



**Audited Annual Accounts** for the year ended 31 March 2015

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### INTRODUCTION

This Management Commentary outlines key messages regarding the objectives and strategy of the Council and its financial performance over the 2014-15 financial year and also provides an indication of issues and risks which may impact upon the finances of the Council in the future.

### PRINCIPAL ACTIVITIES

Argyll and Bute Council was established in 1996 as part of local government reorganisation in Scotland under the Local Government (Scotland) Act 1994. The Council has responsibility for providing local authority services for the residents of Argyll and Bute. Argyll and Bute is the second largest local authority area in Scotland. It covers an area of 691,000 hectares bounded by the urban areas of Helensburgh and Dunoon, the Clyde, Loch Lomond to the East, the Mull of Kintyre to the south, Atlantic Islands to the west, and the Sound of Mull and Appin to the north.

The Council has thirty six councillors elected every five years to represent the interests of the local community. The management of Argyll and Bute Council is led by the Chief Executive, Sally Loudon. The operational structure is divided into the Chief Executive's Unit and three directorates: Community Services, Customer Services and Development and Infrastructure Services.

### MAIN OBJECTIVES AND STRATEGY OF THE COUNCIL

The main objective of the Council is to make Argyll and Bute a place people choose to live, learn, work and do business. In doing so we contribute to the delivery of our shared vision, as outlined in the Single Outcome Agreement (SOA), that Argyll and Bute's economic success is built on a growing population. This will influence the use of the Council's resources.

To achieve this, the Council's Service plans align to the six long term outcomes identified in the SOA. These outcomes, along with our corporate enablers support the delivery of our Corporate Plan and also address national priorities for community planning:

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

### PUBLIC PERFORMANCE REPORTING

The Council has in place a Planning and Performance Framework that ensures that performance is integral to the work of the Council. All of the Council's plans specify the outcomes to be achieved, success measures and risks to be reduced.

### MANAGEMENT OF RISK

The most significant risks faced by the Council over the medium to longer term include the financial challenges arising from expected reductions in government funding levels alongside increased demand for council services and the impact of Welfare Reform on the residents of Argyll and Bute. The Annual Governance Statement details the arrangements the Council has put in place for the proper governance of the Council's affairs and for the management of risk. This explains the system of internal control in place and sets out improvements actions to the governance framework identified from the Council's ongoing review of these arrangements.

### THE FINANCIAL STATEMENTS

The objectives of financial statements are to provide information on the financial position, financial performance and cash flows of the Council which is useful to a wide range of users in making and evaluating decisions about the allocation of resources. The information provided by the financial statements should be useful for decision making and demonstrate the accountability of the Council for the resources entrusted to it.

The financial statements comprise:

- Statement of Movement in Reserves for the period
- Statement of Comprehensive Income and Expenditure for the period
- Balance Sheet as at the end of the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information

### FINANCIAL PERFORMANCE

#### Statement of Movement in Reserves

The total Council reserves have decreased from £174.825m at 31 March 2014 to £160.957m at 31 March 2015, a decrease of £13.868m. This is represented by a Surplus on Provision of Services of £4.581m offset by a deficit in Other Comprehensive Income and Expenditure of £18.449m.

The Council's reserves are split into Usable and Unusable Reserves. Usable reserves are those which are backed by actual resources and can be applied to fund expenditure or reduce local taxation. Unusable reserves are not backed by resources and are required purely for accounting purposes, these reserves do not represent resources available for the Council to utilise.

Unusable Reserves have decreased by £15.820m from £126.299m at 31 March 2014 to £110.479m at 31 March 2015. The main reasons for this are an increase in the Pension Reserve Liability of £26.401m, a deficit on the revaluation of fixed assets of £0.774m and the transfer of £16.438m from the Comprehensive Income and Expenditure Statement for Capital Grants.

The Usable Reserves have increased from £48.526m at 31 March 2014 to £50.478m at 31 March 2015, an increase of £1.952m. The main reason for this is an increase in the General Fund Balance of £2.026m.

