47 |
| Commercial Services | 2,928 | 1,192 | | 3,523 | 7,643 |
| Education | 6,606 | 3,059 | - | (6,023) | 3,642 |
| Legal and Regulatory Services | 2,911 | 620 | (5,610) | 2,365 | 286 |
| Executive Director (Kirsty Flanagan) | | | | | |
| Executive Director (Kirsty Flanagan) | - | 31 | - | (38) | (7) |
| Head of Customer Support Services | 1,225 | 1,079 | - | 441 | 2,745 |
| Head of Development and Economic Growth | 387 | 1,248 | | (284) | 1,351 |
| Roads and Amenity Services | 8,026 | 2,639 | - | 1,272 | 11,937 |
| Social Work | 386 | 4,227 | - | (274) | 4,339 |
| Other Non-Departmental Costs | 4 | 430 | - | (12) | 422 |
| | - | - | | | |
| Net Cost of Services | 22 | 15 | (5,610) | 934 | 33,125 |
| Other Income and Expenditure | (42,442) | 2,912 | - | (541) | (40,071) |
| Comprehensive Income and Expenditure Statement (Surplus)/Deficit | (19,967) | 18,238 | (5,610) | 393 | (6,946) |

Notes to the Financial Statements

(i) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- Financing and investment income and expenditure – the statutory charges for capital financing (loans fund advances) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

(ii) Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

(iii) Capital element of schools NPDO payment

- This is the capital cost of the annual payment to the schools NPDO operator and represents repayment of the Balance Sheet liability rather than a charge to Comprehensive Income and Expenditure Statement.

(iv) Other Adjustments

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For services an adjustment is made for the accrual of holiday pay and other similar entitlements, this is required under generally accepted accounting principles but the impact on the General Fund is mitigated by statute which allows the impact to be reversed out through the Movement in Reserves Statement.

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts (Comparative Year) | Adjustments between Funding and Accounting Basis 2018-19 | | | | |
|--|--|--|--|-----------------------------|-------------------|
| | Adjustments for Capital Purposes Note (i) | Net change for Pension Adjustments Note (ii) | Capital element of Schools NPDO payment Note (iii) | Other Adjustments Note (iv) | Total Adjustments |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive and Strategic Finance | 2 | 602 | - | 12 | 616 |
| Executive Director (Douglas Hendry) | | | | | |
| Executive Director (Douglas Hendry) | - | 39 | - | (4) | 35 |
| Commercial Services | 3,885 | 908 | | 3,565 | 8,358 |
| Education | 14,967 | 2,134 | - | (5,498) | 11,603 |
| Legal and Regulatory Services | 2,911 | 554 | (3,733) | 2,365 | 2,097 |
| Executive Director (Kirsty Flanagan) | | | | | |
| Executive Director (Kirsty Flanagan) | - | 26 | | (38) | (12) |
| Head of Customer Support Services | 1,604 | 843 | | 421 | 2,868 |
| Head of Development and Economic Growth | 496 | 988 | | (252) | 1,232 |
| Roads and Amenity Services | 9,028 | 2,046 | | 1,513 | 12,587 |
| Social Work | 1,234 | 3,288 | | (54) | 4,468 |
| Other Non-Departmental Costs | 4 | 8,447 | | 47 | 8,498 |
| Net Cost of Services | 34,131 | 19,875 | (3,733) | 2,077 | 52,350 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (29,250) | 712 | - | (587) | (29,125) |
| Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit | 4,881 | 20,587 | (3,733) | 1,490 | 23,225 |

32. UNUSABLE RESERVES

Movements in the Council's unusable reserves are detailed in the Statement of Movement in Reserves on pages 51 to 52.

32.1 Revaluation Reserve

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

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

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

32.2 Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

32.3 Financial Instruments Adjustment Account

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

32.4 Pensions Reserve

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

Notes to the Financial Statements

32.5 Accumulated Absences Account

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

33. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Statement of Movement in Reserves on pages 51 to 52.

33.1 Capital Funds

The Council holds two funds which make up the Capital Funds total in the Statement of Movement in Reserves, these are:

Usable Capital Receipts Reserve

During the 2006-07 financial year and prior to the transfer of the Council's housing stock during November 2006, the receipts from the sale of council houses were transferred to the Usable Capital Receipts Reserve. The amounts held in this reserve can only be used for social housing capital expenditure.

Capital Fund

During the 2007-08 financial year the Council established a Capital Fund under Section 22 of Schedule 3 of the Local Government (Scotland) Act 1975. All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008.

