

2021-22 UNAUDITED ANNUAL ACCOUNTS

1. EXECUTIVE SUMMARY

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2021-2022 and a summary of the significant movements from 2020-21 and asks members to approve the unaudited annual accounts for 2021-22 for issue.
- 1.2 The Comprehensive Income and Expenditure statement shows a surplus on the provision of services of £1.025m, a surplus on the revaluation of Long Term Assets of £11.143m and an actuarial gain on the pension fund assets/liability of £110.648m giving an accounting surplus of £122.816m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £122.814m from £345.370m as at 31 March 2021 to £468.184m as at 31 March 2022. The main reason for this increase is a swing in the pension scheme which went from a liability of £82.314m in 2020-21 to an asset of £4.634m in 2021-22. Our pension figures are provided by external actuaries and this increase is due to investment returns have been greater than expected leading to positive return on assets.
- 1.4 The balance of unusable reserves has increased by £103.973m from £260.585m as at 31 March 2021 to £364.558m as at 31 March 2022. The main reasons for the increase relates to the increase in the pension fund reserve referenced to above.
- 1.5 The balance of usable reserves has increased by £18.841m from £78.245m as at 31 March 2021 to £96.530m as at 31 March 2022. This is due to an increase to the General Fund of £18.285m in addition to small increases to the Capital Fund and the Repairs and Renewals Fund.
- 1.6 In respect of the General Fund Balance movement, there has been an increase of £18.285m from a balance of £78.245m to £96.530m. The increase largely relates to the timing of Scottish Government funding that was unspent at the end of the year such as COVID funding, unspent grants including LACER, ELC 1140 hours and Crown Estates and Scottish Government initiatives such as Employability and the expansion of free school meals. There are also some unspent budget proposals for Members to consider. It is expected that other Local Authorities will have a similar increase to their General Fund Balance due to the timing of the funding. There are substantial sums earmarked within the general fund amounting to £89.433m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.256m. The remaining unallocated balance amounts to £1.841m.

1.7 It is recommended that the Council:

- a) Approve the unaudited annual accounts for the year ended 31 March 2022 for issue.

2021-22 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the unaudited annual accounts for 2021-22 and a summary of the significant movements from 2020-21 and asks members to approve the unaudited annual accounts for 2021-22 for issue.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Council:

- a) Approve the unaudited annual accounts for the year ended 31 March 2022 for issue.

4. DETAIL**Introduction**

- 4.1 The annual accounts set out the financial statements of the Council and its group for the year ended 31 March 2022. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2021-22 accounts have been prepared in accordance with this Code.
- 4.2 There is a statutory requirement to prepare a set of accounts and submit them to the Council and the Controller of Audit. The date set by the Scottish Government for the submission of the unaudited annual accounts is 30 June each year.
- 4.3 Since 2010-11, local authorities have been required to prepare financial statements following International Financial Reporting Standards (IFRS). Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement to include a management commentary in the accounts. The contents of the annual accounts are summarised in the paragraphs that follows.
- 4.4 **Management Commentary:** this outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced by the Council.
- 4.5 **Statement of Responsibilities for the annual accounts:** this outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.

- 4.6 **Annual Governance Statement:** this statement states its view on the adequacy of its governance and internal control system. It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council during 2021-22 and that there are no significant weaknesses.
- 4.7 **Remuneration Report:** this report provides details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers in addition to detail on employee exit packages.
- 4.8 **Expenditure and Funding Analysis:** this shows how the Council funding is spent across services. It also compares to the expenditure shown in Comprehensive Income and Expenditure Statement (CIES) and details the differences between the two. The differences are as a result of accounting statutory adjustments that are required within the CIES, for example, depreciation, pension adjustments etc.

Comprehensive Income and Expenditure Statement (CIES):

- 4.9 This statement shows the accounting cost of providing services rather than the amount to be funded from taxation. The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with The Code. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2022.
- 4.10 The Council ended the year with a surplus of £122.816m for 2021-22, this is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure comprises of a surplus on the provision of services of £1.025m, increased by a surplus on the revaluation of Long Term Assets of £11.143m and an actuarial gain on the pension fund assets/liability of £110.648m.
- 4.11 The surplus on the provision of services of £1.025m compares to a surplus of £14.257m for 2020-21. The main factors contributing to this change is an increase in the Net Cost of Services of £25.792m, a decrease in other operating income and expenditure of £5.934m, a decrease in financing and investment income and expenditure of £0.336m and an increase in the overall funding of £6.290m.
- 4.12 The table below, sets out a reconciliation of the surplus on the provision of services of £1.025m as noted in the Statement of Comprehensive Income and Expenditure to the revenue budget outturn of £1.630m underspend.

	£000	£000
Surplus/(Deficit) on Provision of Services		1,025
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	23,325	
Impairment of Assets charged to services	1,252	
Capital Funding	(21,700)	
CFCR	(735)	
Pension Adjustment	23,700	
Statutory Repayment of Debt	(2,514)	
Repayment of Finance Leases	(4,844)	
Transfers to/from Other Statutory Reserves	(553)	
Other Adjustments	(671)	
		17,260
Movement In General Fund Balance		18,285
	£000	£000
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2021-22	18,923	
Revenue Budget 2021-22 - investment in Capital	(2,975)	
COVID allocation to reserves	(7,562)	
Repayment of Social Work Overspend by HSCP	(2,759)	
Contributions to earmarked reserves 2021-22	(22,280)	
		(16,653)
Rounding		(2)
Revenue Budget Underspend/(Overspend)		1,630

4.13 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £122.814m from £345.370m as at 31 March 2021 to £468.184m as at 31 March 2022. The major changes are set out in the table below.

	31/03/2021 £000	31/03/2022 £000	Change £000	Main Reason
Long Term Assets	671,332	687,461	16,129	Revaluation of fixed assets and addition of pension debtor due to an increase in investment returns
Current Assets	103,849	123,285	19,436	Investments previously categorised as long term now moved to short term as due to mature in less than 1 year.
Current Liabilities	(55,667)	(66,513)	(10,846)	Increase in temporary borrowing after a period of little/no borrowing during the height of the pandemic.
Long Term Liabilities	(374,144)	(276,049)	98,095	Pension liability reduced to zero as investment returns have been greater than expected leading to positive return on assets.
Total	345,370	468,184	122,814	

Statement of Movement in Reserves:

- 4.14 This shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).
- 4.15 The total Council reserves have increased from £345.370m at 31 March 2021 to £468.184m at 31 March 2022, an increase of £122.814m.
- 4.16 The balance of unusable reserves has increased by £103.973m from £260.585m as at 31 March 2021 to £364.558m as at 31 March 2022. The main reason for this increase is a swing in the pension scheme which went from a liability of £82.314m in 2020-21 to an asset of £4.634m in 2021-22 and an increase in the revaluation reserve of £10.511m which arises from revaluations of properties within the Council's 5 year rolling programme.
- 4.17 In respect of the General Fund Balance movement, there has been an increase of £18.285m from a balance of £78.245m to £96.530m and the detail on the movement in the balance is summarised within the table below. The increase largely relates to the timing of Scottish Government funding that was unspent at the end of the year such as COVID funding, unspent grants including LACER, ELC 1140 hours and Crown Estates and Scottish Government initiatives such as Employability and the expansion of free school meals. There are also some unspent budget proposals for Members to consider. It is expected that other Local Authorities will have a similar increase to their General Fund Balance due to the timing of the funding.
- 4.18 The General Fund balance at 31 March 2022 is £96.530m. The total earmarked balances amount to £89.433m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.256m. The remaining General Fund balance ("unallocated balance") amounts to £1.841m.

	£000
Balance on General Fund 31 March 2021	78,245
Social Work Repayment of Debt	2,759
Revenue Budget 2021-22 – investment in capital	2,975
Revenue Budget 2021-22 – COVID allocation to reserves	7,562
Released sums earmarked to service budgets 2021-22	(18,923)
Contributions to earmarked reserves 2021-22	22,280
Overall budget underspend as noted above	1,630
Rounding	2
Balance on General Fund as at 31 March 2022	96,530
Earmarked balances as at 31 March 2022	(89,433)
Contingency Balance 2% of budget	(5,256)
Unallocated Balances as at 31 March 2022	1,841

- 4.20 **Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. This is analysed into Operating, Investing and Financing Activities. The Cash and Cash Equivalents decreased by £15.910m to £19.728m.
- 4.21 **Notes to the Financial Statement:** The notes section provides further information and explanation on some of key figures included within the Accounts. The notes conform to the guidance issued by CIPFA/LASAAC within the Code of Practice on Local Authority Accounting.
- 4.22 **Council Tax Income Account:** This accounts shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the CIES. Council Tax rate for Band D was £1,367.73 for 2021-22 which was identical to 2020-21 due to a council tax freeze agreed by Council as part of the budget setting process. The income transferred to the general fund for Council Tax in 2020-21 was £56.242m. This compared to £54.437m in 2020-21.
- 4.23 **Non Domestic Rate Income Account:** This account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. Non Domestic Rate Income amounted to a share of £25.070m for 2021-22 allocated from the national pool. This compares to £23.284m in 2020-21. Our own net income amounted to £25.706m and we made a contribution to the national pool of £0.636m for 2021-22. These figures compared to income of £24.736m and a contribution to the national pool of £1.452m for 2020-21.
- 4.24 **Group Accounts:** Argyll and Bute Council Group comprise the following entities:
- Argyll and Bute Council
 - Dunbartonshire and Argyll and Bute Valuation Joint Board
 - Strathclyde Partnership for Transport
 - Strathclyde Concessionary Travel Scheme Joint Committee
 - Live Argyll (Leisure Trust).

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

- 4.25 The effect of inclusion of the Associates, Subsidiary and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £24.186m. This gives an overall net asset position for the Group of £492.370m, an increase of £130.400m from the previous year. As with the single entity Balance Sheet, the increase is mainly due to the swing in the pension scheme which went from a liability of £88m in 2020-21 to an asset of £1m in 2021-22.

5. CONCLUSION

- 5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has increased by £18.285m,

after taking into consideration the movement during the year, the end of year outturn position and the new earmarkings. The net worth per the balance sheet has increased by £122.814m to £468.184m. Overall the financial position of the Council remains stable.

6. IMPLICATIONS

6.1	Policy –	None.
6.2	Financial -	None, summarises the financial position for 2021-22
6.3	Legal -	None.
6.4	HR -	None.
6.5	Fairer Scotland Duty -	None.
6.5.1	Equalities -	None
6.5.2	Socio-Economic -	None
6.5.3	Islands Duty -	None
6.6	Climate Change -	None.
6.7	Risk -	None.
6.8	Customer Service -	None.

Kirsty Flanagan
Executive Director/Section 95 Officer
21 June 2022

Gary Mulvaney - Policy Lead for Finance and Commercial Services

Appendix 1 – Unaudited Annual Accounts 2020-22

For further information contact Anne Blue, Interim Head of Financial Services
anne.blue@argyll-bute.gov.uk

Argyll and Bute Council



Comhairle Earra Ghàidheal agus Bhòid



Unaudited Annual Accounts
for the year ended 31 March 2022

LANGUAGE OPTIONS

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

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

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

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

**Financial Services
Argyll and Bute Council
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1. INTRODUCTION

Welcome to the financial statements for Argyll and Bute Council and its group for the year ended 31 March 2022. 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 2021-22 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 Profile

ARGYLL AND BUTE FACTS – PLACE

POPULATION



85,430

Giving a population density of approximately 12 people per square kilometre which is the third lowest in Scotland



Argyll and Bute population has decreased by 0.51%

This was mainly driven by a decline in the 25-44 age group

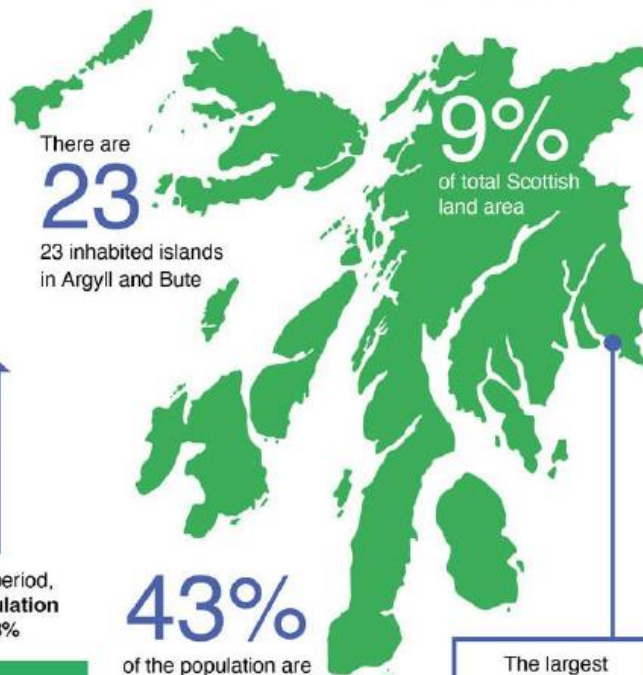
Between 2008 and 2020



Over the same period, Scotland's population rose by 0.38%

This is the third largest decline in population by a council area in Scotland

Islands account for **17%** of the population



There are **23** 23 inhabited islands in Argyll and Bute

Argyll and Bute covers over

2,668

square miles and is the second largest local authority by area in Scotland.

9% of total Scottish land area

43% of the population are classed as living in remote rural areas

The largest settlement is **Helensburgh** with a population of **15,160** people

Argyll and Bute Facts – Our Council

ELECTED MEMBERS



36

in total across Argyll and Bute

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



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

ELECTORAL WARDS

- Cowal
- Dunoon
- Helensburgh Central
- Helensburgh and Lomond South
- Isle of Bute
- Kintyre and the Islands
- Lomond North
- Mid Argyll
- Oban North and Lorn
- Oban South and the Isles
- South Kintyre

THE COUNCIL IS A MAJOR EMPLOYER IN ARGYLL AND BUTE

4,663

Employed across Argyll and Bute Area



There are

3,557

full time equivalent employees

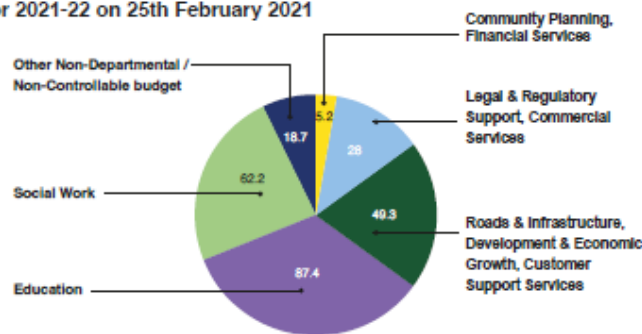


The Council has set the revenue budget for 2021-22 on 25th February 2021

The total revenue budget is

250.8M

Financed by Scottish Government Grant of £205.7m and Council tax of £52.9m (some of this funding was transferred to support the capital programme and create a COVID provision in reserves)



3. MISSION AND PRIORITIES

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

Service Plans are also agreed and detail the measures, targets and timescales to achieve the required results. Service Plans are aligned to the Corporate Plan and the Argyll and Bute Outcome Improvement Plan. Our Corporate Plan 2018-2022 can be found on the Council website.

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

Management Commentary

Our six outcomes are:

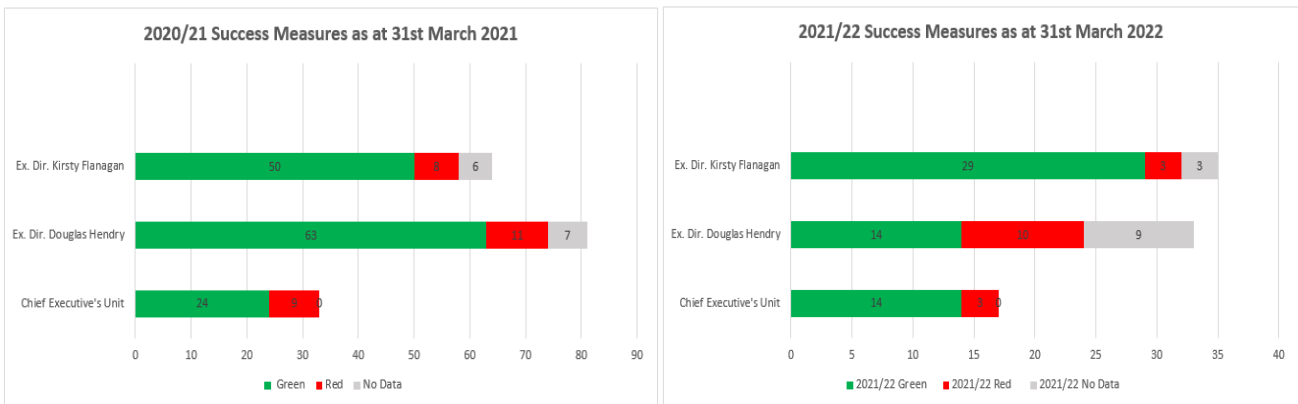
- People live active, healthier and independent lives
- People will live in safe and stronger communities.
- Children and young people have the best possible start
- Education skills and training maximise opportunities for all
- Our Economy is diverse and thriving
- We have an infrastructure that supports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

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 2021-22 we have tracked our progress on delivering our outcomes through 17 business outcomes and 85 success measures which are recorded on the Council’s scorecard. Progress is identified using a Red or Green status indicator to track performance. Of the 85 success measures in 2021-22 of which 57 were green (67%), 16 were red (19%) and for 12 (14%) no data is currently available.

For comparison purposes as at 31 March 2021, there were 178 success measures and 137 were green (77%), 28 were red (16%) and 13 had no data (7%). An analysis by department is shown below. It should be noted that Covid has had an impact not just on our performance but also the ability for collecting and collating data. As a result the status of some measures that are currently displaying red or off-track may change in due course as data becomes available.

2020-21 and 2021-22 Success Measures Performance as at 31 March



Some of our achievements, and the challenges we faced, in relation to the Council’s agreed Corporate Outcomes are highlighted below.

People Live Active Healthier and Independent Lives

The empty homes services has an empty homes officer (EHO) who has an overall remit to assist and encourage owners to bring empty homes back into use. Wider outcomes, working in partnership include:

- Over 500 empty homes brought back into use.
- First Empty Homes Compulsory Purchase Order concluded - renovation works undertaken with no financial support and flat leased as private let.



- Worked in conjunction with Mull and Iona Community Trust to undertake joint communication exercise with all registered empty home owners on the Island.
- Hebridean Trust in Tiree supported by the EHO to drive forward plans for the long term use of all their buildings whilst assisting them to bring six listed empty flats back into use. Due to the scale of scheme, the EHO established a working group of relevant partners to maximise support to take this project forward.
- The EHO is working with Islay Development Initiative to bring two empty flats back into use as affordable housing. This also provides unique opportunity to consider a plug and play model on the grounds of property for additional housing provision.
- Winner of outstanding team and Scottish Empty Homes Conference 2022.

People will live in safer and stronger communities

The Trading Standards Team initially maintained a reactive presence, which, as restrictions allowed moved to a proactive planned approach. This despite Covid, impacts allowed the Team to deal with a high proportion of all premises identified as high risk.