The movement in the Usable Capital Receipts Reserve and Capital Fund are as follows:

| Movements in 2019-20 | Usable Capital Receipts Reserve £'000 | Capital Fund £'000 | Total Capital Funds £'000 |
|---|---|--------------------------|------------------------------------|
| Balance at 1 April 2018 | 2,829 | 1,524 | 4,353 |
| Proceeds of Disposals | - | 1,974 | 1,974 |
| Transfer to Capital Adjustment Account | - | (1,974) | (1,974) |
| Contribution to Capital Fund From Revenue | - | - | - |
| Interest Earned | 16 | 11 | 27 |
| Balance at 31 March 2019 | 2,845 | 1,535 | 4,380 |

33.2 Repairs and Renewals Fund

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

| Movements in 2019-20 | Balance at 1 April 2019 £'000 | Contribution from Revenue £'000 | Interest Earned £'000 | Contribution to Revenue £'000 | Balance at 31 March 2020 £'000 |
|----------------------|--|--|-----------------------------|-------------------------------------|---|
| Education | 1,696 | 485 | 9 | (347) | 1,843 |
| Total | 1,696 | 485 | 9 | (347) | 1,843 |

34. CONTINGENT LIABILITIES

34.1 Equal Pay Claims

The Council settled a number of equal pay claims during 2017-18, however there are a small number remaining where the outcome of the applications are unknown and there is insufficient information to allow the potential cost of these claims to be provided for. There is also the potential for other equal pay claims whose costs may be met by the Council.

34.2 Limitation (Childhood Abuse) (Scotland) Act 2017

The Limitation (Childhood Abuse) (Scotland) Act 2017 Section 1 removes the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. At this stage the extent of any potential liability is unknown.

34.3 Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers. At this stage the extent of any potential liability is unknown.

34.4 Other Legal Challenges

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

35. TERMINATION BENEFITS

A number of savings options have been agreed at Council budget meetings to balance the Council budget. A number of these savings options were reliant on a reduction in the Councils staffing levels. The Council had forewarning of the level of savings required to balance the budget and had previously asked all Council employees to express an interest in voluntary redundancy. As a result of the budget savings options approved by the Council a number of employees have had their redundancy application accepted.

Redundancy costs have been incurred by the Council since the 2010-11 financial year in relation to the budget savings agreed. In each year, provision was made within the financial year for the costs of all employees who had accepted redundancy as at 31 March ending that year, including accounting for costs for employees who confirmed redundancy by 31 March but left or were leaving after this date. The total cost accounted for in 2019-20 is £2.521m for 55 employees and in 2018-19 was £1.490m for 28 employees. These costs are detailed further in the Remuneration Report on page 43.

Termination costs for all Council employees who have accepted redundancy by 31 March 2020 have been accounted for in 2019-20, or in previous financial years.

The reduction in the staffing establishment includes posts from all services across the Council and reductions were in line with the savings agreed by the Council. There will be further redundancy costs

incurred as the Council is required to make further savings to balance the budget in future years and the council have earmarked monies from the loans fund one-off reprofiling gain.

36. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 57 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

Funds for which the Council act as sole trustee:

| | Income £'000 | Expenditure £'000 | Net Assets £'000 | Reserves £'000 |
|---------------------------|-----------------|----------------------|---------------------|-------------------|
| Argyll Education Trust | 17 | 1 | 538 | 538 |
| GM Duncan Trust | - | 2 | 75 | 75 |
| MacDougall Trust | 23 | - | 843 | 843 |
| Various Other Trust Funds | 3 | 1 | 480 | 480 |
| Total Trust Funds | 43 | 4 | 1,936 | 1,936 |

Argyll Education Trust: this is made up of a number of small trusts to award prizes, bursaries, etc. to pupils and ex-pupils of schools within the former Argyll County Council area. GM Duncan Trust: for the provision of fuel, clothing and foodstuffs for the needy of Campbeltown. MacDougall Trust: for the provision of sheltered housing on the Ross of Mull.

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

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

37. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2020. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Financial Services within the Chief Executive's Unit.

37.1 Common Good Income and Expenditure Account for the year ended 31 March 2020

| 2018-19 Actual £'000 | | 2019-20 Actual £'000 |
|----------------------------|---------------------------------------|----------------------------|
| 203 | Expenditure | 207 |
| (277) | Income | (41) |
| (74) | (Surplus)/Deficit for the Year | 166 |

37.2 Common Good Balance Sheet at 31 March 2020

| 2018-19 Actual £'000 | | 2019-20 Actual £'000 |
|----------------------------|--------------------------------------|----------------------------|
| 5,145 | Tangible Fixed Assets | 4,981 |
| 2,531 | Investments | 2,482 |
| 260 | Current Assets | 251 |
| (37) | Current Liabilities | (21) |
| 7,899 | Total Assets less Liabilities | 7,693 |
| 5,149 | Revaluation Reserve | 4,985 |
| 2,750 | Common Good Fund | 2,708 |
| 7,899 | Total Net Worth | 7,693 |

38. Tax Incremental Financing (TIF) Projects

The Council entered into an agreement with the Scottish Government in May 2014 in respect of the Lorn Arc Tax Incremental Finance (TIF) scheme. This agreement essentially allows for the repayment of debt arising from infrastructure investment from incremental Non-Domestic Rates (NDR) revenue. The assets to be funded by the TIF project largely comprise public realm and infrastructure improvements within the Lorn Arc area of Oban. The project is for 25 years, with the first material capital investment incurred during the financial year ended 31 March 2015.

During the TIF project period, the Council is entitled to retain the TIF revenue from its NDR revenue, a pro-rate amount of NDR equal to the amount (if any) by which the collected amount exceeds the collectable amount. The Council is required to apply 100% of the TIF revenue towards repayment of the TIF debt. Following repayment in full, and until the end of the project period, the Council is entitled to retain 50% of the TIF revenue for further infrastructure investment.

Net capital expenditure incurred in the year to 31 March 2020, to be funded from borrowing, in respect of TIF assets totalled £0.002m. This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 14.4 on page 84. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2020, has been calculated in accordance with finance circular No. 4/2014 at £1.057m.

There is a retention of £0.301m of TIF income during 2019-20 to repay the notional borrowing for TIF. Principal sums accumulated by 2019-20 amount to £0.124m and cumulative interest £0.110m resulting in a net cumulative surplus of £0.623m which will be used to pay down TIF debt per the TIF agreement.

Notes to the Financial Statements

39. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| 24,086 | Net (Surplus)/Deficit on Provision of Services | (7,134) |
| | <i>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</i> | |
| (23,431) | Statutory Adjustments through Statement of Movement in Reserves | 6,770 |
| 207 | Transfer to/from Other Statutory Reserves | 174 |
| 273 | Increase/(Decrease) in Inventories | (63) |
| 276 | Increase/(Decrease) in Debtors | 1,389 |
| (2,640) | (Increase)/Decrease in Creditors and Provisions | 4,439 |
| (8,078) | Other Revenue Adjustments | (14,000) |
| (33,393) | | (1,291) |
| | <i>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</i> | |
| 9,583 | Non Cash Capital | 10,832 |
| (3,783) | Capital Element of Finance Lease Payments | (5,651) |
| 5,800 | | 5,181 |
| (3,507) | Net Cash Flows from Operating Activities | (3,244) |
| | <i>The cash flows for Operating Activities include the following items:</i> | |
| 8,233 | Interest Paid on Borrowings | 8,474 |
| 8,413 | Interest Paid on Finance Leases | 9,748 |
| (649) | Interest Received on Bank Deposits | (358) |
| 15,997 | Net Cash Outflow from Servicing of Finance | 17,864 |

40. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| 22,022 | Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets | 26,784 |
| 2,498 | Investments made/(disposed of) during year | 2,000 |
| (3,033) | Proceeds from the Sale of Property, Plant and Equipment and Investment Property | (1,974) |
| (19,261) | Other Receipts from Investing Activities | (31,290) |
| 2,226 | Net Cash Outflow from Investing Activities | (4,480) |

41. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| (7,673) | Cash Receipts of Short and Long Term Borrowing | (7,052) |
| (919) | Other Receipts from Financing Activities | (2,717) |
| 3,783 | Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts | 5,650 |
| 2,685 | Repayments of Short and Long Term Borrowing | 16,889 |
| (2,124) | Net Cash (Inflow)/Outflow from Financing Activities | 12,770 |

Council Tax Income Account



The Council Tax Income Account shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

| 2018-19 Actual £'000 | | 2019-20 Actual £'000 |
|----------------------------|--|----------------------------|
| 64,148 | Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income | 67,472 |
| | Less: | |
| (13,413) | Other Discounts and Reductions | (13,970) |
| (1,210) | Provision for Bad and Doubtful Debts | (1,430) |
| 49,525 | Total | 52,072 |
| 343 | Adjustment to Previous Years' Community Charge and Council Tax | 461 |
| 49,868 | Transfers to General Fund | 52,533 |

Notes to the Council Tax Income Account

1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2019-20 was as follows:

| Band | Valuation Band | Ratio Band D | £ per year |
|------|---------------------|--------------|------------|
| A | Up to £27,000 | 6/9 | 872.55 |
| B | £27,001 - £35,000 | 7/9 | 1,017.98 |
| C | £35,001 - £45,000 | 8/9 | 1,163.40 |
| D | £45,001 - £58,000 | 9/9 | 1,308.83 |
| E | £58,001 - £80,000 | 473/360 | 1,719.66 |
| F | £80,001 - £106,000 | 585/360 | 2,126.85 |
| G | £106,001 - £212,000 | 705/360 | 2,563.13 |
| H | Over £212,000 | 882/360 | 3,206.63 |