Developed the Community Safety Partnership Strategy 2021-2023 which underpins the Argyll and Bute Outcome Improvement Plan and sets out strategic priorities in relation to:

- We live in a safe and positive community
- We encourage safer road and water use
- Our natural and built environment is protected
- Our communities are supported and included.

It also identifies how key partners including the Council, Police Scotland, Scottish Fire and Rescue Service, HM Coastguard, Health & Social Care Partnership (HSCP), Third Sector Interface (TSI) and local groups will bring together resources to ensure that Argyll and Bute is a safer place to live, work and visit.



Community Safety Partnership Strategy 2021-2023 Argyll and Bute

Education skills and training maximise opportunities for all

The level of participation in education, training or employment for 16-19 year-olds in Argyll and Bute in the data released in September 2021 was 93.5%. Although constituting a slight fall from the 2020 measure of 94.1%, the Argyll and Bute figure is still 1.3% above the national average and the Authority remains in the top 10 authorities nationally for participation levels. Strong and enhanced partnership working between Education, Developing the Young Workforce, Skills Development Scotland and third sector partners, involving training and sharing of data, is contributing to the Authority's strong performance in participation.

Children and young people have the best possible start



MAKI Pups Outdoor Nursery opened in 2021, and is operated by ACT – Argyll and the Isles Coast and Countryside Trust. Their vision provides for 3-5 year old children and their families from the Mid Argyll area, to develop an appreciation and ownership for their natural environment, the ability to understand and enjoy the adventures and challenges that outdoor learning offers. The Nursery are passionate about the positive impact, both physically and emotionally, that being outdoors can have on the youngest children. They want the best for our children, as they start on their journey into lifelong learning and strongly believe that the outdoor environment will provide children with the opportunity to grow, learn and develop into young people and adults who care for, respect and appreciate their world and everything in it.

MAKI Pups Outdoor Nursery is set against the backdrop of Kilmory Council headquarters, and uses the Curriculum for Excellence and other national framework and documentation to provide a curriculum based on the seven design principles and promoting inclusion for all. The Nursery offers fully funded early learning childcare and private wraparound care. At the nursery, children have a variety of areas where they have access to – mud kitchens, firepit area where they can enjoy their snack and, tell and hear stories, and the hobbit house. There are plans for the children to grow their own herbs and other foods, all of which helps children learn about a more sustainable future.

The site the Nursery is situated on, is owned by the Council, and the Council will maintain and improve existing facilities and provide a new “hobbit house” shelter and waterless toilets for the nursery. Children are heavily involved in how the Nursery will grow – they have access to children's tools to help with making their own equipment and play areas – children are taught the philosophy in relation to loose materials, for example wood and tyres, that “something can make anything”.

Management Commentary

Our economy is diverse and thriving

A Rothesay Townscape Heritage (TH) grant of £311,601 supported the comprehensive repair of a prominent listed building in multiple ownership, serving to safeguard the property for future generations whilst helping to lift the appearance of Rothesay's town centre.

Before



After



Traditional materials and methods of repair were used to ensure best practice, and align with Historic Environment Scotland's Advisory Standards of Repair. Works encompassed roof works, including leadwork, chimney and skew repairs, as well as substantial masonry works to front, rear and gable elevations, which included stone indents and stone replacements, as well as full re-pointing and structural repairs. Rainwater goods and dormer windows were also restored and the roof inspected for rot and treated accordingly. Timber sash and case windows were restored, and uPVC windows replaced in timber. New close doors were added to front and rear.

Rothesay TH is a heritage-led partnership project that is funded by National Lottery Heritage Fund, Historic Environment Scotland, Argyll and Bute Council, Highlands and Islands Enterprise, Smarter Choices Smarter Places and LEADER. The partnership funding totals, £2,746,049. It is anticipated with private owner contributions included, the total value of the project will be in excess of £3.2m. The programme is being delivered over a 5 year period, and will conclude on 31st March 2023.

Our economy is diverse and thriving

In response to community concerns, as tourism opened up after Covid restrictions, we developed and promoted our 'Have a great time. Be a great visitor' message and campaign, bringing together information from different organisations.



We have an infrastructure that supports sustainable growth

Over the course of 2021/22 we have progressed with a number of ambitious marine engineering schemes designed to guarantee safe and sustainable future transport connectivity for our island communities. These include:

Craignure - Developing the concept of this scheme towards a detailed design including significant public engagement where a community group is working with council on elements of the design process.

Fionnphort/Iona - At this location we are progressing a £20million scheme to replace/renew key pieces of marine infrastructure to allow for full and unfettered access to and from Iona.



We have an infrastructure that supports sustainable growth



Towards the end of the financial year, we were successful in securing a £5.5m grant for bridges and structures improvements/replacement. This will enable a number of bridges to be strengthened and/or replaced over the coming years, providing more resilience to transport infrastructure whilst also reducing some of the routine revenue maintenance work.

We have an infrastructure that supports sustainable growth

The Council is working towards the 2025 Biodegradable Municipal Waste (BMW) ban and the end of the Waste PPP contract in 2026. While these significant changes are some years in the future the planning is already underway. The BMW ban will pose a significant and ongoing financial risk to the Council. Officers are currently engaged on a number of fronts working with Scottish Government and neighbouring local authorities to plan for/reduce the impact. It is likely that Argyll and Bute will need additional transfer stations particularly in the Helensburgh and Lomond area to help create logistical efficiency.



4. FINANCIAL PERFORMANCE 2021-22



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

Revenue: Outturn against Budget

The performance against budget for financial year 2021-22, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £1.630m, 0.59% as summarised in the table below. (The corresponding position for 2020-21 was an underspend of £0.188m, 0.07%.)

2021-22 Final Revenue Budget Outturn

	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	5,308	5,326	18	0.34%
Executive Director (Douglas Hendry)	115,160	115,383	223	0.19%
Executive Director (Kirsty Flanagan)	49,123	49,697	574	1.16%
Total Departmental Expenditure	169,591	170,406	815	0.48%
Joint Boards	1,490	1,496	6	0.40%
Loans Charges	9,382	9,382	0	0.00%
Pension Costs	1,798	1,745	(53)	(2.99%)
Other	9,664	9,279	(385)	(4.15%)
Total Central Expenditure	22,334	21,903	(432)	(1.97%)
Social Work	62,871	62,871	0	0.0%
Total Social Work Expenditure	62,871	62,871	0	0.0%
Total Expenditure	254,796	255,098	383	0.12%
Total Funding	278,706	277,459	1,247	0.45%
UNDERSPEND			1,630	

Management Commentary

Within the Chief Executive’s Unit (Community Planning and Finance) there was a small underspend which was largely due to a reduction in travel costs as a result of COVID-19 restrictions and new ways of working.

Within the remit of Executive Director Douglas Hendry (Education, Legal and Regulatory Support and Commercial Services) the main underspends were due to an over recovery of vacancy savings, reduced catering in schools due to less demand as a result of COVID-19, reduced running costs within Early Learning and Childcare and an underspend in NPDO and Hub Schools arising from insurance savings and the settlement of historic disputed cost reductions. The main overspends related to external residential placements within Education.

Within the remit of Executive Director Education Flanagan (Roads and Infrastructure, Development and Economic Growth and Customer Support Services) the main underspends were due to the over recovery of vacancy savings, additional income within Environmental Health, one-off income in Housing and additional planning fee income. The main overspends were due to the under recovery of building warrant fees and transportation project costs.

The main reason giving rise to the overspend in central costs was due to insurance costs being higher than budget by £0.339m.

Social Work, managed by the Health and Social Care Partnership, were underspent by £1.738m this was after accounting for repayment of outstanding debt to the Council of £2.759m therefore clearing the balance of any debt owed to zero. As per CIPFA/LASAAC Guidance, the remaining underspend on the HSCP has been recognised as a creditor on the Council’s balance sheet making the funds available to Social Work to spend in future years.

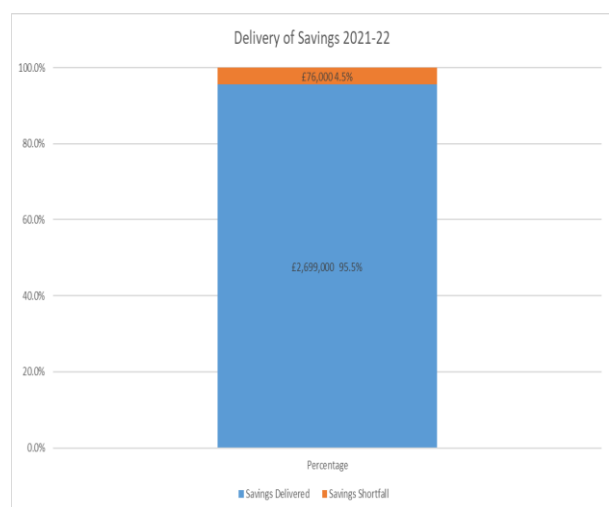
There was a favourable position in relation to Council Tax funding, where collection rates were greater than anticipated and this was assisted by £0.450m of Low Income Pandemic Payments (LIPP) that were credited directly to Council Tax accounts.

The overall favourable position for Departmental and Central Expenditure Budgets has provided the opportunity to earmark unspent budget for specific purposes aligned to the objectives, priorities and targets of the Council.

Delivery of 2021-22 Agreed Savings

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

Budget savings of £2.699m (64 saving options) were agreed for 2021-22. These, and savings agreed in previous years which had to be delivered in 2021-22 totalling £0.076m (17 saving options), were monitored throughout the year. The chart on the right shows the overall delivery of savings and any shortfall was absorbed within departmental resources as is evidenced from the overall departmental underspends. These saving options are all recurring in nature.



Capital: Outturn against Budget

The net 2021-22 capital expenditure was £24.831m compared to an annual budget of £31.012m, (adjusted for previously agreed slippages, accelerations and virements) giving rise to a year end slippage/underspend of £6.181m (19.9%). There are a number of under and (overspends) within the outturn position, the most significant are noted below:

Project	(Over) / Under Spend (£m)
Harbour Investment Programme	2.484
Education (Asset Sustainability)	0.889
Roads and Infrastructure (Asset Sustainability)	0.670
Shared Office Accommodation (Asset Sustainability)	0.547
Clean Energy/Climate Change	0.464
HSCP Projects	0.250
Helensburgh Waterfront Development	0.238
Campbeltown Flood Scheme	0.231
Live Argyll Projects	0.142
Nature Restoration Fund	0.108

After accounting for previously agreed slippages, the total slippage in the capital programme in 2021-22 was £28.217m. As reported in Audit Scotland's Financial Overview 2020-21, capital expenditure across Scotland's councils reduced by more than 20% as a result of COVID, impacting both cost and delivery plans. This is something that has continued in 2021-22.

There are 180 projects within the Capital Plan: 94 of the projects are complete or on track which equates to 52%.

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 2021-22 budget on 25 February 2021 and the amount approved for Social Work services transferring to the Integration Joint Board for 2021-22 was £62.211m. The budget figures quoted in the previous outturn table include in-year adjustments.

In terms of the outturn position, the HSCP has reported a breakeven position for 2021-22 and has repaid the £2.759m balance owed to the Council in relation to the debt which had accumulated from overspends in previous years. The early repayment of this debt places the HSCP in an improved financial position which will enable it to accelerate its service transformation programme. The Council has a creditor totalling £2.201m on its balance sheet in relation to earmarked reserves which the Council holds on behalf of the HSCP. The earmarked balance comprises £1.519m of Scottish Government funding for a range of specific Scottish Government Initiatives and £0.682m for service transformation and infrastructure investment.

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 (CIES)

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

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2021-22. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2022. Internal income also requires to be removed between segments within the CIES.

During 2021-22 the Council managed a range of COVID support funding made available by the Scottish Government. The disclosure of these transactions in the Council's financial statements depends on whether the Council is acting as an agent (i.e. acting as an intermediary) or a principal (acting on its own behalf). LASAAC Guidance on Accounting for Coronavirus Grants has confirmed that where the Council is acting as an agent it should not recognise the transactions as income or expenditure in the Comprehensive Income and Expenditure Statement although it is necessary to recognise a creditor (where funding from the Scottish Government has been provided in advance) or debtor (where funding is provided in arrears) in the Balance Sheet. This guidance has been applied to the Council's 2021-22 financial statements.

Reconciliation of CIES to Revenue Budget Outturn

A reconciliation of the Surplus on the Provision of Services of £1.025m as noted in the CIES to the revenue budget outturn of £1.630m underspend is shown below.

Reconciliation of CIES to Revenue Budget Outturn

	£000	£000
Surplus/(Deficit) on Provision of Services		1,025
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	23,325	
Impairment of Assets charged to services	1,252	
Capital Funding	(21,700)	
CFCR	(735)	
Pension Adjustment	23,700	
Statutory Repayment of Debt	(2,514)	
Repayment of Finance Leases	(4,844)	
Transfers to/from Other Statutory Reserves	(553)	
Other Adjustments	(671)	
		17,260
Movement In General Fund Balance		18,285
	£000	£000
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2021-22	18,923	
Revenue Budget 2021-22 - investment in Capital	(2,975)	
COVID allocation to reserves	(7,562)	
Repayment of Social Work Overspend by HSCP	(2,759)	
Contributions to earmarked reserves 2021-22	(22,280)	
		(16,653)
Rounding		(2)
Revenue Budget Underspend/(Overspend)		1,630

Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2022 and explanatory notes are provided. The net worth of the Council has increased by £122.814m from £345.370m as at 31 March 2021 to £468.184m as at 31 March 2022. The major changes are set out in the table below.

Main Balance Sheet Changes

	31/03/2021 £000	31/03/2022 £000	Change £000	Main Reason
Long Term Assets	671,332	687,461	16,129	Revaluation of fixed assets and addition of pension debtor due to an increase in investment returns
Current Assets	103,849	123,285	19,436	Investments previously categorised as long term now moved to short term as due to mature in less than 1 year.
Current Liabilities	(55,667)	(66,513)	(10,846)	Increase in temporary borrowing after a period of little/no borrowing during the height of the pandemic.
Long Term Liabilities	(374,144)	(276,049)	98,095	Pension liability reduced to zero as investment returns have been greater than expected leading to positive return on assets.
Total	345,370	468,184	122,814	

Provisions

The Council has provisions totalling £4.310m on the Balance Sheet as detailed in Note 28 to the Accounts. The larger provisions, those £0.250m or over, are summarised below.

- £1.989m for landfill sites. A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council at Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.
- £1.483m for NPDO and Hub DBFM Payments. This provision is held in relation to disputed performance deductions and unbilled utility costs.

Pension Asset

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 assets of the 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 asset relates to benefits earned by existing or previous employees up to 31 March 2022.

There has been a significant change in the pension valuation from a £82.314m liability in 2020-21 to a £4.634m asset in 2021-22. This is as a result of investment returns being greater than anticipated by our actuaries leading to positive return on assets.

The pension liability or asset can fluctuate significantly year on year. The table below shows the pension liability or asset 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	2020-21 £000	2021-22 £000
Pension (Liability)/Asset	(67,346)	(82,314)	4,634

Borrowing

During 2021-22 the Council's external borrowing increased by £4.9m from £170.4m as at 31 March 2021 to £179.5m as at 31 March 2022. The increase was due to temporary borrowing taken out at the year end for cash flow purposes.

The Council was under borrowed by £14.4m at 31 March 2022. This was due to higher than normal levels of cash balances partly due to slippage in the capital programme meaning there was no requirement to borrow at this stage.

The Council's 2022-23 'Treasury Management Strategy and Annual Investment Strategy' was approved at the full Council meeting on 24 February 2022 and outlines the Council's capital prudential and treasury indicators.

Statement of Movement in Reserves

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

The balance of unusable reserves has increased by £103.973m from £260.585m as at 31 March 2021 to £364.558m as at 31 March 2022. The main reason for this movement is the increase in the pensions reserve noted earlier in this commentary plus smaller accounting adjustments required through the Capital adjustment account and revaluation reserve.

The balance of usable reserves has increased by £18.841m from £84.785m as at 31 March 2021 to £103.626m as at 31 March 2022. This is due to an increase to the General Fund of £18.285m in addition to small increases to the Capital Fund outlined in Note 33.1 and the Repairs and Renewals Fund outlined in Note 33.2.

In respect of the General Fund Balance movement, there has been an increase of £18.285m from a balance of £78.245m to £96.530m and the detail on the movement in the balance is summarised within the table below. The increase largely relates to the timing of Scottish Government funding that was unspent at the end of the year such as COVID funding, unspent grants including LACER, ELC 1140 hours and Crown Estates, and Scottish Government Initiatives such as Employability and the expansion of free school meals. It is expected that other Local Authorities will have a similar increase to their General Fund Balance due to the timing of the funding. Detail on all the earmarking is included within Note 5 to the Accounts.

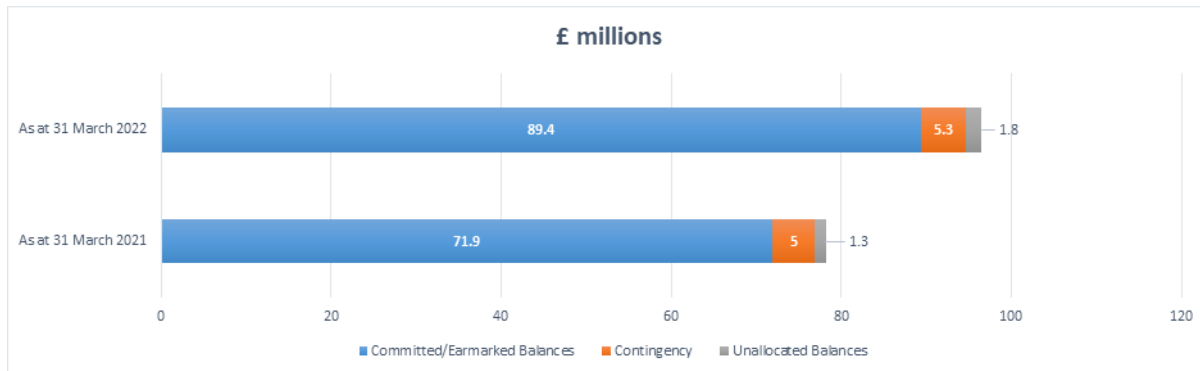
Movement on General Fund Balance

	£000
Balance on General Fund 31 March 2021	78,245
Social Work Repayment of Debt	2,759
Revenue Budget 2021-22 – investment in capital (held in reserves)	2,975
Revenue Budget 2021-22 – COVID allocation to reserves	7,562
Released sums earmarked to service budgets 2021-22	(18,923)
Contributions to earmarked reserves 2021-22	22,280
Overall budget underspend as noted above	1,630
Rounding	2
Balance on General Fund 31 March 2022	96,530

General Fund Balance

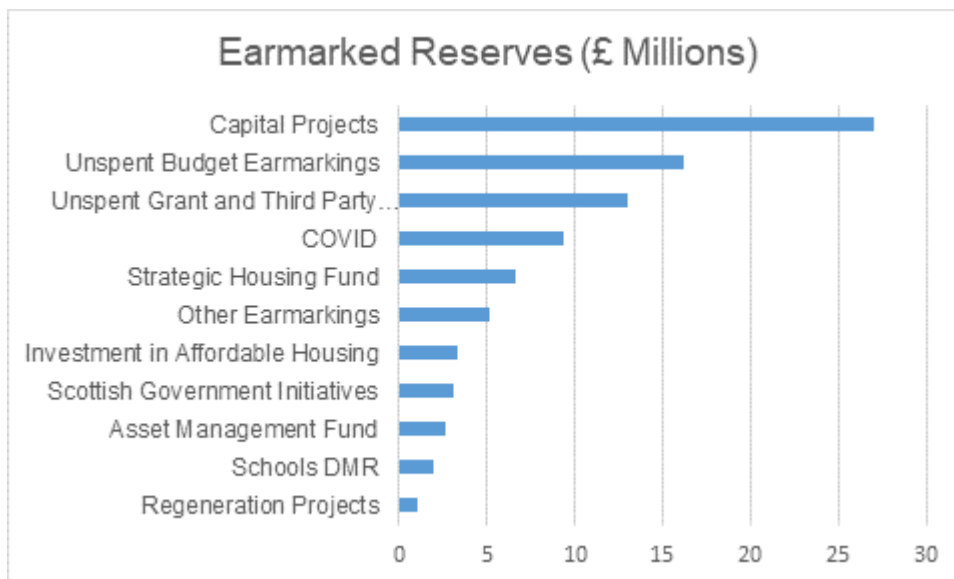
The chart below shows what is included within the General Balance as at 31 March 2022 with a comparison to the position as at 31 March 2021.