2. CALCULATION OF THE COUNCIL TAX BASE 2019-20

| Council Tax Base | A | B | C | D | E | F | G | H | Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|---------------|
| Total Number of Properties | 7,627 | 10,022 | 9,473 | 6,075 | 7,506 | 4,209 | 2,860 | 248 | 48,020 |
| Less - Exemptions / Deductions | 1,080 | 771 | 1,020 | 496 | 592 | 248 | 153 | 49 | 4,409 |
| - Adjustment for Single Chargepayers | 872 | 1,041 | 733 | 434 | 428 | 211 | 105 | 6 | 3,830 |
| Effective Number of Properties | 5,675 | 8,210 | 7,720 | 5,145 | 6,486 | 3,750 | 2,602 | 193 | 39,781 |
| Band D Equivalent Factor (ratio) | 67% | 78% | 89% | 100% | 131% | 163% | 196% | 245% | |
| Band D Equivalent Number of Properties | 3,783 | 6,386 | 6,862 | 5,145 | 8,522 | 6,094 | 5,096 | 473 | 42,361 |
| Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent) | | | | | | | | | 499 |
| Nominal Tax Yield | | | | | | | | | 42,860 |
| Less Provision for Non-Collection - 2.38% | | | | | | | | | 1,019 |
| Council Tax Base 2019-20 - Number of Band D equivalents | | | | | | | | | 41,841 |

Non Domestic Rate Income Account

The Non-Domestic Rate Income Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

| 2018-19 Actual £'000 | | 2019-20 Actual £'000 |
|----------------------------|--|----------------------------|
| 54,516 | Gross rates levied and Contributions in Lieu | 54,713 |
| | Less: | - |
| (15,742) | Reliefs and other deductions | (16,531) |
| - | Payment of Interest | - |
| (388) | Provision for Bad and Doubtful Debts | (405) |
| 38,386 | Total Net Non-Domestic Rate Income | 37,777 |
| (2,570) | Adjustments for prior years | - |
| - | Business Rate Incentivisation Scheme (BRIS) NDR Income Retained | (102) |
| (251) | Tax Incremental Finance (TIF) Scheme NDR Income Retained | (301) |
| 35,565 | Contribution to National Non-Domestic Rate Pool | 37,374 |
| (2,530) | Difference between Distributable and Contributable NDR Income amounts | (2,143) |
| 33,035 | Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement | 35,231 |

1. ANALYSIS OF RATEABLE VALUES

| 2018-19 £ | | 2019-20 £ |
|--------------------|--|--------------------|
| 8,890,440 | Industrial and freight transport subjects | 9,413,245 |
| 75,057,432 | Miscellaneous including Telecomms, Rail, Gas and Electricity Companies | 74,628,497 |
| | Commercial subjects: | |
| 14,115,815 | Shops | 13,990,775 |
| 5,923,670 | Offices | 5,913,520 |
| 9,083,300 | Hotels, Boarding Houses etc. | 9,038,350 |
| 1,996,030 | Others | 2,001,650 |
| 115,066,687 | Total Rateable Value | 114,986,037 |

2. NON-DOMESTIC RATE CHARGE

| 2018-19 Pence | | 2019-20 Pence |
|------------------|--|------------------|
| 48.0p | Rate Per Pound | 49.0p |
| 2.6p | Supplementary Rate Per Pound for Properties over £51,000 | 2.6p |

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

The rates charge for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the Rate per £ announced each year by the Government.

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20: Based on International Financial Reporting Standards, places a requirement on Councils to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the Council is required to prepare a full set of group accounts in addition to those prepared for Argyll and Bute Council. The Group Accounts are designed to show “a true and fair view” of the financial performance and position of the Council’s Group.

THE GROUP ACCOUNTS

The Group Accounts comprise the following financial statements:

- **Group Statement of Comprehensive Income and Expenditure:** this statement shows the accounting cost in the year of providing the Council’s services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves on pages 51 to 52.
- **Group Balance Sheet:** The Balance Sheet is a snapshot of the value at the 31 March 2020 of the assets and liabilities recognised by the Council and its share of the net assets or liabilities of its associates and Common Good funds. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).
- **Group Statement of Movement in Reserves:** this statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Common Good reserves are also fully consolidated into the Group Accounts. The Council’s reserves are analysed into those which are “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council’s share of the reserves of Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation). The Council’s Statement of Movement in Reserves on pages 51 to 52 gives a more detailed analysis of the movement in the Council’s usable and unusable reserves during 2019-20.
- **Group Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its associates Common Good Funds. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Group Statement of Comprehensive Income and Expenditure

| 2018-19 | | | Service | 2019-20 | | |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 30,217 | 24,399 | 5,818 | Chief Executive and Financial Services | 26,915 | 21,165 | 5,750 |
| 129,158 | 13,833 | 115,325 | Executive Director - Douglas Hendry | 128,175 | 18,493 | 109,682 |
| 96,205 | 31,043 | 65,162 | Executive Director - Kirsty Flanagan | 95,736 | 33,701 | 62,035 |
| 142,074 | 78,258 | 63,816 | Health and Social Care Integration | 143,515 | 79,230 | 64,285 |
| 17,939 | 1,007 | 16,932 | Other Non-Departmental Costs | 10,697 | 257 | 10,440 |
| (70) | | (70) | Associates and Joint Ventures Accounted for on an Equity Basis | 9,479 | 8,486 | 993 |
| 415,523 | 148,540 | 266,983 | Net Cost of Services | 414,517 | 161,332 | 253,185 |
| | | | Other Operating Income and Expenditure: | | | |
| | | (222) | Net (Gain)/loss on Disposal of Fixed Assets | | | 587 |
| | | 1,256 | Other Operating Income and Expenditure | | | 1,390 |
| | | 1,034 | Total Other Operating Income and Expenditure | | | 1,977 |
| | | | Financing and Investment Income and Expenditure: | | | |
| | | 16,452 | Interest Payable and Similar charges | | | 17,913 |
| | | (1,269) | Interest and Investment Income | | | (1,478) |
| | | 3,196 | Net Pension Interest Expense | | | 2,913 |
| | | 18,379 | Total Financing and Investment Income and Expenditure | | | 19,348 |
| | | | Taxation and Non-Specific Grant Income: | | | |
| | | (159,277) | General Government Grants | | | (160,081) |
| | | (19,339) | Government Capital Grants and Other Capital Contributions | | | (31,136) |
| | | (33,286) | Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS) | | | (36,037) |
| | | (49,868) | Council Tax Income | | | (52,533) |
| | | (261,770) | Total Taxation and Non-Specific Grant Income | | | (279,787) |
| | | 24,626 | (Surplus)/Deficit on Provision of Services | | | (5,277) |
| | | (7,865) | (Surplus)/Deficit on revaluation of Fixed Assets | | | (11,910) |
| | | 37,477 | Other Post Employment Benefits (Pensions) | | | (66,240) |
| | | 799 | Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds | | | (1,510) |
| | | 30,411 | Other Comprehensive Income and Expenditure | | | (79,660) |
| | | 55,037 | Total Comprehensive Income and Expenditure | | | (84,937) |

| 31 March 2019 | | | 31 March 2020 | |
|---------------|------------------|--|---------------|------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | | Long Term Assets | | |
| | | Property Plant & Equipment | | |
| 359,366 | | - Other Land and Buildings | 360,940 | |
| 9,656 | | - Vehicles, Plant, Furniture and Equipment | 9,627 | |
| 214,904 | | - Infrastructure Assets | 221,154 | |
| 7,499 | | - Community Assets | 10,628 | |
| 2,741 | | - Surplus Assets | 3,254 | |
| 23,877 | | - Assets Under Construction | 36,482 | |
| | 618,043 | Total Property Plant & Equipment | | 642,085 |
| | 2,080 | Heritage Assets | | 2,086 |
| | 664 | Intangible Assets | | 583 |
| | 2,110 | Investment Property | | 2,449 |
| | 5,811 | Long-Term Debtors | | 5,663 |
| | 3,023 | Long-Term Investments | | 2,974 |
| | 5,425 | Investment in Associates and Joint Ventures | | 5,047 |
| | 637,156 | Total Long Term Assets | | 660,887 |
| | | Current Assets | | |
| 828 | | Inventories | 765 | |
| 17,774 | | Short Term Debtors (Net of Impairment) | 17,902 | |
| 2,322 | | Assets Held for Sale | 1,574 | |
| 57,500 | | Short Term Investments | 59,500 | |
| 14,647 | | Cash and Cash Equivalents | 9,778 | |
| | 93,071 | Total Current Assets | | 89,519 |
| | | Current Liabilities | | |
| (19,619) | | Short-term Borrowing | (5,943) | |
| (34,973) | | Short-term Creditors | (34,821) | |
| (7) | | Capital Grant Receipts in Advance | (7) | |
| (2,638) | | Provisions | (2,177) | |
| (5,652) | | Other Short Term Liabilities | (4,573) | |
| | (62,889) | Total Current Liabilities | | (47,521) |
| | | Long-term Liabilities | | |
| (166,071) | | Borrowing Repayable within a Period in Excess of 12 Months | (169,219) | |
| (124,865) | | Other Long-term liabilities | (120,294) | |
| (1,301) | | Provisions | (1,396) | |
| (5,000) | | Capital Grant Receipts in Advance | (5,000) | |
| (115,729) | | Other Long-term liabilities (Pensions) | (68,562) | |
| (1,935) | | Liabilities in Associates and Joint Ventures | (1,040) | |
| | (414,901) | Total Long-term Liabilities | | (365,511) |
| | 252,437 | Total Assets less Liabilities | | 337,374 |