General Fund Balances as at 31 March 2021 and 31 March 2022



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

Earmarked Balances held in the General Fund as at 31 March 2022



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 £24.186m. This gives an overall net asset position

for the Group of £492.370m, an increase of £134.400m from the previous year. The most significant increase is the swing in the pension position from a liability in 2020-21 to an asset in 2021-22 and the increase in the General Fund Balance as noted earlier in the commentary.

The Argyll and Bute 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 £62.871m towards the Argyll and Bute Integration Joint Board in the 2021-22 financial year. All transactions are accounted for and shown within the single entity statements and the IJB are treated as a Joint Venture within the Group Accounts therefore a share of their overall surplus and net assets have been recognised in the Group Statements.

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

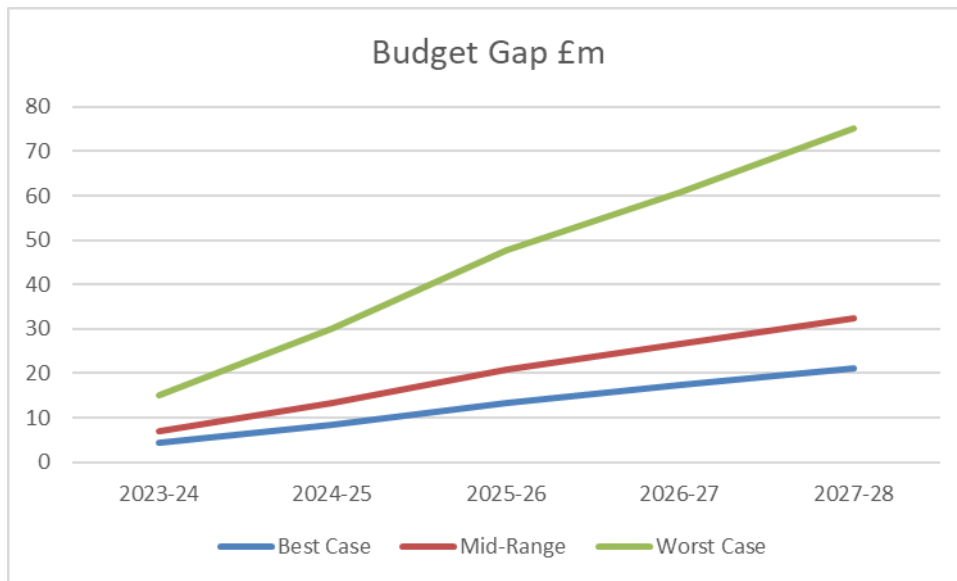
Financial Indicator	2020-21	2021-22	Comment
Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure	2.53%	2.70%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. The 2021-22 position is similar to the 2020-21 one and confirms there are sufficient reserves to meet any unplanned expenditure.
Movement in the Unallocated General Fund Balance	No Change	£0.5m	Reflects the extent to which the Council is using its Unallocated General Fund Balance (excluding contingency). A small increase in the 2021-22 balance reflects a degree of stability in the Council's financial position.
In-year Council Tax collection rate	96.12%	96.28%	Reflects the Council's effectiveness in collecting Council Tax debt compared to a target of 96%. The target continues to be exceeded.
Ratio of Council Tax Income to Overall Level of Funding	18.87%	19.08%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income.
Actual Outturn compared to budgeted expenditure	£0.188m 0.07%	£1.630m 0.59%	A measure of how the final outturn compares to the budgeted position. The surplus is a reflection of the effectiveness of the Council's financial management.
Capital Financing Requirement (CFR) for the current year	£296.662m	£309.092m	Measurement of requirement to borrow for capital purposes. The increase in 21-22 reflects the gradual recovery of the capital programme after the impact of the COVID-19 pandemic.
External Debt Levels for the current year	£168.805m	£177.934m	Actual borrowing for capital investment levels. Increase in 2021-22 due to temporary borrowing taken at the year end for cash flow purposes.
Ratio of financing costs to net revenue stream	4.35%	3.37%	Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less that is available to meet other revenue expenditure therefore the 2021-22 ratio reflects an improved position.

7. OUTLOOK

A five year financial outlook informing Council of the estimated budget gap covering the period 2022-23 to 2026-27 using best case, worse case and mid-range scenarios was kept up to date during 2021-22 and presented to the Policy and Resources Committee in May, August, October and December 2021.

Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however, the assumptions used to inform the outlook are reviewed and updated regularly. The Council has a strong track record in financial management as recognised by previous years annual external audit reports and the Council's Best Value report issued in May 2020. The chart below shows the cumulative budget gap over the next five years as reported to the Policy and Resources Committee on 16 June 2022.

Cumulative Budget Gap 2023-24 to 2027-28 as reported on 16 June 2022



Budget Strategy

A report to Council on 24 June 2021 set out the approach to the 2022-23 revenue budget process and identification of savings to balance the 2022-23 budget. It was agreed that a cross party Budget Working Group (BWG) be established comprising six elected members from the administration, three elected members from the opposition and two Trade Union representatives. The BWG's role was to engage with officers and provide a sounding board to assist in the development and identification of savings options. It does not have any decision making authority but can report to and make recommendations to either the Council or the Policy and Resources Committee. Its primary purpose was to assist in the savings identification process and provide a degree of scrutiny over options as they are being developed.

New savings options were identified by officers and presented to the BWG at meetings held on 21 September 2021 and 2 November 2021, 16 December 2021 and 20 January 2022. The BWG agreed a suite of options which were presented to the Policy and Resources Committee on 9 December 2021 which would deliver £2.522m in savings in 2022-23, some were one-off and some were recurring. The BWG met again on 16 December 2021 and 20 January 2022 which has resulted in the savings options being further refined with the additional of two new savings options totaling £0.280m in 2022-23.

The Council continues to be committed to developing multi-year savings proposals with a focus on longer term planning. The additional work and pressure on teams as a result of COVID during 2021-22 meant that there had to more of a focus on balancing the 2022-23 budget, however, some of the savings options impact on future years. The Scottish Government Resource Spending Review published on 31 May 2022 is hoped to provide sufficient information to allow Council's to plan with more certainty as it

will set out the spending plans for the remainder of the parliament term 2023-24 to 2026-27. As with previous years, it is the intention to establish a cross party Budget Working Group who would meet early August to commence the budget discussions for 2023-24 and beyond.

COVID Pandemic

The COVID pandemic is now showing signs of receding, however, much work relating to recovery and renewal is still being undertaken. The Council still have COVID related funding as we move into financial year 2022-23 including the Recovery and Renewal Fund, Local Authority Covid Economic Recovery Fund monies (as reported to Council on 28 April 2022) as well as a provision for capital contract increases. We are experiencing significant increases in prices for capital works due to issues such as disruptions to the supply chain for both labour and materials and longer lead times in relating to the construction sector and material availability.

Cost of Living Crisis

The 'cost of living crisis' refers to the fall in 'real' disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021. It is being caused predominantly by high inflation outstripping wage and benefit increases and has been further exacerbated by recent tax increases including National Insurance (cost to the Council in 2022-23 is £0.850m). As well as affecting individuals, the cost of living crisis is having a significant impact on Council services.

The latest inflation data has the current CPI at 9% in the 12 months to April 2022. The Bank of England aims to keep the CPI rate of inflation at 2% plus or minus 1% (i.e. between 1% and 3%). As a result of the rising inflation, the Council is seeing significant increases in all areas of supplies, but specifically in utilities and fuel costs and it will be extremely challenging to contain spending within current resources.

The pay award for 2022-23 has still to be agreed and there is increasing pressure from the Trade Unions to have a fair and equitable increase in light of the current cost of living. The Trade Unions have noted the rise in energy prices, transport costs, food prices and the current rate of inflation, in addition to the increase in National Insurance Contributions as the main reasons for their pay claim. The Council have budgeted 2% for pay inflation in line with two thirds of other Councils as this is deemed to be affordable, however, this falls well short of the Trades Unions request. Every 1% over and above what is budgeted would add an additional pressure of circa £1.5m to the Council's expenditure.

These cost of living increases come at a time when the Scottish Government Resource Spending review published on 31st May 2022 advises that the funding to Local Government will remain as flat cash until 2026-27.

Rural Growth Deal

The Council continues to take forward the £70m Rural Growth Deal (RGD) following the signing of the Heads of Terms in February 2021. Both UK and Scottish Governments are contributing £25m each with a further £20m (at least) match funding from the Council and partners. The focus is now on developing outline business cases and linking to new and evolving funding streams that can increase the economic and social benefits of the deal on our communities. A programme office is now established and good progress is being made on the outline business cases.

Levelling Up Fund

The UK Government's Levelling Up Fund was announced by the Chancellor at the 2020 Spending Review. It is a fund jointly managed by HM Treasury, the Department for Levelling Up, Housing & Communities and the Department for Transport. It is worth £4.8 billion and is intended to support capital investment projects in town centre and high street regeneration, local transport projects, and cultural and heritage assets which must be bid for via a competition.

The fund focuses investment on projects that require up to £20m of funding. There is however no minimum bid level. For higher-value transport schemes, there is also scope in securing investment in larger projects up to £50m by exception, but these will be subject to more detailed business case processes and will need to score highly overall across the bidding criteria.

The Council is working up two bids (£20m regeneration bid and £50m transport bid) which will be submitted by the deadline of 6 July 2022. The council has chosen to prepare packaged bids to better reflect the economic, population and geographic challenges of Argyll and Bute as a predominately rural region. It is considered that these bids could be potentially transformational for our economy, as a place to live, invest and visit. The bids take account of strict delivery deadlines of the fund spending profile and the need to reach net zero. The fund is highly competitive with no guarantee of success however all of the work to date has helped to develop the different project elements of each bid package to a shovel ready status.

It is expected that we will hear around October 2022 as to whether the Council has been successful in the bids.

Risks

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

The SRR currently has 12 strategic risks which are categorised using a RAG (Red, Amber, Green) Status based on the residual impact and likelihood of crystallisation after accounting for mitigation measures. There are currently three risks classified as red as set out in the diagram below which also summarises the current mitigating actions. These are issues that the Council continues to manage through programmes of work such as the Rural Growth Deal, and the Levelling Up Fund, also the progression of a new Waste Strategy with a particular focus on the 2025 ban on Biodegradable Municipal Waste and reviewing contingency plans and disaster recovery plans in relation to Cyber Security.

Economic and Population Decline

- Maximise external funding
- Rural Growth Deal
- Levelling Up Fund
- Promote and market Argyll and Bute

Waste Management

- Developing options for new Waste Strategy
- Planning for impact of Bio-degradable Municipal Waste Ban 2025
- Planning for impact of Scottish Deposit Return Scheme

Cyber Security

- Contingency Planning
- Raising Cyber Security awareness
- Disaster Recovery Plan
- Work with Scottish Government Cyber Resilience Team

8. CONCLUSION

The Council has continued to have good financial planning arrangements in place in 2021-22, and have managed the additional complexities and pressures brought about by COVID to ensure they operated within budget in 2021-22 and are in a strong position to manage the financially challenging times which remain ahead including the uncertainty about future funding levels and the longer term impact COVID will have on the national and local economies. The Council are committed to deliver the best services to the people of Argyll and Bute within the available resources and to supporting local business recover from the impact of COVID.

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 Robin Currie
Leader

Pippa Milne
Chief Executive

Kirsty Flanagan
Section 95 Officer

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

SECTION 95 OFFICER RESPONSIBILITIES

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

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates on a reasonable basis;
- complied with legislation;
- complied with the Local Authority Accounting Code of Practice 2021-22 (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 2022.

Kirsty Flanagan
Section 95 Officer

BACKGROUND / SCOPE OF RESPONSIBILITY

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

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

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

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

THE GOVERNANCE FRAMEWORK

The Code details how the Council will demonstrate compliance with the fundamental principles of corporate governance for public sector bodies. The seven key principles of our governance arrangements in 2021/22 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. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

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

- Caring
- Committed
- Collaborative
- Creative

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

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities and is incorporated into the Council's Constitution as part of the ethical framework which also includes a protocol for the monitoring officer. A register of members' interests is available on the Council's website.

The Constitution has a section on conduct at meetings and meeting agendas require declarations of interest to be made where appropriate.

Anti-fraud and whistleblowing policies are in place and the Council has adopted the SPSO's Model Complaints Handling Procedure.

Standing orders for meetings are included within the Council's constitution and training and support is provided to members on their role in Council committees.

The Council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

2. Ensuring openness and comprehensive stakeholder engagement.

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

Consultation Diary

The Council has developed a consultation section on its website which hosts all consultations run by the Council, both current and historic. This includes a section which publicises the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they were informed by the consultation process. This is part of our commitment to You Said, We Did information sharing for the public.

Keep in the Loop Service

2019/20 was the first full year that the pro-active Keep in the Loop Service was deployed. It proved hugely popular as a customer engagement tool and the 7927 customers subscribed to receive notifications across the range of services. In 21/22 the number of subscribers is 10489. For customers it meant that they have been kept up to date with topical council information and opportunities to provide valued input on matters that affect them.

MyAccount

Myaccount is the simple and secure sign-in service for accessing online public services in Scotland. It provides people living in Scotland with the ability to set up an online account and use it to access a growing range of online public services, Scotland-wide, including Argyll and Bute Council. 13,021 customers have signed up to this service, which is an increase from 11,079 in 2020/21. It allows customers to:

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

Public Performance Reporting

The Council's website makes all performance information available to the public within the performance section. This includes information on performance scorecards, budgets and other service related information. This ensures the Council is openly accountable to the public for its performance against agreed policies and standards. Public Performance Reporting was reviewed in 2021 and improved as part of the Performance Excellence Project, an action in the BV3 Action Plan.

Accessibility

Online service provision is only effective if it is easy to access. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website has been revised and refreshed to improve its rating for accessibility in the national Silktime accessibility score. In April 2022 the website had a 99% rating (excellent) and was the 13th highest ranking Council in the UK.

In 2022 the website will be getting a major upgrade to Drupal 9 Content Management System and has procured expert input from Inspire Ltd to help with this

Community Engagement

The Council supports good community engagement with the resourcing of community development officers in the Community Planning and Community Development Team, part of the Chief Executives Unit. The team has resources and expertise to support hard to reach groups, community organisations and remote communities to have a voice in decision making. The team also provides best community engagement practice for any other requirement. The Council also oversees the work of Community Learning (Youth Work and Adult Learning) through its collaboration with its Arms-length External Organisation (ALEO) partner Live Argyll.

The Council's Community Development Team can also assist community organisations with developing new projects, funding opportunities, training needs and support with 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. Further to this the team has a Gaelic Development Worker to support and engage Gaelic learning and Gaelic speaking communities.

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

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

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

- The 3 local Members of the Scottish Youth Parliament (MSYP's) attend the Community Planning Partnership Management Committee meetings on a rotational basis.
- The Area Community Planning Groups invite members of local Youth Forums to attend meetings when they are held in their local areas & information is passed on to young people by Youth Workers who are kept updated on any developments. One ACPG currently has a young person in the Vice Chair role.
- The revised Scheme of Establishment for Community Councils outlines the requirement to encourage young people to attend and participate in community council meetings" and the age to become a Community Councilor 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 help shape the CPP priorities 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 and emerging cross-cutting thematic working groups. This ensures a shared sense of accountability and ownership of working towards realising the CPP priorities.

During the Covid pandemic, the council engaged with local community response groups, making sure that groups were supported with good practice and resources where required such as – lone volunteering policies, safe medication delivery process, insurance, confidentiality guidance etc. Regular online drop-in sessions were established and ran for a period of 2 years for the groups to receive updates and to enable them to highlight needs/challenges and ask questions of Council and its partners.

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. Agendas for and minutes of meetings are detailed on the Council's website. When schedule 7A applies papers are adjusted to ensure that the maximum amount of content is in the public domain.

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 October 2021.

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

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

The Council's Chief Executive presented an update on the Action Plan to the Council's Audit and Scrutiny Committee on 16 March 2021 who accepted the progress to date.

Audit Scotland followed up with the Council in May 2021 to review evidence against the progress listed in the Action Plan and stated in their Annual Report (December 2021) that the Council has made good progress.

A further progress report was submitted to the Audit and Scrutiny Committee 15 March 2022 which illustrates how 22 of the 36 actions are complete and that a further report will come back in 12 months to provide a further update on the 14 actions remaining.

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. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

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

All services have plans containing an agreed set of quality standard measures which feed into the overall Corporate Plan.

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.

The Council's Capital programme and capital investment strategy is considered by the Executive Management team and approved by the Council at the budget meeting.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Council's Executive leadership team meet regularly with the administration to discuss their key priorities and requirements for decision making in addition there is regular survey and feedback on their needs and a regular review of governance arrangements to ensure that decision making is fully supported.

The Council's complaints process ensures that service and operational issues are picked up and improvements are undertaken when required. Services carry out consultations and public surveys on various projects and service improvement areas across the Council which inform reporting and decision making on these.

The Council's performance management framework has KPI's allowing the monitoring of service outcomes which are reported to the ELT and Members enabling management decision and appropriate interventions to be taken.

Business outcomes are mapped to the corporate plan and the budget consultation process ensures that service priorities are affordable within resource constraints.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Elected Member Development

The Council has signed up to the Improvement Service's Continuing Professional Development Framework for Elected Members. All Elected Members are provided with opportunities to progress personal development plans so that individual training needs and aspirations are identified and support provided as appropriate. This is complemented by a comprehensive seminar and workshop programme which addresses a wide range of topics and strategic issues. Since the introduction of new ways of working and operating in a virtual environment in response to the Covid-19 pandemic this programme has moved on-line and during 2021/22 a regular programme of webinars and workshops have taken place on-line which has facilitated a higher level of attendance. Additional training was undertaken by Elected Members in relation to the technology, knowledge and skills necessary to support the transition to a virtual environment including webcasting of strategic Committee meetings and the operation of meetings on a hybrid basis, enabling a mixed attendance of members being physically or virtually present. Support has been provided to Chairs in terms of process and guidance notes to facilitate the transition to operating on a virtual basis and enhance effectiveness in this regard.