| 31 March 2019 | | | 31 March 2020 | |
|---------------|----------------|--|---------------|----------------|
| £'000 | £'000 | | £'000 | £'000 |
| 115,150 | | Unusable Reserves | | |
| 195,045 | | - Revaluation Reserve | 126,560 | |
| (3,176) | | - Capital Adjustment Account | 221,163 | |
| (115,729) | | - Financial Instruments Adjustment Account | (2,850) | |
| (6,112) | | - Pensions Reserve | (68,562) | |
| | | - Accumulated Absences Account | (7,048) | |
| | 185,178 | | | 269,263 |
| | | Usable Reserves | | |
| 4,352 | | - Capital Funds | 4,379 | |
| 1,696 | | - Repairs and Renewals Funds | 1,843 | |
| 49,480 | | - General Fund Balance | 49,670 | |
| | 55,528 | | | 55,892 |
| | 3,831 | Group Reserves | | 4,527 |
| | 7,900 | Common Good Reserves | | 7,692 |
| | 252,437 | Total Reserves | | 337,374 |

The Unaudited Annual Accounts were issued on 25 June 2020.

Kirsty Flanagan
Section 95 Officer
25 June 2020

Group Statement of Movement in Reserves

| Movements in 2019-20 | Argyll and Bute Council | | | | | | Council's Share of Reserves of Associates | Total Live Argyll Reserves Usable | Total Live Argyll Reserves Unusable | Total Common Good Reserves | Total Reserves |
|---|-------------------------|---------------------------|----------------|-----------------------|-------------------------|-------------------------------|---|-----------------------------------|-------------------------------------|----------------------------|------------------|
| | Usable Reserves | | | | Total Unusable Reserves | Total Reserves of the Council | | | | | |
| | General Fund Balance | Repairs and Renewals Fund | Capital Funds | Total Usable Reserves | | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | | | |
| Balance at 31 March 2019 | (49,480) | (1,696) | (4,352) | (55,528) | (187,139) | (242,667) | (3,490) | (341) | 1,961 | (7,900) | (252,437) |
| (Surplus)/Deficit on Provision of Services | (7,134) | - | - | (7,134) | - | (7,134) | 993 | 656 | - | 208 | (5,277) |
| Other Comprehensive Income and Expenditure | - | - | - | - | (76,570) | (76,570) | (1,510) | (1,580) | - | - | (79,660) |
| Total Comprehensive Income and Expenditure | (7,134) | - | - | (7,134) | (76,570) | (83,704) | (517) | (924) | - | 208 | (84,937) |
| Total Statutory Adjustments (See Page 48 to 49) | 6,770 | - | (1,974) | 4,796 | (4,796) | - | - | 745 | (745) | - | - |
| Net (Increase)/Decrease before Transfers to Other Statutory Reserves | (364) | - | (1,974) | (2,338) | (81,366) | (83,704) | (517) | (179) | (745) | 208 | (84,937) |
| <i>Other Transfers required by Statute</i> | | | | | | | | | | | |
| Transfer to/from Other Statutory Reserves | 174 | (147) | 1,947 | 1,974 | (1,974) | - | - | - | - | - | - |
| (Increase)/Decrease in Year | (190) | (147) | (27) | (364) | (83,340) | (83,704) | (517) | (179) | (745) | 208 | (84,937) |
| Balance at 31 March 2020 Carried Forward | (49,670) | (1,843) | (4,379) | (55,892) | (270,479) | (326,371) | (4,007) | (520) | 1,216 | (7,692) | (337,374) |

Group Statement of Movement in Reserves

| Comparative Movements in 2018-19 | Argyll and Bute Council | | | | | | Council's Share of Reserves of Associates | Total Live Argyll Reserves Usable | Total Live Argyll Reserves Unusable | Total Common Good Reserves | Total Reserves |
|---|-------------------------|---------------------------|----------------|-----------------------|-------------------------|-------------------------------|---|-----------------------------------|-------------------------------------|----------------------------|------------------|
| | Usable Reserves | | | | Total Unusable Reserves | Total Reserves of the Council | | | | | |
| | General Fund Balance | Repairs and Renewals Fund | Capital Funds | Total Usable Reserves | | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | | | |
| Balance at 31 March 2018 | (50,342) | (1,515) | (4,326) | (56,183) | (240,962) | (297,145) | (4,219) | (208) | 406 | (6,308) | (307,474) |
| Surplus/(Deficit) on Provision of Services | 24,086 | - | - | 24,086 | - | 24,086 | (70) | 444 | - | (74) | 24,386 |
| Other Comprehensive Expenditure and Income | - | - | - | - | 30,392 | 30,392 | 799 | 738 | - | (1,518) | 30,411 |
| Total Comprehensive Expenditure and Income | 24,086 | - | - | 24,086 | 30,392 | 54,478 | 729 | 1,182 | - | (1,592) | 54,797 |
| Total Statutory Adjustments (See Page 50 to 51) | (23,431) | - | (383) | (23,814) | 23,814 | - | - | (1,315) | 1,555 | - | 240 |
| Net (Increase)/Decrease before Transfers to Other Statutory Reserves | 655 | - | (383) | 272 | 54,206 | 54,478 | 729 | (133) | 1,555 | (1,592) | 55,037 |
| <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 | 53,823 | 54,478 | 729 | (133) | 1,555 | (1,592) | 55,037 |
| Balance at 31 March 2019 Carried Forward | (49,480) | (1,696) | (4,352) | (55,528) | (187,139) | (242,667) | (3,490) | (341) | 1,961 | (7,900) | (252,437) |