During this period a review of Elected Member Induction was undertaken in advance of Local Government Elections in May 2022. The programme was redesigned to focus on the whole geographical area of Argyll and Bute and to enable Members to gain a perspective on both local and strategic issues across the Council area whilst ensuring they have the opportunity to gain the knowledge and skills necessary to facilitate effective decision making, scrutiny and challenge in the early days of the new term. Following the 3 by-elections that took place in 2021-22 there was the opportunity to pilot some of the induction material on a virtual basis.

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.

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.

6. Managing risks and performance through robust internal control and strong public financial management.

Internal Financial Control

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 Council's Audit and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan.

The Council has a designated Data Protection Officer and all services have Information Asset Registers along with appropriate guidance on how data should be managed.

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

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 has a key role in relation to the Council's governance to provide assurance over the effective management of risk. In September 2019 the Audit and Scrutiny Committee agreed that the CIA would perform an annual strategic risk assurance mapping exercise with this replacing a previous annual requirement for a risk management report. This was presented to the Audit and Scrutiny Committee in September 2019, September 2020 and September 2021. This exercise has confirmed that for all the risks in the Council's strategic risk register there are either sufficient assurances in place or internal audit currently have scheduled work to fill identified gaps. This mapping exercise will continue to be performed annually and Internal Audit will perform an audit of compliance with risk management arrangements every three years unless issues are brought to the attention of the Chief Internal Auditor which would suggest a review is required outwith that cycle.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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 2021/22 audit plan needed to be revised and this revision was approved by the Audit and Scrutiny Committee on 15 March 2022. This was due to a need to redeploy audit resource to priority tasks required to support the Council's response to the pandemic and support Financial Services. This resulted in three audits being removed from the 2021/22 plan.

The Chief Internal Auditor provides the Audit and Scrutiny Committee with an annual report on internal audit activity in the Council and this confirms that reasonable assurance can be taken that the systems of governance and internal control are operating effectively.

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

During 2021/22, one of the seventeen audit reports presented to the Audit and Scrutiny Committee had an overall audit opinion of 'limited' assurance. The audit related to Contract Management Roads and Amenity Services. For these and all other audit reports, an action plan has been agreed and progress against their delivery is routinely monitored by Internal Audit. Management have accepted 100% of audit recommendations and a robust follow-up system is in place with progress reports presented to the SMT on a quarterly basis.

During 2021/22 the following developments were made within Internal Audit:

- the counter fraud team worked alongside internal audit to ensure there is cross team learning
- the CIA engaged with members of the Audit and Scrutiny Committee as part of the planning process for the 2022/23 audit plan
- the internal audit team delivered internal audit services to the Argyll and Bute Health and Social Care Partnership, undertaking 3 audits which were presented to the Audit and Risk Committee.

Clear reports on a common format which are publically available and the Council has developed a hybrid meeting facility enabling physical and virtual attendance at meetings with a public broadcast function so that members of the public can see and hear meetings of the Council's strategic committees live increasing openness and transparency.

The Council prepares an annual report and an annual governance statement.

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

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, Pippa Milne fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director Douglas Hendry:

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

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

Specific responsibilities are assigned to the Executive Director Kirsty Flanagan as the Council's Chief Financial Officer (S95 Officer), to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Financial Officer has in relation to financial performance and the financial control environment, CIPFA has set out key principles that define the core activities and behaviours that belong to the role. These include, being a key member of the Leadership Team, being actively involved in and influencing decision making, and leading the delivery of good financial management across the whole organisation.

The Council have appointed a Data Protection Officer in line with the requirements of the UK-General Data Protection Regulations and the Data Protection Act 2018.

IMPACT OF COVID-19 ON GOVERNANCE

Throughout the period 2021-22 the Council continued to operate Council and Committee meetings on a virtual basis in response to the Covid 19 pandemic. The Council has invested significantly in the technology to enhance the virtual meeting environment with the transition from Skype to the increased functionality offered by MSTeams and by providing the additional option to operate on a hybrid basis, where attendance can be on a virtual or in person basis. The hybrid option was introduced in the first quarter of 2022 and is scheduled to be rolled out to Area Committee Meeting later in 2022. During this period the Council also commenced recording strategic meeting of the Council and hosting these for the public on the Councils website. This has now progressed to webcasting for strategic committees with the first webcast meeting being the Policy and Resources Committee in December 2021. This approach facilitates a greater reach in terms of Public access to meetings and underpins our commitment to transparency and accessibility. The Council Constitution and associated protocols were amended to incorporate these developments in October 2021.

COVID-19 also impacted on governance across services during 2021/22 and this has been assessed against four broad categories:

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

While the Council returned to a more business as usual footing during the period, some specific areas where service delivery has been impacted are:

- restrictions on travel and social distancing requirements continued to impact on the ability of planning officers to visit application sites and enforcement complaints – this required the use of remote verification inspections to be implemented
- a wide range of services within Roads and Infrastructure Services continued to be impacted to some extent, but not limited to, burials, cremations, refuse collection, civic amenity sites, home to school transport and ferry transport
- Learning and teaching moved from distance learning and returned to classroom teaching across Argyll and Bute.

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

Some specific examples of new areas of activity are:

- move to flexible online home working for 1400 employees with access via secure vpn to all files, processes and telephony
- establishing procedures for estates staff to work safely, carry out remote marketing and arrange premises for COVID related projects
- additional cleansing of buildings such as schools, public conveniences, crematoria chapel, and a variety of vehicles including ferries and refuse vehicles.
- providing business support through the administration of COVID specific Scottish Government grants to local businesses and self-employed people
- a Community Food Programme team to ensure vulnerable people can access food and provision of doorstep delivery of free school meals
- a Caring for People partnership bringing together the Health and Social Care Partnership, Third Sector Interface and the Council to work together with a focus on helping people affected by COVID-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 have worked in conjunction with all services to capture and monitor the financial impact of COVID-19 in terms of creating new cost pressures and its impact on the delivery of agreed savings options.

4. Recovery and reinstating services post COVID-19

The Council agreed a 'Recovery Strategy and Framework' in 2020 focused on considering the actions and priorities required to return the Council, its services and wider issues including economic and social recovery, to the "new norm". An Argyll and Bute Overarching Recovery Group was formed to lead this process with specific thematic groups focused on Council recovery, building back stronger communities, economic and social recovery, infrastructure and transportation, financial management and public health. This work recognised the impact of the pandemic on widening inequalities and is considering longer term social and economic impacts. Good progress has been made and the Councils published its Recovery document "Recovery, Renew and Restart" outlining its achievements and current priorities.

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 and additional policy commitments which are not always fully funded limit financial flexibility and create additional financial pressures.

The financial outlook is significantly exacerbated by the extent to which COVID-19 will continue to impact on expenditure, loss of income and future years funding levels. The additional funds made available by the UK and Scottish Government to combat the impact of COVID-19, and the agreement on financial flexibilities to date, have been sufficient to combat the financial impact of COVID to the Council in 2021/22 and 2022/23. However there is likely to be ongoing pressure on the Capital Programme as a result of increasing costs that is difficult to accurately quantify at this stage and while an element of COVID-19 funding has been allocated to the programme relating to current works, increases could continue for some time and result in further overspends across the life of the programme. It may be that we will need to re-prioritise some of our capital spending.

The Council continues to provide financial estimates for future years with their medium term financial outlook covering a five year window to provide a longer term view of the Council's estimated budget gap. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

The Council continues to be committed to developing multi-year savings proposals with a focus on longer term planning. The additional work and pressure on teams as a result of COVID during 2021-22 meant that there had to be more of a focus on balancing the 2022-23 budget, however, some of the savings options impact on future years. The Scottish Government Resource Spending Review published on 31 May 2022 is hoped to provide sufficient information to allow Council's to plan with more certainty as it will set out the spending plans for the remainder of the parliament term 2023-24 to 2026-27. As with previous years, it is the intention to establish a cross party Budget Working Group who would meet early August to commence the budget discussions for 2023-24 and beyond.

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. This strategy was updated in August 2021 as recommended in the Best Value report and now covers the period 2020-21 to 2029-30. In addition to providing revenue and capital projections the Strategy also sets out the position in relation to the Council's general fund reserve, the approach to managing the financial impact of COVID-19, approach to Treasury Management and the strategy to address budget gaps.

HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from Argyll and Bute Council and NHS Highland, with its own separate governance arrangements. 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 approved by Argyll and Bute Council and NHS Highland. This was most recently revised and formally signed off by the Scottish Government on 23 March 2021. The IJB, via a process of delegation from the Health Board and Local Authority as outlined in the Scheme of Integration has responsibility for the planning, resourcing and operational delivery of all integrated health and social care services within Argyll and Bute.

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

The IJB has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based internal audit plan was carried out in 2021-22 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 2021-22 the IJB has further progressed a number of initiatives to develop its governance arrangements including embedding board development events within its governance structures, its committee annual reporting and evaluation process, progressing an induction and development program for staff and implemented its revised risk management strategy.

It has also established a new Contingency Risk and Resilience Committee to reflect its status as Category 1 responder.

The IJB has faced substantial financial challenge since its inception. However, during 2020/21 and 2021/22 it has been able to deliver savings, operate within its budget and generate a small general reserve from its underspend for the year. The HSCP delivered an underspend of £1.738m against the resources available to it, these totalled £307m for the year. During 2021/22 the IJB was able to repay the final £2.8m that it owed to Argyll & Bute Council relating to previous overspends.

The IJB has welcomed the recent increases in funding from Scottish Government and this has enabled it to set a balanced budget with a realistic savings program. Like all public bodies, the HSCP is required to continually improve its efficiency and the value for money associated with the services it provides. It will do this through its Transformation agenda and its savings plans. It is now also seeking to develop longer term plans for investment in its physical and digital infrastructure in the coming years. The HSCP also anticipates that it faces a period of significant structural change as the National Care Service is introduced.

UPDATE ON AREAS FOR DEVELOPMENT IN 2020/21 ANNUAL GOVERNANCE STATEMENT

The 2020/21 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

Area	2021/22 Update
Continue to engage with the Scottish Government and other local authorities to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complied with the 2025 Bio-degradable Municipal Waste Ban	Specialist economic consultants now engaged on an options appraisal exercise to help inform the decision. This is to be reported to September's ED&I committee.
Further develop the Council's Counter Fraud Team	The Counter Fraud Team (CFT) have submitted a report to Strategic Management Team which will be considered at the beginning of July which outlines the actions, rebilling and recovery to date. The pilot is due to end in September and there is a proposal for the team to be made permanent.
Progress the project to upgrade the Council's general ledger system with an anticipated go live of 1 April 2022	This has now been pushed back to 6 June 2022 at the earliest due to issues which have surfaced during the implementation of the automated interface between Concerto and Oracle.
Complete the development of the automated interface between the Property Management System (Concerto) and the Financial System (Oracle) to process contractor payments	The capital Oracle/Concerto interface has been completed. The revenue interface has been delayed because of the need for Oracle to be updated as advised above.
Review of the scheme of delegation in relation to property matters to ensure decisions are taken at the correct level	Further review of property delegations will be included in the next review of the constitution.
Enhance reporting of workforce planning to the Strategic Management Team and Elected Members	Operational Workforce plans are reviewed on a six monthly basis and each team in the council are assigned a WFP risk rating. Data from these discussions are collated and analysed in a report which is presented to SMT. HROD team highlight any common themes that would benefit from a revised corporate approach. Quarterly health of the organisation reports are presented to DMT and SMT which cover a number of workforce indicators.

Further progress the work to digitalise all document and evidence exchanges for Local Development Plan 2 'Examination in Public'	Complete and DPEA have complimented D&EG on the provision of information in the required format
Respond to the findings of the Scrutiny Review of the Strategic Housing Fund which is to be reported in June 2021	All identified actions have been completed
Continue to improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management	Contract let and work underway to gather updated asset information for major buildings – new plans being drawn. Estates has continued to improve records with the property measurement contract providing new plans for properties. As part of the asset valuation process Estates also building up property records and will use the details for the insurance valuation updates to be completed in 2022/23.
Further progress the implementation of a self-billing approach using CareFirst for payments to social care providers	This action has been suspended pending the implementation of two new key systems which would be integral to the revised process: The Oracle Fusion Financial Management System and the Eclipse Social Work Management System. Once the two systems are up and running and we know what the Eclipse system can do – the vendor is still writing the software - we'll be able to determine the actions necessary to implement this process.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2022/23, particularly in the context of continuous improvement within the Council:

- Continue to engage with the Scottish Government and other local authorities to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complied with the 2025 Bio-degradable Municipal Waste Ban (Head of Roads and Infrastructure Services – March 2023)
- Further enhance reporting of workforce planning to the Strategic Management Team and Elected Members (Head of Customer Support Services – March 2023)
- Finalise the project to upgrade the Council's general ledger system with an anticipated go live of 6 June 2022 (Head of Financial Services – June 2022)
- Finalise the implementation of a self-billing approach using CareFirst for payments to social care providers (Head of Financial Services – March 2023)
- Complete the development of an automated interface between Concerto and Oracle (Head of Commercial Services – March 2023)
- Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2023)
- Progress roll-out of Microsoft 365 (Head of Customer Support Services – March 2023)
- Develop data/analytics business intelligence tool (Head of Customer Support Services – March 2023)

-
- Undertake review of performance information (Head of Customer Support Services – March 2023)
 - External Quality Assessment Framework (Head of Financial Services – March 2023)

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 2021/22 and that there are no significant weaknesses. This assurance is framed within the context of the work undertaken during the year and the evidence available at the time of preparing this statement.

Cllr Robin Currie
Leader

Pippa Milne
Chief Executive

Kirsty Flanagan
Section 95 Officer

BACKGROUND

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

REMUNERATION POLICY AND ARRANGEMENTS

Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2020/26). 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 2021-22 the salary for the Leader of Argyll and Bute Council is £37,213. 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 £27,910 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 £0.326m. 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 £26,359 to each appointed policy lead. Chairs of Area Committees without a policy lead remit are paid a salary of £21,976.

In 2021-22, Argyll and Bute Council had 9 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors (excluding the Provost and the Leader) during 2021-22 was £0.199m. 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/151 sets the amount of salary for the Chief Executive of Argyll and Bute Council for 2021-22. 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:

2020-21 Actual £'000	Members Allowances	2021-22 Actual £'000
429	Basic Councillor Salaries	480
62	Leader and Provost's Salary	65
226	Senior Councillor Salaries	199
8	Other Expenses and Allowances paid to Members	4
725	Total Allowances	748

The annual return of councillors' salaries and expenses for 2021-22 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:

2020-21 Total Remuneration £	Senior Members	Responsibility	2021-22		
			Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £
25,274	Councillor Rory Colville	Policy Lead - Roads and Infrastructure Services and Chair of Mid Argyll, Kintyre & the Islands Area Committee from 22-10-20, Policy Lead for Support Services from 26-09-19 to 22-10-20	26,313	-	26,313
30,250	Councillor Robin Currie	Leader from 24-09-20, Policy Lead for The Economy and Rural Growth from 22-10-20, Policy Lead for Housing, Roads and Infrastructure Services from 26-09-19 to 22-10-20, Chair of Mid Argyll, Kintyre & the Islands Area Committee to 22-10-20	37,148	-	37,148
10,420	Councillor Mary-Jean Devon	Policy Lead for Support Services from 22-10-20	26,313		26,313
21,071	Councillor Bobby Good	Chair of Bute & Cowal Area Committee	21,938	-	21,938
25,274	Councillor Kieron Green	Policy Lead for Health and Social Care	26,313	-	26,313
25,728	Councillor David Kinniburgh	Provost from 26-11-20, Policy Lead for Planning and Regulatory Services from 22-10-20, Policy Lead for Planning Services from 26-09-19 to 22-10-20	27,862	-	27,862
25,274	Councillor Yvonne McNeilly	Policy Lead for Education	26,313	-	26,313
8,736	Councillor Barbara Morgan	Chair of Helensburgh & Lomond Area Committee from 22-10-20 to 14-10-21	12,720		12,720
20,163	Councillor Aileen Morton	Leader to 24-09-20, Policy Lead for Commercial Services and Strategic Priorities from 26-09-19 to 22-10-20 with oversight of Economic Growth from 26-11-19 to 20-05-20, Chair of Helensburgh & Lomond Area Committee from 25-11-21	19,611	-	19,611
25,274	Councillor Gary Mulvaney	Depute Leader and Policy Lead for Financial Services and Major Projects from 26-09-19	26,313	-	26,313
20,469	Councillor Alasdair Redman	Policy Lead for Business, Regeneration and Commercial Development from 22-10-20 to 20-08-21, Policy Lead for Economic Growth from 25-05-20 to 22-10-20	21,873	-	21,873
21,071	Councillor Elaine Robertson	Chair of Oban, Lorn & the Isles Area Committee	21,938	-	21,938

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:

2020-21 Number of Officers	Range £	2021-22 Number of Officers
124	£50,000 - £54,999	140
92	£55,000 - £59,999	84
25	£60,000 - £64,999	41
17	£65,000 - £69,999	16
4	£70,000 - £74,999	4
9	£75,000 - £79,999	1
3	£80,000 - £84,999	8
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
1	£95,000 - £99,999	1
-	£100,000 - £104,999	-
2	£105,000 - £109,999	2
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
1	£125,000 - £129,999	-
-	£130,000 - £135,000	1

SENIOR EMPLOYEES' REMUNERATION

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

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

The following table sets out the remuneration disclosures for 2021-22 for senior officers:

Total Remuneration 2020-21 £	Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2021-22 £
129,066	Chief Executive - Pippa Milne	132,568	717	133,285
106,249	Executive Director - Douglas Hendry	106,908	822	107,730
106,157	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	107,054	698	107,752
68,994	Head of Adult Services (Mental Health, Learning Disability, Addictions and Lifelong Conditions) (Section 3 Social Work Officer) - Julie Lusk (from 19-05-20 to 13-09-21)	40,345	-	40,345
79,441	(Full year equivalent)	80,336	-	80,336
	Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson (from 14-09-21)	40,600		40,600
	(Full year equivalent)	80,336		80,336
10,602	Head of Children & Families (Section 3 Social Work Officer) - Alex Taylor (to 18-05-20)	-	-	-
79,441	(Full year equivalent)	-	-	-
79,441	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	80,501	-	80,501

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 2021-22 are as follows:

Whole time pay	Contribution Rate 2021-22
On earnings up to and including £22,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.50%
On earnings above £37,401 and up to £49,900	9.50%
On earnings above £49,901	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 2022 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 2021		Senior Members	For the year to 31 March 2022		
In-year pension contributions £	Accrued pension benefits £		In-year pension contributions £	Accrued pension benefits £	
4,878	6,067	Councillor Rory Colville	Pension	5,078	6,879
	1,716		Lump Sum		1,866
5,838	6,066	Councillor Robin Currie	Pension	7,170	7,615
	916		Lump Sum		1,007
1,433	4,872	Councillor Mary-Jean Devon	Pension	-	-
	1,598		Lump Sum		-
4,878	2,436	Councillor Kieron Green	Pension	5,078	2,985
	-		Lump Sum		-
4,067	1,661	Councillor Bobby Good	Pension	4,234	2,117
	-		Lump Sum		-
4,966	6,031	Councillor David Kinniburgh	Pension	5,377	6,878
	1,684		Lump Sum		1,837
4,878	1,990	Councillor Yvonne McNeilly	Pension	5,078	2,536
	-		Lump Sum		-
3,693	1,434	Councillor Barbara Morgan	Pension	2,455	1,701
			Lump Sum		
5,350	5,077	Councillor Aileen Morton	Pension	3,785	5,718
	-		Lump Sum		-
4,878	5,683	Councillor Gary Mulvaney	Pension	5,078	6,492
	1,596		Lump Sum		1,745
332	6,896	Councillor Elaine Robertson	Pension	-	-
	1,471		Lump Sum		-
4,605	1,555	Councillor Alasdair Redman	Pension	4,221	2,009
	-		Lump Sum		-

SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2022 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 2021		Senior Officers		For the year to 31 March 2022	
In-year pension contributions £	Accrued pension benefits £			In-year pension contributions £	Accrued pension benefits £
24,751	59,828 105,037	Chief Executive - Pippa Milne (from 06-01-20)	Pension	25,586	64,367
			<i>Lump Sum</i>		105,855
20,334	58,601 105,777	Executive Director of Customer Services - Douglas Hendry	Pension	20,546	61,269
			<i>Lump Sum</i>		106,780
20,334	30,625 30,459	Executive Director, Section 95 Financial Officer - Kirsty Flanagan	Pension	20,546	33,069
			<i>Lump Sum</i>		30,787
15,332	2,024	Head of Adult Services (Mental Health, Learning Disability, Addictions and Lifelong Conditions) (Section 3 Social Work Officer) - Julie Lusk (from 19-05-20 to 13-09-21)	Pension	15,537	3,672
	-		<i>Lump Sum</i>		-
		Head of Children and Families and Criminal Justice (Section 3 Social Work Officer) - David Gibson (from 14-09-21)	Pension	8378	913
			<i>Lump Sum</i>		
7,574	45,496 89,571	Head of Children and Families (Section 3 Social Work Officer) - Alex Taylor (to 18-05-20)	Pension	-	-
			<i>Lump Sum</i>		-
15,332	28,854 37,747	Live Argyll General Manager (Subsidiary of Argyll & Bute Council) - Kevin Anderson	Pension	15,537	30,794
			<i>Lump Sum</i>		38,221

EMPLOYEE EXIT PACKAGES

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

2020-21						Exit Package Cost Band	2021-22					
Compulsory Redundancies		Other Departures		Total			Compulsory Redundancies		Other Departures		Total	
No	£	No	£	No	£		No	£	No	£	No	£
6	42,526	2	27,866	8	70,392	£0 - £20,000	2	11,782	1	11,144	3	22,926
2	44,307	-	-	2	44,307	£20,001 - £40,000	-	-	-	-	-	-
2	94,397	-	-	2	94,397	£40,001 - £60,000	-	-	-	-	-	-
1	64,618	2	144,484	3	209,102	£60,001 - £80,000	-	-	1	70,992	1	70,992
-	-	-	-	-	-	£80,001 - £100,000	-	-	1	80,629	1	80,629
1	103,669	-	-	1	103,669	£100,001 - £150,000	-	-	1	133,113	1	133,113
-	-	-	-	-	-	£150,001 - £200,000	-	-	-	-	-	-
12	349,517	4	172,350	16	521,867		2	11,782	4	295,878	6	307,660

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 2022.

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

The total cost of £0.308m 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 2022 of £0.065m, 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 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 2021 to 31 March 2022 are attached at Appendix A.

Expenditure and Funding Analysis

2020-21			Service	2021-22		
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
5,329	452	5,781	Chief Executive and Financial Services	5,347	1,087	6,434
			Executive Director Douglas Hendry			
410	27	437	Executive Director	330	59	389
9,426	6,827	16,253	Commercial Services	9,471	8,053	17,524
81,717	(1,567)	80,150	Education	86,427	2,331	88,758
8,557	3,359	11,916	Legal and Regulatory Support	9,466	1,805	11,271
			Executive Director Kirsty Flanagan			
(2)	6	4	Executive Director	305	32	337
7,892	2,460	10,352	Customer Support	7,553	3,113	10,666
9,649	570	10,219	Development and Economic Growth	9,752	1,786	11,538
32,448	12,024	44,472	Roads and Infrastructure	30,914	17,187	48,098
58,107	3,465	61,572	Social Work	67,080	2,238	69,318
9,019	(1,347)	7,672	Other Non-Departmental Costs	10,974	(687)	10,287
222,552	26,276	248,828	Net Cost of Services	237,619	37,004	274,620

Expenditure and Funding Analysis

(251,127)	(11,958)	(263,085)	Other Income and Expenditure	(255,904)	(19,741)	(275,645)
(28,575)	14,318	(14,257)	(Surplus) / Deficit	(18,285)	17,263	(1,025)
(49,670)			Opening General fund Balance	(78,245)		
(28,575)			Plus (Surplus) or Deficit on General Fund Balance	(18,285)		
(78,245)			Closing General Fund Balance at 31 March 2022	(96,530)		

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.

Statement of Comprehensive Income and Expenditure

2020-21			Note	2021-22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Service	Gross Expenditure £'000	Gross Income £'000
25,784	20,003	5,781	Chief Executive and Financial Services	25,714	19,280	6,434
			Executive Director Douglas Hendry			
437		437	Executive Director	389		389
19,167	2,914	16,253	Commercial Services	21,022	3,498	17,524
93,170	13,020	80,150	Education	103,006	14,248	88,758
16,173	4,257	11,916	Legal and Regulatory Support	15,499	4,228	11,271
			Executive Director Kirsty Flanagan			
4		4	Executive Director	337		337
10,945	593	10,352	Customer Support Services	11,374	708	10,666
18,709	8,490	10,219	Development and Economic Growth	23,172	11,634	11,538
60,972	16,500	44,472	Roads and Infrastructure	70,602	22,504	48,098
147,227	85,655	61,572	Social Work	157,712	88,394	69,318
11,263	3,591	7,672	Other Non-Departmental Costs	13,174	2,887	10,287
403,851	155,023	248,828	Net Cost of Services	442,001	167,381	274,620

Statement of Comprehensive Income and Expenditure



		Other Operating Income and Expenditure:	
	6,286	Net (Gain)/loss on Disposal of Long Term Assets	(103)
	1,381	Other Operating Income and Expenditure	7
	7,667	Total Other Operating Income and Expenditure	1,836
		Financing and Investment Income and Expenditure:	
	16,805	Interest Payable and Similar charges	16,343
	(955)	Interest and Investment Income	(805)
	1,888	Net Pension Interest Expense	1,864
	17,738	Total Financing and Investment Income and Expenditure	17,402
		Taxation and Non-Specific Grant Income:	
	(197,110)	General Government Grants	(191,432)
	(13,495)	Government Capital Grants and Other Capital Contributions	12
	(23,284)	Non-domestic Rates Redistribution	(25,070)
	(164)	Non-domestic Rates TIF	(336)
	(54,437)	Council Tax Income	(56,242)
	(288,490)	Total Taxation and Non-Specific Grant Income	(294,780)
	(14,257)	(Surplus)/Deficit on Provision of Services	6.1
	(9,030)	(Surplus)/Deficit on revaluation of Long Term Assets	(11,143)
	3,388	Other Post Employment Benefits (Pensions)	30.2
	(5,642)	Other Comprehensive Income and Expenditure	(121,791)
	(19,899)	Total Comprehensive Income and Expenditure	(122,816)

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.

31 March 2021		Note	31 March 2022	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment	14	
376,141		- Other Land and Buildings		384,930
9,945		- Vehicles, Plant, Furniture and Equipment		11,798
222,947		- Infrastructure Assets		230,478
5,950		- Community Assets		7,454
1,637		- Surplus Assets		1,408
25,599		- Assets Under Construction		35,344
	642,219	Total Property Plant & Equipment		671,412
	2,086	Heritage Assets	15	2,099
	572	Intangible Assets	16	604
	2,435	Investment Property	17	2,428
	17,992	Long Term Investments	26	492
	6,028	Long-Term Debtors	21	5,792
		Other Long Term Debtors (Pensions)	30	4,634
	671,332	Total Long Term Assets		687,461
		Current Assets		
900		Inventories		842
20,446		Short Term Debtors (Net of Impairment)	22	18,706
1,865		Assets Held for Sale	23	1,509
45,000		Short Term Investments		82,500
35,638		Cash and Cash Equivalents	24	19,728
	103,849	Total Current Assets		123,285
		Current Liabilities		
(3,005)		Short-term Borrowing	26	(17,882)
(45,457)		Short-term Creditors	25	(41,283)
(7)		Capital Grant Receipts in Advance	29	-
(2,356)		Provisions	28	(2,231)
(4,842)		Other Short Term Liabilities	27	(5,117)
	(55,667)	Total Current Liabilities		(66,513)
		Long-term Liabilities		
(167,418)		Borrowing Repayable within a Period in Excess of 12 Months	26	(161,657)
(117,432)		Other Long-term liabilities	27	(112,313)
(1,980)		Provisions	28	(2,079)
(5,000)		Capital Grant Receipts in Advance	29	-
(82,314)		Other Long-term liabilities (Pensions)	30	
	(374,144)	Total Long-term Liabilities		(276,049)
	345,370	Total Assets less Liabilities		468,184

31 March 2021			Note	31 March 2022	
£'000	£'000			£'000	£'000
		Unusable Reserves	32		
135,392		- Revaluation Reserve		145,903	
217,237		- Capital Adjustment Account		223,147	
(2,524)		- Financial Instruments Adjustment Account		(2,198)	
(82,314)		- Pensions Reserve		4,634	
(7,206)		- Accumulated Absences Account		(6,928)	
	260,585				364,558
		Usable Reserves	33		
4,406		- Capital Funds		4,414	
2,134		- Repairs and Renewals Funds		2,682	
78,245		- General Fund Balance		96,530	
	84,785				103,626
	345,370	Total Reserves			468,184

The Balance Sheet is a snapshot of the value as at the 31 March 2022 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported as follows:

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

Kirsty Flanagan
Section 95 Officer

Statement of Movement in Reserves

Movements in 2021-22	Usable Reserves (Note 33)				Unusable Reserves (Note 32)						Total Reserves £'000
	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 2021	(78,245)	(2,134)	(4,406)	(84,785)	(135,392)	(217,237)	82,314	2,524	7,206	(260,585)	(345,370)
(Surplus)/Deficit on Provision of Services	(1,025)			(1,025)						-	(1,025)
Other Comprehensive Income and Expenditure					(11,143)		(110,648)			(121,791)	(121,791)
Total Comprehensive Income and Expenditure	(1,025)	-	-	(1,025)	(11,143)	-	(110,648)	-	-	(121,791)	(122,816)
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				-	632	(632)				-	-
Amortisation of Intangible Assets	(36)			(36)		36				36	-
Depreciation of Non-current Assets	(23,325)			(23,325)		23,325				23,325	-
Impairment of Non-current Assets	(1,252)			(1,252)		1,252				1,252	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	21,700			21,700		(21,700)				(21,700)	-
Capital Expenditure Charged to the General Fund	735			735		(735)				(735)	-
Net Gain or Loss on Sale of Non-current Assets	103		(815)	(712)		712				712	-
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	278			278					(278)	(278)	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(23,700)			(23,700)			23,700			23,700	-

Statement of Movement in Reserves

Movements in 2021-22	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	2,514			2,514		(2,514)				(2,514)	-
Statutory Repayment of Debt - Finance Leases	44			44		(44)				(44)	-
Statutory Repayment of Debt - NPDO Finance	4,800			4,800		(4,800)				(4,800)	-
Total Statutory Adjustments	(17,813)	-	(815)	(18,628)	632	(5,100)	23,700	(326)	(278)	18,628	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(18,838)	-	(815)	(19,653)	(10,511)	(5,100)	(86,948)	(326)	(278)	(103,163)	(122,816)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	553	(548)	807	812		(810)				(810)	2
(Increase)/Decrease in Year	(18,285)	(548)	(8)	(18,841)	(10,511)	(5,910)	(86,948)	(326)	(278)	(103,973)	(122,814)
Balance at 31 March 2022 Carried Forward	(96,530)	(2,682)	(4,414)	(103,626)	(145,903)	(223,147)	(4,634)	2,198	6,928	(364,558)	(468,184)

This Statement shows the movement in the 2021-22 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 2020-21	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 2020	(49,670)	(1,843)	(4,379)	(55,892)	(126,560)	(220,263)	67,346	2,850	7,048	(269,579)	(325,471)
(Surplus)/Deficit on Provision of Services	(14,257)			(14,257)						-	(14,257)
Other Comprehensive Expenditure and Income					(9,030)		3,388			(5,642)	(5,642)
Total Comprehensive Expenditure and Income	(14,257)	-	-	(14,257)	(9,030)	-	3,388	-	-	(5,642)	(19,899)
Adjustments between accounting basis and funding basis under regulations:											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				-	198	(198)				-	-
Amortisation of Intangible Assets	(89)			(89)		89				89	-
Depreciation and of Non-current Assets	(22,041)			(22,041)		22,041				22,041	-
Impairment of Non-current Assets	3,142			3,142		(3,142)				(3,142)	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	13,495			13,495		(13,495)				(13,495)	-
Capital Expenditure Charged to the General Fund	744			744		(744)				(744)	-
Net Gain or Loss on Sale of Non-current Assets	(6,286)		(612)	(6,898)		6,898				6,898	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	326			326				(326)		(326)	-
Employee Benefits	(158)			(158)					158	158	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(11,580)			(11,580)			11,580			11,580	-

Statement of Movement in Reserves

Comparative Movements in 2020-21	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	5,246			5,246		(5,246)				(5,246)	-
Statutory Repayment of Debt - Finance Leases	43			43		(43)				(43)	-
Statutory Repayment of Debt - NPDO Finance	2,549			2,549		(2,549)				(2,549)	-
Total Statutory Adjustments	(14,609)	-	(612)	(15,221)	198	3,611	11,580	(326)	158	15,221	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(28,866)	-	(612)	(29,478)	(8,832)	3,611	14,968	(326)	158	9,579	(19,899)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	291	(291)	585	585		(585)				(585)	-
(Increase)/Decrease in Year	(28,575)	(291)	(27)	(28,893)	(8,832)	3,026	14,968	(326)	158	8,994	(19,899)
Balance at 31 March 2021 Carried Forward	(78,245)	(2,134)	(4,406)	(84,785)	(135,392)	(217,237)	82,314	2,524	7,206	(260,585)	(345,370)

This Statement shows the movement in the 2020-21 financial year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The '(Surplus)/Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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.

2020-21 £'000		Note	2021-22 £'000
(14,257)	Net (Surplus) on the Provision of Services		(1,025)
(30,546)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(20,643)
2,471	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		7,928
(42,332)	Net Cash Flows from Operating Activities	39	(13,740)
7,740	Net Cash Flows from Investing Activities	40	32,043
7,739	Net Cash Flows from Financing Activities	41	(2,393)
(26,853)	Net (Increase)/Decrease in Cash and Cash Equivalents		15,910
(8,785)	Cash and Cash Equivalents at the beginning of the Reporting Period		(35,638)
(35,638)	Cash and Cash Equivalents at the end of the Reporting Period	24	(19,728)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022. 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 2021-22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of non-current assets and financial instruments, and on a going concern basis.

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 2.7% (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 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.

1.16 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 and Contingent Liabilities

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.

1.22 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 standards introduced by the 2022-23 Code where disclosures are required in the 2021-22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the code are:

- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
 - Foreign operations of acquired subsidiaries transitioning to IFRS: IFRS 1
 - Onerous Contracts: Amendments to IAS 37 clarifies the intention of the code
 - Leases: IFRS 16 – amendment removes a misleading example that is not referenced in the code
 - Agriculture: IAS 41

The Code requires implementation from 1 April 2022, therefore there is no impact on the 2021/22 accounts. Furthermore there is no material impact anticipated in future years from the implementation of these standards.

- Property Plant & Equipment: IAS16 amendments - Proceeds before intended Use

There will be no material impact in future years from the adoption of this amendment.

CIPFA/LASAAC has agreed to defer the implementation of IFRS 16 Leases until 1 April 2024.

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 2022 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 2021-22 financial statements in respect of the holiday pay accrual is £6.927m.
- £2.636m has been treated as principal by the Council for costs associated with the provision of Personal Protective Equipment (PPE) and testing kits by NHS National Services Scotland to Argyll and Bute for social care services and has therefore been included in both the income and expenditure figures for Social Work within the Comprehensive Income and Expenditure Statement.

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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions															
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £1.446m for every year that useful lives had to be reduced.</p>															
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:</p> <table border="1" data-bbox="1205 858 2078 1327"> <thead> <tr> <th data-bbox="1205 858 1619 1002">Sensitivities at 31 March 2022</th> <th data-bbox="1619 858 1843 1002">Approximate % Increase to Employer Liability</th> <th data-bbox="1843 858 2078 1002">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1205 1002 1619 1088">0.1% decrease in real discount rate</td> <td data-bbox="1619 1002 1843 1088">2%</td> <td data-bbox="1843 1002 2078 1088">16,417</td> </tr> <tr> <td data-bbox="1205 1088 1619 1174">1 Year increase in the member life expectancy</td> <td data-bbox="1619 1088 1843 1174">4%</td> <td data-bbox="1843 1088 2078 1174">34,850</td> </tr> <tr> <td data-bbox="1205 1174 1619 1260">0.1% increase in salary increase rate</td> <td data-bbox="1619 1174 1843 1260">0%</td> <td data-bbox="1843 1174 2078 1260">968</td> </tr> <tr> <td data-bbox="1205 1260 1619 1327">0.1% increase in pension increase rate</td> <td data-bbox="1619 1260 1843 1327">2%</td> <td data-bbox="1843 1260 2078 1327">15,333</td> </tr> </tbody> </table>	Sensitivities at 31 March 2022	Approximate % Increase to Employer Liability	Approximate monetary amount £'000	0.1% decrease in real discount rate	2%	16,417	1 Year increase in the member life expectancy	4%	34,850	0.1% increase in salary increase rate	0%	968	0.1% increase in pension increase rate	2%	15,333
Sensitivities at 31 March 2022	Approximate % Increase to Employer Liability	Approximate monetary amount £'000															
0.1% decrease in real discount rate	2%	16,417															
1 Year increase in the member life expectancy	4%	34,850															
0.1% increase in salary increase rate	0%	968															
0.1% increase in pension increase rate	2%	15,333															

Notes to the Financial Statements

5. GENERAL FUND RESERVES

The Council has ring-fenced £89.433m of the balance on the General Fund.