Group Cash Flow Statement

| 2018-19 £'000 | | Group Note | 2019-20 £'000 |
|------------------|---|------------|------------------|
| 24,626 | Net Deficit on the Provision of Services | | (5,277) |
| (33,681) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | | (2,348) |
| 5,339 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 5,181 |
| (3,716) | Net Cash OutFlow from Operating Activities | 9 | (2,444) |
| 2,262 | Investing Activities | 10 | (5,460) |
| (2,117) | Financing Activities | 11 | 12,773 |
| (3,571) | Net (Increase)/Decrease in Cash and Cash Equivalents | | 4,869 |
| (11,076) | Cash and Cash Equivalents at the beginning of the Reporting Period | | (14,647) |
| (14,647) | Cash and Cash Equivalents at the end of the Reporting Period | | (9,778) |

Notes to the Group Financial Statements

1. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements on pages 56 to 69.

- The Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee financial statements have been prepared under the historic cost convention.

2. COMBINING ENTITIES

The Council has an interest in a number of Associate Entities. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's significant influence over Joint Boards and other entities.

The Associates which have been incorporated are:

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

Under accounting standards, the Council is required to include the results of the above organisations as "associates" because it has "significant influence" over their financial and operating policies. The Council has no shares in or ownership of any of these organisations which are entirely independent of the Council under law and for taxation.

Two of the three Joint Boards (SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent Councils and the Joint Boards.

Live Argyll is a wholly owned subsidiary of Argyll and Bute Council and is consolidated within the group accounts on a line by line basis.

The accounting period for all entities is 31 March 2020.

3. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council has an interest in Scotland Excel. Scotland Excel took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish Local Authority sector on 1 April 2008. Renfrewshire Council prepare the financial statements for Scotland Excel in its role as lead authority. Scotland Excel is a not-for-profit organisation funded mainly by the 32 participating Scottish Local Authorities. The Council contributed £0.068m towards Scotland Excel in the 2019-20 financial year.

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

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

4. ARGYLL AND BUTE INTEGRATION JOINT BOARD

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between the Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working)(Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the Strategic Planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. The Council contributed £59.946m towards the Argyll and Bute Integration Joint Board in the 2019-20 financial year.

The Council and NHS Highland are required to treat the IJB as a Joint Venture in their annual accounts and recognise a share of the overall surplus or deficit of the IJB for the year. All transactions are accounted for and shown within the single entity statements and therefore there is no material impact on the group accounts.

5. NATURE OF COMBINATION

The Council inherited its interest in these entities following the reorganisation of local government in 1996. An acquisition basis has been used as the basis of consolidation. However, as no consideration was given for this interest there is no goodwill involved in these instances.

6. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates, Subsidiaries and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £11.003m. This gives an overall net asset position for the Group of £337.374m.

All associates and subsidiaries have prepared their accounts on a 'going concern' basis. For Strathclyde Partnership for Transport and the Joint Valuation Board funding arrangements between the Scottish Government and constituent authorities remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue.

7. FURTHER DETAILS ON CONSOLIDATION

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.417m or 1.18% of the Board's estimated net running costs during 2019-20 and accounted for £5.010m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. During 2019-20 the Council contributed £0.207m or 5.11% of the net annual running costs and accounted for £0.037m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

Live Argyll

Live Argyll was established by Argyll and Bute Council and is limited by guarantee and was fully incorporated and commenced trading on 2 October 2017. The Trust is a charitable company registered in Scotland and provides a wide range of services within the Argyll and Bute area including libraries, leisure facilities, halls, sports development and community centres the assets of which are owned by the Council. During 2019-20 Argyll and Bute Council paid £3.615m in the form of a Management Fee to Live Argyll and accounted for £1.216m of Balance Sheet Liabilities within the Group Balance Sheet.

The board is made up of 3 independent board members, 3 Councillors and a Trade Union representative.

Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in October 1995 at Local Government reorganisation by a Statutory Instrument and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2019-20 Argyll and Bute Council contributed £1.377m towards estimated running costs and accounted for £1.040m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

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

| 2018-19 £'m | | 2019-20 £'m |
|----------------|---|----------------|
| | Argyll and Bute Council has a 48.1% share of: | |
| 2.686 | Gross Income | 2.823 |
| 0.358 | Net (Surplus)/Deficit | 0.466 |
| 0.635 | Long Term Assets | 0.636 |
| 0.682 | Current Assets | 0.711 |
| (0.121) | Liabilities due within one year | (0.113) |
| - | Liabilities due over one year | - |
| (4.821) | Pension Liability | (3.361) |
| (3.625) | Capital and Revenue Reserves | (2.127) |

8. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 47 to 48) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 37 of the Notes to the Financial Statements on pages 116 to 117 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £7.692m.

9. GROUP CASH FLOW STATEMENT – OPERATING ACTIVITIES

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| 24,626 | Net (Surplus)/Deficit on Provision of Services | (5,277) |
| | Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements: | |
| (23,431) | Statutory Adjustments through Statement of Movement in Reserves | 6,770 |
| 207 | Transfer to/from Other Statutory Reserves | 174 |
| (1,727) | Transfer Group Other Comprehensive Income and Expenditure | (2,345) |
| 289 | Increase/(Decrease) in Inventories | (63) |
| 315 | Increase/(Decrease) in Debtors | 1,368 |
| (2,721) | (Increase)/Decrease in Creditors and Provisions | 4,464 |
| (6,613) | Other Revenue Adjustments | (12,716) |
| (33,681) | | (2,348) |
| | Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities: | |
| 9,122 | Non Cash Capital | 10,832 |
| (3,783) | Capital Element of Finance Lease Payments | (5,651) |
| 5,339 | | 5,181 |
| (3,716) | Net Cash Flows from Operating Activities | (2,444) |
| | The cash flows for Operating Activities include the following items: | |
| 8,233 | Interest Paid on Borrowings | 8,474 |
| 8,413 | Interest Paid on Finance Leases | 9,748 |
| (649) | Interest Received on Bank Deposits | (358) |
| 15,997 | Net Cash Outflow from Servicing of Finance | 17,864 |

10. GROUP CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|---|------------------|
| 22,022 | Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets | 26,784 |
| 2,498 | Investments made/(disposed of) during year | 2,000 |
| (3,033) | Proceeds from the Sale of Property, Plant and Equipment and Investment Property | (1,974) |
| 36 | Net Receipts from Investment in Associates and Joint Ventures | (980) |
| (19,261) | Other Receipts from Investing Activities | (31,290) |
| 2,262 | Net Cash Outflow from Investing Activities | (5,460) |

11. GROUP CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2018-19 £'000 | | 2019-20 £'000 |
|------------------|--|------------------|
| (7,666) | Cash Receipts of Short and Long Term Borrowing | (7,052) |
| (919) | Other Receipts from Financing Activities | (2,717) |
| 3,783 | Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts | 5,651 |
| 2,685 | Repayments of Short and Long Term Borrowing | 16,891 |
| - | Other Payments from Financing Activities | - |
| (2,117) | Net Cash (Inflow)/Outflow from Financing Activities | 12,773 |

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.

Trade Union Facility Time Statement 2019-20

This information is published under the Trade Union (Facility Time Publication Requirements) Regulations 2017

Schedule 2 (Regulation 8)

Table 1: Relevant Union Officials

Total number of employees who were relevant union officials during the relevant period.

| Number of employees who were relevant union officials during the relevant period | | Full time equivalent employee number |
|--|----|--------------------------------------|
| Central Function | 22 | 23.65 |
| Education Function | 3 | 2.6 |

Note: The headcount figure for relevant union officials includes all stewards and school based reps who are elected by their peers to provide first line support for members.

Table 2: Percentage of Time Spent on Facility Time

Number of employees who were relevant union officials employed during the relevant period who spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

| Percentage of time | Number of employees | |
|--------------------|---------------------|--------------------|
| | Central Function | Education Function |
| 0% | 1 | 0 |
| 1% - 50% | 20 | 2 |
| 51% - 99% | 1 | 1 |
| 100% | 0 | 0 |

Table 3: Percentage of Pay Bill Spent on Facility Time

The percentage of the total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

| | Central Function | Education Function |
|---------------------------------|------------------|--------------------|
| The total cost of facility time | £98,738 | £45,009 |
| The total pay bill | £93,965,299 | £51,766,795 |

| | Central Function | Education Function |
|---|------------------|--------------------|
| The percentage of the total pay bill spent on facility time | 0.07% | 0.09% |

Table 4: Paid Trade Union Activities

Percentage of total paid facility time hours spent by employees who were relevant union officials during the relevant period on paid trade union activities.

| | Central Function | Education Function |
|--|------------------|--------------------|
| Time spent on paid trade union activities as percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100 | 7% | 8% |