Ring-fenced Balances	Balance 1 April 2021 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed 2021-22 £'000	New Earmarking at end of 2021-22 £'000	Balance 31 March 2022 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	7,126	(2,672)			2,136	6,590
Investment in Affordable Housing	3,500	-	(200)			3,300
Capital Projects	7,452	(6,279)	15,378	4,741	3,430	24,722
Lochgilthead and Tarbert Regeneration	2,272	(1)				2,271
Support for Rural Growth Deal	1,195	(137)				1,058
Asset Management	2,573	-			34	2,607
Piers and Harbours Investment Fund	970	-			673	1,643
Scottish Government Initiatives	1,116	(119)			2,144	3,141
Transformation	73	-	(73)			-
CHORD	262	-			87	349
School Budget Carry Forwards	1,020	(639)			1,601	1,982
Energy Efficiency Fund	218	-				218
Unspent Budget Required for Existing Legal Commitments	588	(113)				475
Unspent Committed Grants	8,393	(1,637)	(2)		6,080	12,834
Contributions Carried Forward	144	(25)	(2)		49	166
Other Previous Council Decisions	5,664	(828)	(3,137)	2,400	244	4,343
Redundancy Reserve	1,899	(167)				1,732
Supporting Organisational Change	499	(111)	1,200			1,588
Spend to Save Route Optimisation Software	100	-				100
Fleet - Timing Delay	107	-			392	499
Hermitage Park					4	4
COVID-19	13,469	(5,003)	(9,433)	7,562	2,812	9,407
Unspent Budget Carried Forward	13,248	(1,192)	(4,246)		2,594	10,404
Total Ring-fenced	71,888	(18,923)	(515)	14,703	22,280	89,433
Contingency	5,032	-	224	-	-	5,256
Unallocated	1,325	-	4,682	(4,166)	-	1,841
Total General Fund Balance	78,245	(18,923)	4,391	10,537	22,280	96,530

The contingency balance of £5.256m is 2% of the Council's budgeted net expenditure for 2022-23.

Notes to the Financial Statements

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

6.1 Expenditure and Income Analysed by Nature

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

2020-21 £'000	Expenditure/Income	2021-22 £'000
	Expenditure	
163,138	Employee benefits expenses	184,092
163,560	Other services expenses	170,464
58,178	Contribution to Argyll and Bute Integration Joint Board	62,870
18,975	Depreciation, amortisation, impairment	24,575
18,693	Interest payments	18,207
1,400	Precepts and levies	1,419
(19)	Other operating expenditure	417
6,286	Net Loss/(Gain) on the disposal of assets	(103)
430,211	Total Expenditure	461,941
	Income	
(96,845)	Fees, charges and other service income	(104,511)
(58,178)	Income to fund social care services (Argyll and Bute Integration Joint Board)	(62,870)
(955)	Interest and investment income	(805)
(77,885)	Income from council tax and non-domestic rates	(81,648)
(210,605)	Government grants and contributions	(213,132)
(444,468)	Total Income	(462,966)
(14,257)	(Surplus)Deficit on the Provision of Services	(1,025)

Notes to the Financial Statements

6.2 Revenue from Contracts with Service Recipients

31 March 2021 £'000		31 March 2022 £'000
23,427	Revenue from contracts with service recipients	23,449
23,427	Total Included in Comprehensive Income and Expenditure Statement	23,449

7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.836m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

2020-21 Actual £'000	ing Income and Expenditure	2021-22 Actual £'000
1,400	Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,419
(19)	Equal Pay Settlements and Legal Costs	(16)
-	Other Operating Income and Expenditure not attributable to Services	433
1,381	Total	1,836

8. AGENCY SERVICES

The Council bills and collects non-domestic rates on behalf of the Scottish Government from ratepayers situated within Argyll and Bute. The Council also bills and collects, along with its own council tax, domestic water and sewerage charges on behalf of Scottish Water. In addition, the Council received a number of funding streams from the Scottish Government in 2021/22 to support financial hardship experienced by third parties (individuals and businesses) related to the COVID-19 pandemic. The Council had no discretion over the terms of the funding and could not use it for service delivery. This means the Council acted as agent only and the grant funding received and paid out are not included in the Council's reserves, CIES or Balance Sheet. In some cases, an administration grant was awarded to the Council to facilitate these payments. This is accounted for as operational income and expenditure and not disclosed here.

Notes to the Financial Statements

2020-21 Actual £'000	Agency Income	2021-22 Actual £'000
23,284	Scottish Government - Contributions (to)/from the non-domestic rates pool	25,070
13,932	Domestic water and sewerage charges collected	(14,317)
(13,932)	Domestic water and sewerage charges paid over to Scottish Water	14,317
289	Service income from Scottish Water for collection of domestic water and sewerage	289
7	Service income BID levy - Dunoon	7
7	Service income BID levy - Oban	7
(1,003)	COVID - Financial Hardship and Self-Isolation grants paid out	(1,405)
1,003	COVID - Financial Hardship and Self-Isolation funding received from Scottish Government	1,405
(37,144)	COVID - Business Grant Scheme paid out	(5,160)
37,144	COVID - Business Grant Scheme funding received from Scottish Government	5,160
(25,176)	COVID - Strategic Framework grants paid out	(17,543)
25,176	COVID - Strategic Framework funding received from Scottish Government	17,543
(3,623)	COVID - Other support for businesses (including furlough support) paid out	(7,445)
3,623	COVID - Other support for businesses (including furlough support) funding received from Scottish Government	7,445
23,587	Total	25,373

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 2021-22 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 2021-22 income received by the Council from this source amounted to £7.666m and the related expenditure was £10.110m. This can be analysed as follows:

2020-21		Purpose of Services	2021-22	
Income £'000	Expenditure £'000		Income £'000	Expenditure £'000
2,795	4,549	Care of the Elderly	3,355	5,203
2,793	3,310	Provision of Services for People with Learning Disabilities	2,857	3,279
1,352	1,551	Provision of Services for People with Mental Health Needs	1,454	1,628
6,940	9,410		7,666	10,110
7,148	5,217	Additional Covid Response Funding received via NHS for 2021-22	2,362	2,241
14,088	14,627		10,028	12,351

Notes to the Financial Statements

10. FEES PAYABLE TO AUDIT SCOTLAND

In 2021-22 the following fees relating to external audit and inspection were incurred:

2020-21 £'000	Auditor's Remuneration	2021-22 £'000
266	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	272
266	Total Remuneration	272

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

Audit Scotland did not undertake any non-audit work in 2020-21 or 2021-22.

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 remaining life of 5 years.

The Council has paid a service charge of £6.028m which represents the value of the service provided from 1 April 2021 to 31 March 2022 (£4.864m for 2020-21). Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2022-2023	6,658
2023-2025	13,763
2025-2027	9,444
Total	29,865

The average service charge equates to £5.168m 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 2021-22:

2020-21 £'000	Grant Income	2021-22 £'000
	Credited to Taxation and Non Specific Grant Income	
197,110	Revenue Support Grant	191,432
23,284	Non Domestic Rates	25,070
2,137	Specific Capital Grant	474
8,480	General Capital Grant	10,822
48	Heritage Lottery Fund	137
1,339	Scottish Timber Transport Strategy	1,299
1,023	Scottish Government	1,126
102	Strathclyde Partnership for Transport (SPT)	195
11	Revenue Contribution to Capital Projects	27
329	Other Grants	2,620
26	Other Government Capital Grants	5,000
233,889	Total	238,202
	Credited to Services	
11,429	Scottish Government Specific Grants	12,830
3,703	Scottish Government Specific Grants - Scotland's Schools for the Future	-
356	General Capital Grant - Private Sector Housing Improvement Grants	558
18,605	Housing Benefit Subsidy	17,809
3,860	Other Revenue Government Grants	5,751
37,953	Total	36,948

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.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021-22 is shown in the Remuneration Report.

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

Transactions in which Members have a significant interest	Expenditure £'000
Southpeak Services	28
Total	28

Notes to the Financial Statements

13.2 Other Related Bodies

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

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

Related Bodies	Expenditure £'000
Transactions with related bodies during the year totalled	4,630
<i>Of these, transactions with the following exceeded £10,000:</i>	
ACHA	32
LINK Group Ltd	1,827
West Highland Housing Association Ltd	168
Oban and Lorn Community Enterprise - Atlantis Leisure	514
Argyll and the Isles Tourism Ltd	15
Islay and Jura Community Enterprise	215
Mid Argyll Community Enterprise	139
Scotland Excel	71
Argyll and Bute Citizens Advice Bureau	48
Bute Advice	149
Kintyre Recycling	132
SEEMIS	158
Argyll and the Isles Coast & Countryside Trust	220
Carr Gomm	380
Argyll & Bute Women's Aid	122
Argyll & Bute Care & Repair	178
HELP	149
COSLA	71
Total	4,588

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 2021-22	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2021-22 £'000
Cost or Valuation							
At 1 April 2021	402,408	41,727	320,407	5,959	1,634	25,599	797,734
Additions	9,161	4,564	15,434	1,504	22	12,210	42,895
Additions financed under a new leasing arrangement							-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,808				35		6,843
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,015)				(122)	-	(3,137)
Derecognition - Disposals	(6)	(1,863)			-		(1,869)
Assets reclassified (to)/from Held for Sale	(248)		153		(164)		(259)
Other movements in cost or valuation	2,412	-	53		-	(2,465)	-
At 31 March 2022	417,520	44,428	336,047	7,463	1,405	35,344	842,207
Depreciation and Impairments							
At 1 April 2021	(26,267)	(31,782)	(97,460)	(9)	3	-	(155,515)
Depreciation Charge for 2021-22	(12,508)	(2,711)	(8,106)		-		(23,325)
Depreciation written out to the Revaluation Reserve	4,166						4,166
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,004						2,004
Impairment losses/(reversals) recognised in the Revaluation Reserve							-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-				-		-
Derecognition - Disposals	-	1,863					1,863
Other movements in depreciation and impairment	15		(3)		-		12
At 31 March 2022	(32,590)	(32,630)	(105,569)	(9)	3	-	(170,795)
Balance Sheet amount at 31 March 2022	384,930	11,798	230,478	7,454	1,408	35,344	671,412
Balance Sheet amount at 31 March 2021	376,141	9,945	222,947	5,950	1,637	25,599	642,219

Notes to the Financial Statements

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

Notes to the Financial Statements

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 2022 was £1.408m. 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 2022 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 2022	44,329
31 March 2021	61,402
31 March 2020	26,317
31 March 2019	101,822
31 March 2018	151,060
Total Cost or Valuation	384,930

Notes to the Financial Statements

14.3 Depreciation

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

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

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 2021-22 total spending on capital projects was £42.976m. The 2020-21 opening balance for the capital financing requirement has been restated to take account of the revaluation of the Landfill sites which had been incorrectly included in 2019-20. This subsequently results in the removal of £0.583m from Total Funding within 2020-21 as this is not a source of finance. There is also an adjustment in 20-21 to include assets held for sale (£25k). This note is for information only and does not impact the main financial statements.

2020-21 £'000		2021-22 £'000
294,885	Opening Capital Financing Requirement	294,752
	<i>Capital Investment:</i>	
3,851	Property Plant and Equipment: Other Land and Buildings	9,157
2,608	Vehicles, Plant, Furniture and Equipment	4,564
6,824	Infrastructure Assets	15,434
303	Community Assets	1,504
(3)	Surplus Assets	22
8,543	Assets Under Construction	12,210
	Property Plant and Equipment	
353	acquired under Finance Leases: Other Land and Buildings - DBFM Schools	4
-	Heritage Assets	13
75	Intangible Assets	68
(25)	Assets Held for Sale	
22,529	Total Capital Investment	42,976
	<i>Sources of Finance:</i>	
(612)	Capital Receipts	(838)
(13,495)	Government Grants	(21,700)
(744)	Capital Financed from Current Revenue	(735)
(5,246)	Net Borrowing	(2,514)
(2,592)	Assets Acquired under Finance Leases/Schools NPDO	(4,844)
27	Capital Receipts transferred to/(from) Capital Fund	3
(22,662)	Total Funding	(30,628)
294,752	Closing Capital Financing Requirement	307,100

Notes to the Financial Statements

14.5 Commitments under Capital Contracts

At 31 March 2022, the Council had commitments on capital contracts of £8.224m. 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 2021 were £18.675m. The major commitments are:

	£'000
Helensburgh Waterfront Development	2,959
Kilmory Business Park	1,980
Gartbreck/Glengorm Landfill Sites	896
Lochgilphead Front Green	486
St Muns Primary School Upgrade	262
Garelochhead Primary School Upgrade	254
Gibraltar Street, Oban, Public Realm	250
Dunoon Cycle Bothy	212
Oracle Replacement Project	202
Oban North Pier	150
Other small projects each less than £0.150m in value	573

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.

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

Movements in 2021-22	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
Cost or Valuation			
Net Book Value at 1 April 2021	1,600	486	2,086
Additions	-	13	13
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	-	-
At 31 March 2022	1,600	499	2,099

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 movement in intangible assets during the year was:

Movements in 2021-22	Purchased Software Licences £'000	Total Intangible Assets £'000
Cost or Valuation		
At 1 April 2021	2,207	2,207
Additions	68	68
Disposals	-	-
Revaluations	-	-
Reclassifications	-	-
At 31 March 2022	2,275	2,275
Depreciation and Impairments		
At 1 April 2021	(1,635)	(1,635)
Charge for 2021-22	(36)	(36)
Disposals	-	-
At 31 March 2022	(1,671)	(1,671)
Balance Sheet amount at 31 March 2022	604	604
Balance Sheet amount at 31 March 2021	572	572

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

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 2022. Revaluations of investment properties were carried out at 31 March 2022 in house by the Estates Service.

17.1 Movement in Investment Property

The movement in investment property during 2021-22 was:

Movements in 2021-22	Investment Properties
	£'000
Cost or Valuation	
At 1 April 2021	2,435
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	(38)
Transfers	31
At 31 March 2022	2,428

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:

2020-21 £'000		2021-22 £'000
113	Rental income from investment property	148
(4)	Direct operating expenses arising from investment property	(4)
109		144

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 2022 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.

Movements in 2021-22	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 2021	53,715	122,046	175,761
Additions at Cost	4	-	4
Transfers	-	-	-
Revaluations	-	-	-
At 31 March 2022	53,719	122,046	175,765
Depreciation and Impairments			
At 1 April 2020	-	-	-
Charge for 2021-22	(1,748)	(3,089)	(4,837)
Transfers	-	-	-
Revaluations	-	-	-
At 31 March 2022	(1,748)	(3,089)	(4,837)
Balance Sheet amount at 31 March 2022	51,971	118,957	170,928
Balance Sheet amount at 31 March 2021	53,715	122,046	175,761

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of the move

Comparative Movements in 2020-21	Schools DBFM - Other Land & Buildings £'000	Schools NPDO - Other Land & Buildings £'000	Total Schools Built under PFI Contracts £'000
Cost or Valuation			
At 1 April 2020	58,897	130,677	189,574
Additions at Cost	353	-	353
Transfers	-	-	-
Revaluations	-	-	-
At 31 March 2021	59,250	130,677	189,927
Depreciation and Impairments			
At 1 April 2020	(3,798)	(5,756)	(9,554)
Charge for 2020-21	(1,737)	(2,875)	(4,612)
Transfers	-	-	-
Revaluations	-	-	-
At 31 March 2021	(5,535)	(8,631)	(14,166)
Balance Sheet amount at 31 March 2021	53,715	122,046	175,761
Balance Sheet amount at 31 March 2020	55,099	124,921	180,020

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 2021-22	Schools DBFM £'000	Schools NPDO £'000	Total Schools Finance Lease Liability £'000
Balance at 1 April 2021	(55,909)	(65,175)	(121,084)
Additions	-	-	-
Repayments	2,034	2,766	4,800
Prior year repayment adjustment	-	-	-
Schools Finance Lease Liability at 31 March 2022	(53,875)	(62,409)	(116,284)
Split:			
Obligations payable within 1 year	(2,000)	(3,071)	(5,071)
Obligations payable after 1 year	(51,876)	(59,337)	(111,213)
Schools Finance Lease Liability at 31 March 2022	(53,876)	(62,408)	(116,284)

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

Notes to the Financial Statements

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	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2022 - 2023	3,071	6,475	5,602	15,148
2023 - 2027	13,916	22,042	24,256	60,214
2027 - 2032	26,409	18,381	34,328	79,118
2032 - 2035	19,013	4,359	18,291	41,663
Total	62,409	51,257	82,477	196,143

18.4 Payments due to Operator under Schools DBFM Contract

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

Future Repayment Periods	Repayment of Liability £'000	Service Charges £'000	Total Payments £'000
2022- 2023	2,000	786	2,786
2023 - 2027	8,078	4,114	12,192
2027 - 2032	10,510	7,201	17,711
2032 - 2037	12,609	10,365	22,974
2037 - 2042	16,696	9,284	25,980
2042 - 2043	3,983	763	4,746
Total	53,876	32,513	86,389

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 2021-22 were as follows:

2020-21 £'000		2021-22 £'000
256	Land and Buildings	226
1,407	Vehicles	1,322
184	Plant and Equipment	176
1,847	Total	1,724

Notes to the Financial Statements

19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2022 to making payments of £2.990m under operating leases comprising the following elements:

31st March 2021			31st March 2022	
Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000		Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
177	311	Due within 1 year	161	286
583	254	Due between 1 and 5 years	574	314
1,625	38	Due after 5 years	1,579	76
2,385	603	Value at 31 March	2,314	676

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 2021-22 was as follows:

2020-21 £'000		2021-22 £'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:

2020-21 £'000	Vehicles, Plant and Equipment	2021-22 £'000
478	Value at 1 April	427
-	Additions	-
(51)	Depreciation	(51)
427	Value at 31 March	376

Notes to the Financial Statements

20.3 Finance Lease Liability

The Council was committed at 31 March 2022 to making payments of £0.396m under finance leases comprising the following elements:

Movements in 2021-22	£'000
Balance at 1 April 2021	(440)
Additions	-
Repayments	44
Finance Lease Liability at 31 March 2022	(396)
Split:	
Obligations payable within 1 year	(63)
Obligations payable between 1 and 5 years	(251)
Obligations payable after 5 years	(155)
Finance Lease Obligations at 31 March 2022	(469)
Less Interest element of lease	73
Finance Lease Liability at 31 March 2022	(396)

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

21. LONG TERM DEBTORS

31st March 2021 £'000		31st March 2022 £'000
14	House Loans	13
750	Waste PPP Historic Contamination Fund	750
1,384	Charging Orders - Care Home Fees	1,465
3,297	Strategic Housing Fund Loans to Registered Social Landlords	3,229
583	Other Long Term Debtors	335
6,028	Total Long Term Debtors	5,792

22. DEBTORS

31 March 2021			31 March 2022	
£'000	£'000		£'000	£'000
18,350		Arrears of Local Taxation	19,410	
(16,170)		Less: Provision for Bad Debts	(16,910)	
	2,180			2,500
1,030		Housing Benefits Overpayments	974	
(955)		Less: Provision for Bad Debts	(910)	
	75			64
6,092		Debtor Accounts	3,351	
(1,012)		Less: Provision for Bad Debts	(1,067)	
	5,080			2,284
	-	Net Debtor to Scottish Government for Non Domestic Rates		721
	3,080	VAT Recoverable from HMRC		2,436
	205	Strategic Housing Fund Loans due within 1 Year		68
	6,037	Accrued Income		4,891
	3,789	Other Debtors		5,742
	20,446	Total Debtors		18,706

23. ASSETS HELD FOR SALE

The movement in assets held for sale during 2021-22 was:

2020-21 £'000	Movements	2021-22 £'000
674	Balance outstanding at 1st April 2021	1,865
1,624	Assets newly classified as "Held for Sale" (Property, Plant and Equipment)	228
(25)	Additions	-
(43)	Revaluation losses	(12)
-	Revaluation gains	134
-	Impairment losses	-
-	Assets declassified as "Held for Sale" (Property, Plant and Equipment)	-
(365)	Assets Sold	(706)
1,865	Balance outstanding at 31st March 2022	1,509

24. CASH AND CASH EQUIVALENTS

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

31 March 2021 £'000		31 March 2022 £'000
4	Cash held by the Authority	1
(30)	Cash in transit	74
25,518	Short term deposits with banks	5,117
17,290	Short term deposits in Money Market Funds	19,600
(7,144)	Bank Current Accounts	(5,064)
35,638	Total Cash and Cash Equivalents	19,728

25. CREDITORS

31 March 2021 £'000		31 March 2022 £'000
7,134	Accrued Payrolls and Superannuation	7,544
2,761	Accrued Employer's National Insurance Contributions and PAYE	2,880
7,206	Accrual for Short Term Accumulating Absences	6,927
983	Creditors System Liability	11
14,925	Accrued Expenditure	12,117
2,389	Health and Social Care Partnership Creditor	2,148
400	RCGF Grant Income	387
180	Housing Benefit Subsidy	-
829	Trust Funds	856
1,171	Net Creditor to Scottish Government for Non Domestic Rates	-
7,479	Other Creditors	8,412
45,457	Total Creditors	41,283

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 2021			31 March 2022	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Investments and Lending		
6,388	118,396	Loans and Receivables	6,284	38,434
		Borrowing		
284,848	50,920	Financial Liabilities at amortised cost	273,969	64,282

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 2022 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.

Notes to the Financial Statements

- 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 2021			31 March 2022	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
124,784	125,076	Lending Loans and Receivables	44,718	44,954
335,768	422,798	Borrowing Financial Liabilities	338,251	401,463

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.

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 2022 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2022 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Deposits with Banks and Money Market Funds	24,717	-	-

Notes to the Financial Statements

The information in respect of the Council's debtors can be found in note 21 and 22. 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.

The maturity analysis of financial liabilities is as follows:

31 March 2021 £'000	Maturity analysis of financial liabilities	31 March 2022 £'000
50,920	Less than one year	64,281
10,893	Between one and two years	5,284
16,915	Between two and five years	17,690
257,040	More than five years	250,996
335,768		338,251

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

Notes to the Financial Statements

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 2022, with all other variables held constant:

	31 March 2022 £'000
Impact on tax-payer	
Increase on interest payable on variable rate borrowings	105
Increase in interest receivable on variable rate lending	-
Increases in government grant receivable for "loan charges"	-
Net effect on Statement of Comprehensive Income & Expenditure	105

	31 March 2022 £'000
Other accounting presentational changes	
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	43,465

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 2021 £'000		31 March 2022 £'000
32,808	Banks and Money Market Funds	24,717

Notes to the Financial Statements

26.11 Soft Loans

The Council has no material soft loans at 31 March 2022, 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 2022 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.

31 March 2021 £'000		31 March 2022 £'000
133	Common Good	133
829	Trust Funds	829

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 £117.430m as at 31 March 2022 and comprise the following:

Movements in 2021-22	Opening Balance 1 April 2021 £'000	Movement in Year £'000	Closing Balance 31 March 2022 £'000
Finance Lease Liability (See note 20.3)	(440)	44	(396)
Schools Finance Lease Liability (See note 18.2)	(121,084)	4,800	(116,284)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(122,274)	4,844	(117,430)
Split:			
Short Term Liabilities (due within 1 year)			(5,117)
Long Term Liabilities (due after 1 year)			(112,313)
Total Other Liabilities			(117,430)

28. PROVISIONS

	Opening Balance 1 April 2021 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2022 £'000
Equal Pay Claims	(59)	-	-	16	(43)
Income due to Registered Social Landlords	(71)	(19)	-	-	(90)
Commercial Rent Balances	(154)	(20)	-	-	(174)
Service Choices Redundancy Costs	(150)	(65)	138	-	(77)
Landfill Sites - Restoration and Aftercare Costs	(1,909)	(80)	-	-	(1,989)
Utilities Provision	(256)	-	-	33	(223)
Litigation Claims	(250)	(50)	79	-	(221)
Insurance Excess Provision	(10)	-	-	-	(10)
NPDO and Hub DBFM Payments	(1,477)	(379)	158	215	(1,483)
Total Provisions	(4,336)	(613)	375	264	(4,310)
<i>Split:</i>					
Short Term Provisions (due within 1 year)					(2,231)
Long Term Provisions (due after 1 year)					(2,079)
Total Other Liabilities					(4,310)

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 2021-22 amounted to £2.106m; 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 £0.090m.

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 2022 has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2022, a provision of £0.077m has been created.

A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. The landfill sites were revalued at 31 March 2022 and the provision for restoration and aftercare increased to £1.989m. 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, £0.033m has been reversed during 2021-22 resulting in a total provision of £0.223m.

Notes to the Financial Statements

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

A provision was created in 2020-21 for insurance excess costs in relation to an ongoing HR process and this has been carried forward into 2021-22.

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 2021 £'000	Capital Grants Received £'000	Amounts Used £'000	Closing Balance 31 March 2022 £'000
Ministry of Defence LIBOR Funding - Helensburgh & Lomond	(5,000)	-	5,000	-
Grant in Aid - Gaelic School Capital Fund	(7)	-	7	-
Total Other Liabilities	(5,007)	-	5,007	-
Split:				
Capital Grant Receipts in Advance (due within 1 year)				-
Capital Grant Receipts in Advance (due after 1 year)				-
Total Other Liabilities				-

The Chancellor of the Exchequer, in his Spring 2016 Budget, awarded Argyll and Bute Council LIBOR funding of £5m. The Ministry of Defence (MOD) are acting on behalf of Her Majesty's Treasury (HMT) with regard to all matters relating to this funding.

The purpose of the grant is to provide a contribution to the costs of the provision of the new Helensburgh Leisure Centre on condition that serving personnel and their families are offered favourable admission terms. This is because the LIBOR funds are to be used to recognise the contribution made by the Armed Forces Community to the nation. These funds have been drawn down in 2021-22.

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 2022. These payments have been accrued and are included within the creditors figure on the Balance Sheet. These have been paid during April 2022. The amounts are as follows:

- Local Government Pension Scheme – £1.671m
- Teachers' Scheme – £1.082m

30.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2020. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2022 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.

Notes to the Financial Statements

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:

2020-21 £'000		2021-22 £'000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services:	
	<i>Service cost comprising:</i>	
24,830	Current Service Cost	37,756
73	Past Service Cost (Including Curtailments)	197
24,903	Net Cost of Services	37,953
1,888	Net Interest Expense	1,864
26,791	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	39,817
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(153,529)	Return on Assets (excluding amounts included in net interest)	(46,314)
(16,702)	Other Experience (see note (i) below)	1,795
173,619	Change in Financial and Demographic Assumptions	(66,129)
30,179	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(70,831)
	Statement of Movement in Reserves:	
(11,580)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(23,700)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
15,211	Employer's Contributions Payable to the Scheme	16,117

- (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)*

Notes to the Financial Statements

30.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

2020-21 £'000		2021-22 £'000
743,420	Defined Benefit Obligation at 1 April 21	897,836
24,830	Current Service Cost	37,756
73	Past Service Costs including Curtailments	197
17,390	Interest Cost	18,152
4,182	Contributions by Scheme Participants	4,457
131,520	Re-measurement Gains and (Losses)	(64,334)
(23,579)	Estimated Benefits Paid	(22,822)
897,836	Defined Benefit Obligation at 31 March 22	871,242

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

2020-21 £'000		2021-22 £'000
676,074	Fair Value of Employer Assets at 1 April 21	815,522
	<i>Re-measurement Gains and (Losses):</i>	
153,529	Expected Rate of Return on Pension Fund Assets	46,314
(25,397)	Actuarial Gains and Losses	-
15,502	Interest Income on Plan Assets	16,288
15,211	Employers Contributions	16,117
4,182	Contributions by Scheme Participants	4,457
(23,579)	Estimated Benefits Paid	(22,822)
815,522	Fair Value of Employer Assets at 31 March 22	875,876

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

2020-21 £'000	Local Government Pension Scheme	2021-22 £'000
(870,979)	Present Value of Funded Liabilities	(846,995)
(26,857)	Present Value of Unfunded Liabilities	(24,247)
815,522	Fair Value of Employer Assets	875,876
(82,314)	Surplus/(Deficit) in the Scheme	4,634

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

Notes to the Financial Statements

30.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2022 comprised:

2020-21 £'000		2021-22 £'000
13,691	Cash and Cash Equivalents	22,287
	Equity Instruments (by industry type)	
46,957	Consumer	41,032
46,519	Manufacturing	38,595
8,518	Energy and Utilities	9,115
28,867	Financial Institutions	24,122
22,751	Health and Care	29,269
37,735	Information Technology	50,860
-	Other	-
191,347	Sub-total Equity Instruments	192,993
	Bonds (by sector)	
-	Corporate	-
-	Government	-
-	Sub-total Bonds	-
	Real Estate	
66,075	UK Property	73,866
-	Overseas Property	-
66,075	Sub-total Real Estate	73,866
145,865	Private Equity (All)	171,465
	Investment Funds and Unit Trusts	
285,233	Equities	324,322
110,297	Bonds	88,462
345	Commodities	301
824	Infrastructure	769
1,698	Other	1,411
398,397	Sub-total Investment Funds and Unit Trusts	415,265
	Derivatives	
-	Forward Foreign Exchange Contracts	-
147	Other	-
147	Sub-total Derivatives	-
815,522	Total Assets	875,876

2020-21 £'000	Fair Value of Pension Fund Assets	2021-22 £'000
	Equity Securities	
190,471	Quoted in an Active Market	192,575
876	Not Quoted in an Active Market	418
191,347	Sub-total Equity Securities	192,993

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:

2020-21 Years	Mortality assumptions	2021-22 Years
19.8	Longevity at 65 for current pensioners: Men	19.6
22.6	Women	22.4
21.2	Longevity at 65 for future pensioners: Men	21.0
24.7	Women	24.5
2020-21 %	Financial Assumptions	2021-22 %
2.9%	Rate of Inflation (CPI)	3.2%
3.6%	Rate of Increase in Salaries	3.9%
2.9%	Rate of Increase in Pensions (CPI)	3.2%
2.0%	Rate for discounting scheme liabilities	2.7%
2020-21 %	Long-term Expected Rate of Return on Assets in the Fund	2021-22 %
2.0%	Equity Investments	2.7%
2.0%	Bonds	2.7%
2.0%	Property	2.7%
2.0%	Cash	2.7%

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

30.7 Asset and Liability Matching (ALM) Strategy

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

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 2022-2023.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £14.344m. This is based on an assumed pensionable payroll of £74.322m.

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

30.9 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency. The Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The Scheme is financed by payments from employers and from those current employees who are members of the Scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified by the regulations.

Employers currently pay a contribution rate of 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 2022, the council's own contributions equate to 1.45%.

2020-21		2021-22
9,229	Amount Paid Over (£'000)	9,497
23.00%	Rate of Contribution (%)	23.00%
520	Amount of Added Years Awarded by the Council (£'000)	514

The contributions due to be paid to the Teacher's Scheme by the Council in the next financial year are estimated to be £9.798m.

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 2021-22				
	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	-	1,108	-	(21)	1,087
Executive Director (Douglas Hendry)					
Executive Director (Douglas Hendry)	-	65	-	(6)	59
Commercial Services	2,159	1,744	-	4,150	8,053
Education	5,303	4,944	-	(7,916)	2,331
Legal and Regulatory Support	3,125	926	(4,800)	2,554	1,805
Executive Director (Kirsty Flanagan)					
Executive Director (Kirsty Flanagan)	-	49	-	(17)	32
Head of Customer Support	1,173	1,544	-	396	3,113
Head of Development and Economic Growth	341	1,754	-	(309)	1,786
Roads and Infrastructure	11,852	4,139	-	1,196	17,187
Social Work	170	2,381	-	(313)	2,238
Other Non-Departmental Costs	4	(700)	-	9	(687)
	-	-			
Net Cost of Services	24,127	17,954	(4,800)	(277)	37,004
Other Income and Expenditure	(24,564)	5,746	-	(923)	(19,741)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	(437)	23,700	(4,800)	(1,200)	17,263

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 2020-21				
	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	(66)	535	-	(17)	452
Executive Director (Douglas Hendry)					
Executive Director (Douglas Hendry)	-	34	-	(7)	27
Commercial Services	1,834	844	-	4,149	6,827
Education	3,509	2,399	-	(7,475)	(1,567)
Legal and Regulatory Services	2,911	443	(2,549)	2,554	3,359
Executive Director (Kirsty Flanagan)					
Executive Director (Kirsty Flanagan)	-	24	-	(18)	6
Head of Customer Support Services	1,276	789	-	395	2,460
Head of Development and Economic Growth	(9)	885	-	(306)	570
Roads and Amenity Services	8,839	1,996	-	1,189	12,024
Social Work	677	3,096	-	(308)	3,465
Other Non-Departmental Costs	4	(1,351)	-	-	(1,347)
	-	-			
Net Cost of Services	18,975	9,694	(2,549)	156	26,276
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,184)	1,886	-	(660)	(11,958)
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement (Surplus)/Deficit	5,791	11,580	(2,549)	(504)	14,318

32. UNUSABLE RESERVES

Movements in the Council's unusable reserves are detailed in the Statement of Movement in Reserves.

32.1 Revaluation Reserve

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

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

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

32.2 Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

32.3 Financial Instruments Adjustment Account

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

32.4 Pensions Reserve

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

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.

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 2021-22	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2021	2,872	1,534	4,406
Proceeds of Disposals	3	835	838
Transfer to Capital Adjustment Account	-	(835)	(835)
Contribution to Capital Fund From Revenue	-	-	-
Interest Earned	2	3	5
Balance at 31 March 2022	2,877	1,537	4,414

33.2 Repairs and Renewals Fund

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

Movements in 2021-22	Balance at 1 April 2021 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2022 £'000
Education	2,134	(349)	2	895	2,682
Total	2,134	(349)	2	895	2,682

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 Goodwin Judgement

The Social Security Act 1986 introduced changes to survivor pensions which resulted in most public service pension schemes providing survivor benefits to widowers (male survivors in opposite-sex marriages) based on the female spouse's service from 6 April 1988 onwards. Since the introduction of civil partnerships and same sex marriages, public service pension schemes have provided survivor benefits in respect of both which have been in line with those paid to widowers. An employment tribunal (the Goodwin case) concluded on 30 June 2020 that a female member in an opposite sex marriage is treated less favorably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied as being contrary to the non-discrimination rule set out in section 61 of the Equality Act 2010. In light of this ruling the Chief Secretary to the Treasury has confirmed that amendments would be made to the Teachers' Pension Scheme and other public service pension schemes so that "surviving male same-sex and female same-sex spouses and civil partners will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages"

There is still uncertainty surrounding the potential remedy to the Goodwin judgement however the Council's actuaries have estimated the potential impact of implementing a solution to correct the past underpayment of spouses' benefits to be circa 0.1% - 0.2% of gross obligations. This would amount to £0.871m at 0.1% for the Council or £1.742m at 0.2%. As there is still uncertainty over the remedy and the potential impact no provision has been made in the accounts at the current time.

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 2021-22 is £0.308m for 6 employees and in 2020-21 was £0.522m for 16 employees. These costs are detailed further in the Remuneration Report.

Notes to the Financial Statements

Termination costs for all Council employees who have accepted redundancy by 31 March 2022 have been accounted for in 2021-22, 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 re-profiling 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	Expenditure	Net Assets	Reserves
	£'000	£'000	£'000	£'000
Argyll Education Trust	14	3	676	676
GM Duncan Trust	-	2	69	69
MacDougall Trust	26	-	1,124	1,124
Various Other Trust Funds	1	9	466	466
Total Trust Funds	41	14	2,335	2,335

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 2022. 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 2022

2020-21 Actual £'000		2021-22 Actual £'000
170	Expenditure	199
(594)	Income	(351)
(424)	(Surplus)/Deficit for the Year	(152)

37.2 Common Good Balance Sheet at 31 March 2022

2020-21 Actual £'000		2021-22 Actual £'000
4,898	Tangible Fixed Assets	4,813
2,954	Investments	3,207
289	Current Assets	322
(11)	Current Liabilities	(42)
8,130	Total Assets less Liabilities	8,300
4,902	Revaluation Reserve	4,817
3,228	Common Good Fund	3,483
8,130	Total Net Worth	8,300

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-rata 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. If all projects are delivered and debt is fully paid, the Council can retain 50% of the TIF revenue for further infrastructure investment until the end of the TIF period.

Net capital expenditure incurred in the year to 31 March 2022, to be funded from borrowing, in respect of TIF assets totalled £0.049m (2020-21 £0.037m). This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 14.4. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2022, has been calculated in accordance with finance circular No. 4/2014 at £0.987m (2020-21 £0.939).

There is a retention of £0.336m of TIF income during 2021-22 (2020-21 £0.164m) to repay the notional borrowing for TIF. Principal sums accumulated by 2021-22 amount to £0.137m (2020-21 £0.132m) and cumulative interest £0.116m (2020-21 £0.115m) resulting in a net cumulative surplus of £1.103m (2020-21 £0.773m) which will be used to pay down TIF debt per the TIF agreement and the balance of £0.252m will be placed in earmarked reserves to be used in future years to repay debt costs.

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:

2020-21 £'000		2021-22 £'000
(14,257)	Net (Surplus)/Deficit on Provision of Services	(1,025)
	<i>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</i>	
(14,609)	Statutory Adjustments through Statement of Movement in Reserves	(17,813)
291	Transfer to/from Other Statutory Reserves	553
151	Increase/(Decrease) in Inventories	(58)
2,311	Increase/(Decrease) in Debtors	(2,044)
(13,181)	(Increase)/Decrease in Creditors and Provisions	3,312
(5,509)	Other Revenue Adjustments	(4,593)
(30,546)		(20,643)
	<i>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</i>	
5,063	Non Cash Capital	12,772
(2,592)	Capital Element of Finance Lease Payments	(4,844)
2,471		7,928
(42,332)	Net Cash Flows from Operating Activities	(13,740)
	<i>The cash flows for Operating Activities include the following items:</i>	
7,269	Interest Paid on Borrowings	7,074
2,592	Interest Paid on Finance Leases	4,844
(292)	Interest Received on Bank Deposits	(241)
9,569	Net Cash Outflow from Servicing of Finance	11,677

40. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

2020-21 £'000		2021-22 £'000
17,491	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	30,203
3,000	Investments made/(disposed of) during year	20,000
(612)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(815)
(12,139)	Other Receipts from Investing Activities	(17,345)
7,740	Net Cash Outflow from Investing Activities	32,043

41. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

2020-21 £'000		2021-22 £'000
(332)	Cash Receipts of Short and Long Term Borrowing	(10,184)
313	Other Receipts from Financing Activities	1,892
2,592	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	4,844
5,166	Repayments of Short and Long Term Borrowing	1,055
7,739	Net Cash (Inflow)/Outflow from Financing Activities	(2,393)

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.

2020-21 Actual £'000		2021-22 Actual £'000
70,624	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	71,280
	Less:	
(15,067)	Other Discounts and Reductions	(14,516)
(1,484)	Write-off of Uncollectable Debts and Allowance for Impairment	(1,358)
54,073	Total	55,406
364	Adjustment to Previous Years' Community Charge and Council Tax	836
54,437	Transfers to General Fund	56,242

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 2021-22 was as follows:

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

2. CALCULATION OF THE COUNCIL TAX BASE 2021-22

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,447	10,038	9,447	6,242	7,659	4,382	2,942	254	48,411
Less - Exemptions / Deductions	956	757	895	472	567	232	148	50	4,077
- Adjustment for Single Chargepayers	894	1,106	799	467	443	218	110	6	4,043
Effective Number of Properties	5,597	8,175	7,753	5,303	6,649	3,932	2,684	198	40,291
Band D Equivalent Factor (ratio)	67%	78%	89%	100%	131%	163%	196%	245%	
Band D Equivalent Number of Properties	3,731	6,358	6,891	5,303	8,736	6,390	5,256	485	43,150
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									499
Nominal Tax Yield									43,649
Less Provision for Non-Collection - 9.400%									4,103
Council Tax Base 2021-22 - Number of Band D equivalents									39,546

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.

2020-21 Actual £'000		2021-22 Actual £'000
56,335	Gross rates levied and Contributions in Lieu	55,736
	Less:	
(28,240)	Reliefs and other deductions	(25,366)
-	Payment of Interest	-
(281)	Write-off of Uncollectable Debts and Allowance for Impairment	(304)
27,814	Total Net Non-Domestic Rate Income	30,066
(2,914)	Adjustments for prior years	(4,024)
-	Business Rate Incentivisation Scheme (BRIS) NDR Income Retained	-
(164)	Tax Incremental Finance (TIF) Scheme NDR Income Retained	(336)
24,736	Contribution to National Non-Domestic Rate Pool	25,706
(1,452)	Difference between Distributable and Contributable NDR Income amounts	(636)
23,284	Distribution from Non-Domestic Rate Pool credited to Comprehensive Income and Expenditure Statement	25,070

1. ANALYSIS OF RATEABLE VALUES

2020-21 £		2021-22 £
9,370,855	Industrial and freight transport subjects	9,355,020
73,835,770	Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	75,263,110
	Commercial subjects:	
13,864,845	Shops	13,964,305
5,869,970	Offices	5,871,270
9,596,600	Hotels, Boarding Houses etc.	9,503,760
1,921,620	Others	1,921,820
114,459,660	Total Rateable Value	115,879,285

2. NON-DOMESTIC RATE CHARGE

2020-21 Pence		2021-22 Pence
49.8p	Rate Per Pound	49.8p
1.3p	Supplementary Rate Per Pound for Properties between £51,000 and £95,000	1.3p
2.6p	Supplementary Rate Per Pound for Properties over £95,000	2.6p

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

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

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2021-22: 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.
- **Group Balance Sheet:** The Balance Sheet is a snapshot of the value at the 31 March 2022 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 gives a more detailed analysis of the movement in the Council’s usable and unusable reserves during 2021-22.
- **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

2020-21			Service	2021-22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
25,784	20,003	5,781	Chief Executive and Financial Services	25,714	19,280	6,434
130,969	22,977	107,992	Executive Director - Douglas Hendry	144,439	25,338	119,101
90,630	25,583	65,047	Executive Director - Kirsty Flanagan	105,485	34,846	70,639
147,227	85,655	61,572	Health and Social Care Integration	157,712	88,394	69,318
11,433	3,591	7,842	Other Non-Departmental Costs	13,354	2,887	10,467
1,981	5,010	(3,029)	Associates and Joint Ventures Accounted for on an Equity Basis	2,124	9,390	(7,266)
408,024	162,819	245,205	Net Cost of Services	448,828	180,135	268,693
		6,286	Other Operating Income and Expenditure: Net (Gain)/loss on Disposal of Fixed Assets			(103)
		1,381	Other Operating Income and Expenditure			1,836
		7,667	Total Other Operating Income and Expenditure			1,733
		16,211	Financing and Investment Income and Expenditure: Interest Payable and Similar charges			15,993
		(955)	Interest and Investment Income			(805)
		1,888	Net Pension Interest Expense			1,864
		17,144	Total Financing and Investment Income and Expenditure			17,052
		(197,110)	Taxation and Non-Specific Grant Income: General Government Grants			(191,432)
		(13,495)	Government Capital Grants and Other Capital Contributions			(21,700)
		(23,448)	Non-domestic Rates Redistribution and Retained Non-domestic Rates (TIF & BRIS)			(25,406)
		(54,437)	Council Tax Income			(56,242)
		(288,490)	Total Taxation and Non-Specific Grant Income			(294,780)
		(18,474)	(Surplus)/Deficit on Provision of Services			(7,302)
		(9,030)	(Surplus)/Deficit on revaluation of Fixed Assets			(11,143)
		7,009	Other Post Employment Benefits (Pensions)			(113,865)
		(591)	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			(2,092)
		(2,612)	Other Comprehensive Income and Expenditure			(127,100)
		(21,086)	Total Comprehensive Income and Expenditure			(134,402)

31 March 2021			31 March 2022	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment		
376,141		- Other Land and Buildings	384,930	
9,945		- Vehicles, Plant, Furniture and Equipment	11,798	
222,947		- Infrastructure Assets	230,478	
10,848		- Community Assets	12,267	
1,637		- Surplus Assets	1,408	
25,599		- Assets Under Construction	35,344	
	647,117	Total Property Plant & Equipment		676,225
	2,086	Heritage Assets		2,099
	572	Intangible Assets		604
	2,435	Investment Property		2,428
	6,028	Long-Term Debtors		5,792
	20,946	Long-Term Investments		3,699
	-	Other Long-Term Debtors (Pensions)		1,084
	3,751	Investment in Associates and Joint Ventures		4,502
	682,935	Total Long Term Assets		696,433
		Current Assets		
908		Inventories	863	
20,541		Short Term Debtors (Net of Impairment)	18,825	
1,865		Assets Held for Sale	1,509	
45,000		Short Term Investments	82,500	
38,011		Cash and Cash Equivalents	22,535	
5,808		Investment in Associates and Joint Ventures	13,162	
	112,133	Total Current Assets		139,394
		Current Liabilities		
(2,874)		Short-term Borrowing	(17,745)	
(45,952)		Short-term Creditors	(42,034)	
(7)		Capital Grant Receipts in Advance	-	
(2,356)		Provisions	(2,231)	
(4,842)		Other Short Term Liabilities	(5,117)	
(367)		Investment in Associates and Joint Ventures	(281)	
	(56,398)	Total Current Liabilities		(67,408)
		Long-term Liabilities		
(167,418)		Borrowing Repayable within a Period in Excess of 12 Months	(161,657)	
(117,432)		Other Long-term liabilities	(112,313)	
(1,980)		Provisions	(2,079)	
(5,000)		Capital Grant Receipts in Advance	-	
(87,703)		Other Long-term liabilities (Pensions)	-	
(1,167)		Liabilities in Associates and Joint Ventures	-	
	(380,700)	Total Long-term Liabilities		(276,049)
	357,970	Total Assets less Liabilities		492,370

Group Balance Sheet



31 March 2021			31 March 2022	
£'000	£'000		£'000	£'000
135,392		Unusable Reserves		
217,237		- Revaluation Reserve	145,903	
(2,524)		- Capital Adjustment Account	223,147	
(87,703)		- Financial Instruments Adjustment Account	(2,198)	
(7,206)		- Pensions Reserve	1,084	
		- Accumulated Absences Account	(6,928)	
	255,196			361,008
		Usable Reserves		
4,406		- Capital Funds	4,414	
2,134		- Repairs and Renewals Funds	2,682	
78,245		- General Fund Balance	96,530	
	84,785			103,626
	9,861	Group Reserves		19,438
	8,128	Common Good Reserves		8,298
	357,970	Total Reserves		492,370

The Unaudited Annual Accounts were issued on 30 June 2022.

Kirsty Flanagan
Section 95 Officer

Group Statement of Movement in Reserves



Movements in 2021-22	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 2021	(78,245)	(2,134)	(4,406)	(84,785)	(260,585)	(345,370)	(8,024)	(1,836)	5,389	(8,129)	(357,970)
(Surplus)/Deficit on Provision of Services	(1,025)	-	-	(1,025)	-	(1,025)	(7,266)	1,159	-	(170)	(7,302)
Other Comprehensive Income and Expenditure	-	-	-	-	(121,791)	(121,791)	(2,092)	(3,217)	-	-	(127,100)
Total Comprehensive Income and Expenditure	(1,025)	-	-	(1,025)	(121,791)	(122,816)	(9,358)	(2,058)	-	(170)	(134,402)
Total Statutory Adjustments (See Page 53 to 54)	(17,813)	-	(815)	(18,628)	18,628	-	-	1,839	(1,839)	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(18,838)	-	(815)	(19,653)	(103,163)	(122,816)	(9,358)	(219)	(1,839)	(170)	(134,402)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	553	(548)	807	812	(810)	2	-	-	-	-	2
(Increase)/Decrease in Year	(18,285)	(548)	(8)	(18,841)	(103,973)	(122,814)	(9,358)	(219)	(1,839)	(170)	(134,400)
Balance at 31 March 2022 Carried Forward	(96,530)	(2,682)	(4,414)	(103,626)	(364,558)	(468,184)	(17,382)	(2,055)	3,550	(8,299)	(492,370)

Group Statement of Movement in Reserves

Comparative Movements in 2020-21	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Live Argyll Reserves Usable	Total Live Argyll Reserves Unusable	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves							
	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2020	(49,670)	(1,843)	(4,379)	(55,892)	(269,579)	(325,471)	(4,405)	(520)	1,216	(7,705)	(336,885)
Surplus/(Deficit) on Provision of Services	(14,257)	-	-	(14,257)	-	(14,257)	(3,029)	(764)	-	(424)	(18,474)
Other Comprehensive Expenditure and Income	-	-	-	-	(5,642)	(5,642)	(591)	3,621	-	-	(2,612)
Total Comprehensive Expenditure and Income	(14,257)	-	-	(14,257)	(5,642)	(19,899)	(3,619)	2,857	-	(424)	(21,085)
Total Statutory Adjustments (See Page 55 to 56)	(14,609)	-	(612)	(15,221)	15,221	-	-	(4,173)	4,173	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(28,866)	-	(612)	(29,478)	9,579	(19,899)	(3,619)	(1,316)	4,173	(424)	(21,085)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	291	(291)	585	585	(585)	-	-	-	-	-	-
(Increase)/Decrease in Year	(28,575)	(291)	(27)	(28,893)	8,994	(19,899)	(3,619)	(1,316)	4,173	(424)	(21,085)
Balance at 31 March 2021 Carried Forward	(78,245)	(2,134)	(4,406)	(84,785)	(260,585)	(345,370)	(8,024)	(1,836)	5,389	(8,129)	(357,970)

Group Cash Flow Statement

2020-21 £'000		Group Note	2021-22 £'000
(18,474)	Net Deficit on the Provision of Services		(7,302)
(28,254)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(24,428)
2,471	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		8,155
(44,257)	Net Cash OutFlow from Operating Activities	9	(23,575)
8,286	Investing Activities	10	41,442
7,741	Financing Activities	11	(2,391)
(28,230)	Net (Increase)/Decrease in Cash and Cash Equivalents		15,476
(9,781)	Cash and Cash Equivalents at the beginning of the Reporting Period		(38,011)
(38,011)	Cash and Cash Equivalents at the end of the Reporting Period		(22,535)

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.

- 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 2022.

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 £0.071m towards Scotland Excel in the 2021-22 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.

The Council inherited its interest in these entities following the reorganisation of local government in 1996.

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 £62.870 towards the Argyll and Bute Integration Joint Board in the 2021-22 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.

5. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates, Joint Ventures, Subsidiaries and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £24.186m. This gives an overall net asset position for the Group of £492.370m.

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.

6. FURTHER DETAILS ON CONSOLIDATION

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.409m or 1.14% of the Board's estimated net running costs during 2021-22 and accounted for £5.523m 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 2021-22 the Council contributed £0.206m or 5.04% of the net annual running costs and accounted for £0.232m 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 2021-22 Argyll and Bute Council paid £3.938m in the form of a Management Fee to Live Argyll and reduced the overall net worth of the Group Balance Sheet by £1.495m.

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 2021-22 Argyll and Bute Council contributed £1.47m towards estimated running costs and accounted for £0.032m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and will be available from the Valuation Joint Board's website [www.saa.gov.uk /dab-vjb/](http://www.saa.gov.uk/dab-vjb/) and West Dunbartonshire Council's website <https://www.west-dunbarton.gov.uk/council/performance-and-spending/service-performance/financial-performance/> from 1 July 2022.

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:-

2020-21 £'m		2021-22 £'m
	Argyll and Bute Council has a 48.1% share of:	
2.898	Gross Income	2.958
0.213	Net (Surplus)/Deficit	0.244
0.640	Long Term Assets	0.636
0.897	Current Assets	0.994
(0.206)	Liabilities due within one year	(0.065)
-	Liabilities due over one year	-
(2.426)	Pension Liability	(0.507)
(1.095)	Capital and Revenue Reserves	(2.072)

7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 49 to 50) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 37 of the Notes to the Financial Statements on pages 116 to 117 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £8.298m.

8. GROUP CASH FLOW STATEMENT – OPERATING ACTIVITIES

2020-21 £'000		2021-22 £'000
(18,474)	Net (Surplus)/Deficit on Provision of Services	(7,302)
	<i>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</i>	
(14,609)	Statutory Adjustments through Statement of Movement in Reserves	(15,974)
291	Transfer to/from Other Statutory Reserves	553
1,849	Transfer Group Other Comprehensive Income and Expenditure	(5,309)
143	Increase/(Decrease) in Inventories	(45)
2,260	Increase/(Decrease) in Debtors	(2,020)
(13,143)	(Increase)/Decrease in Creditors and Provisions	3,056
(5,045)	Other Revenue Adjustments	(4,689)
(28,254)		(24,428)
	<i>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</i>	
5,063	Non Cash Capital	12,999
(2,592)	Capital Element of Finance Lease Payments	(4,844)
2,471		8,155
(44,257)	Net Cash Flows from Operating Activities	(23,575)
	<i>The cash flows for Operating Activities include the following items:</i>	
7,269	Interest Paid on Borrowings	7,074
2,592	Interest Paid on Finance Leases	4,844
(292)	Interest Received on Bank Deposits	(241)
9,569	Net Cash Outflow from Servicing of Finance	11,677

9. GROUP CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020-21 £'000		2021-22 £'000
17,491	Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	30,244
3,000	Investments made/(disposed of) during year	20,000
(612)	Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(815)
546	Net Receipts from Investment in Associates and Joint Ventures	9,358
(12,139)	Other Receipts from Investing Activities	(17,345)
8,286	Net Cash Outflow from Investing Activities	41,442

10. GROUP CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020-21 £'000		2021-22 £'000
(332)	Cash Receipts of Short and Long Term Borrowing	(10,184)
313	Other Receipts from Financing Activities	1,892
2,592	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	4,844
5,168	Repayments of Short and Long Term Borrowing	1,057
-	Other Payments from Financing Activities	-
7,741	Net Cash (Inflow)/Outflow from Financing Activities	(2,391)

Glossary of Terms

Existing Use Value. The market value of a particular Council property, less the difference between the average rental income between public and private sector properties.

Expected Rate of Return on Pension Assets. The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the Scheme.

Fair Value. This is the price at which an asset could be exchanged in an arm's length transaction less any grants receivable towards the purchase or use of the asset.

Financial Asset. A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash from another entity or a financial right to exchange financial instruments under conditions that are potentially favourable to the Council.

Financial Instrument. Any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another.

Financial Instruments Adjustment Account. This holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

Financial Liability. An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments under conditions which are potentially unfavourable to the Council.

Financial Reporting Standard (FRS). Financial Reporting Standards are issued by the Accounting Standard Board and define proper accounting practice for a given transaction or event.

Fixed Assets. Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Gains/losses on settlements and curtailments. The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is charged or credited to Non Distributed costs in the Comprehensive Income and Expenditure Statement.

General Fund Balance. This contains the net surplus on the provision of Council services combined with any balances from previous years and any contributions to other funds or reserves made during the year.

Group Accounts. The purpose of group accounts is to show the Council's interest in organisations and companies within the Financial Statements. The Council's shares of the assets and liabilities of these other entities are shown in the Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Group Balance Sheet.

Government Grants. Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the Council.

Heritage Assets. Assets which are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations and are held by the Council of the maintenance of heritage.

International Accounting Standards (IAS). International Accounting Standards are issued by the International Accounting Standards Board and define proper accounting practice for a given transaction or event. IAS's take precedence over other accounting standards in the hierarchy of technical accounting standards.

International Public Sector Accounting Standards (IPSAS), a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Impairment. A reduction in the value of fixed or financial asset below the valuation held on the balance sheet.

Infrastructure Assets. Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets. Non-financial assets which do not have physical substance but are identifiable and are controlled by the Council.

Interest Cost (Pensions). The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories. Inventories may comprise the following: goods or other assets purchased for re-sale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances; and finished goods.

Liquid Resources. Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded on the active market.

Glossary of Terms

Materiality. Information is included where the information is of such significance as to justify its inclusion, and omission or misstatement could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

National Non-Domestic Rates Pool. All non-domestic rates collected by Council's are remitted to the national pool and, thereafter, distributed to Councils by the Scottish Government.

Net Book Value. The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

Net Realisable Value. The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

Non-Current Assets. Non-current assets are not expected to be realised within 12 months and are held to provide future economic benefits to the Council.

Non-operational assets. Are assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Officers' Remuneration. All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax).

Operating Leases. A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

Operating Assets. All items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Past Service Costs (Pensions). The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pensions Reserve. The Pensions Reserve absorbs the timing differences arising from different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

Prior Period Adjustments. Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Public Private Partnerships (PPP). Those partnerships enable the Council to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the building or refurbishment of the assets.

Residual Value. The net realisable value of an asset at the end of its useful life.

Related Party Transactions. A related party transaction is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether a charge is made.

Renewal and Repairs fund. This contains funds credited at the Council's discretion from the General Fund and is available for use on capital or revenue expenditure on Council assets.

Revaluation Reserve. Records unrealised gains arising since 1 April 2007 from holding fixed assets not yet realised through sales.

Service Expenditure Analysis (SEA). An analysis which groups together expenditure on services within headings or divisions as defined in the Service Reporting Code of Practice (SeRCOP).

Specific Government Grants. These are grants received from Central Government in respect of a specific purpose or service.

Unusable Reserves. Those reserves which hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences.

Usable Reserve. Those reserves which the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Useful Life. The period over which the Council will derive benefits from the use of a fixed asset.

Trade Union Facility Time Statement 2021-22

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	18	17.4
Education Function	8	7.8

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

Table 2: Percentage of Time Spent on Facility Time

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

Percentage of time	Number of employees	
	Central Function	Education Function
0%	0	5
1% - 50%	17	2
51% - 99%	1	0
100%	0	1

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	£119,964	£64,715
The total pay bill	£106,970,507	£52,279,467
The percentage of the total pay bill spent on facility time	0.11%	0.12%

Table 4: Paid Trade Union Activities

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

	Central Function	Education Function
Time spent on paid trade union activities as percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0%	0%