A number of adjustments are made between Council reserves to reflect the correct charge to Council Tax for the year. The net adjustment to the surplus per the Comprehensive Income and Expenditure Statement to reflect the impact on Council Tax is a debit of £2.555m. In summary this debit represents the difference between:

- Principal repayment to the loans fund and the depreciation or amortisation of property, plant and equipment, government grants and any gain/loss on sale of assets.
- Cash paid as pension contributions and the costs charged in accordance with IAS19.
- Statutory provision relating to amounts due on early repayment of loans and the charges in accordance with the Code.
- Capital element of finance lease payments on the schools NPDO contract and other finance leases and the amounts paid under the contracts.

The net surplus on the Provision of Services on the Comprehensive Income and Expenditure Statement of £4.581m less the adjustments to reflect impact on Council Tax of £2.555m equates to the increase on the balance on the General Fund of £2.026m.

## General Fund Reserve

The balance on the General Fund at 31 March 2015 stands at £46.067m compared to £44.041m at 31 March 2014, an increase of £2.026m. The “unallocated” General Fund Balance stands at £15.874m at 31 March 2015. This equates to 6.5% of the net revenue expenditure for 2015-16, the Council has a policy of maintaining an unallocated balance in the General Fund Reserve equivalent to 1.5% of budgeted net revenue expenditure, any balance in excess of the 1.5% is to be utilised for delivery of the SOA. There are a range of balances earmarked within the General Fund, these total £30.193m and are laid out in note 5 on page 57. The main balances include £7.672m for the Strategic Housing Fund generated from Council Tax on second homes, £3m earmarked as a revenue contribution to capital as a contribution to Dunoon and Campbeltown Schools, £9.5m contribution to investment in affordable housing and £8.039m earmarked from service budget underspends to support corporate and service improvement plans.

The movement in the General Fund can be summarised as follows:

|   | £m    | £m                   |
|---|-------|----------------------|
| <b>Balance on General Fund 31 March 2014</b>                            |       | <b>44.041</b>        |
| Release of sums previously earmarked to service budgets 2013-14         |       | (5.925)              |
| Supplementary Estimates agreed during 2014-15                           |       | (0.060)              |
| Budgeted Contribution to General Fund Balance 2014-15                   |       | 1.020                |
|   |       | <u><b>39.076</b></u> |
| <b>Add outturn for 2014-15:</b>   |       |                      |
| Increase in Council Tax income  | 0.744 |                      |
| Additional Council Tax Reduction Scheme Funding                         | 0.138 |                      |
| Net underspend on departmental and other expenditure compared to budget | 1.190 |                      |
|   |       | <u><b>2.072</b></u>  |
| <b>Contributions to Earmarked Reserves 2014-15:</b>                     |       |                      |
| Council Tax collection on second homes                                  | 1.927 |                      |
| Funds earmarked by departments from budgets                             | 2.992 |                      |
|   |       | <u><b>4.919</b></u>  |
| <b>Balance on General Fund 31 March 2015</b>                            |       | <u><b>46.067</b></u> |



The release of sums already earmarked to service budgets of £5.925m consists of funds released to services of amounts previously earmarked for specific purposes, for example unspent budget within the Devolved Management of Resources Scheme of Delegation for Schools, Strategic Housing Fund payments and unspent grant and third party contributions required for specific purposes.

## Performance against budget

The table below is a summary of the year-end actual expenditure for each department compared to the annual budget.

|   | (over)<br>/underspend<br>£m | Annual<br>budget<br>% |
|---|-----------------------------|-----------------------|
| Chief Executive's Unit                  | 0.010                       | 0.47%                 |
| Community Services                      | (0.134)                     | (0.10%)               |
| Customer Services                       | 0.992                       | 2.60%                 |
| Development and Infrastructure Services | (1.889)                     | (6.10%)               |
| <b>Departmental Outturn</b>             | <b>(1.021)</b>              | <b>(0.44%)</b>        |
| Non-Departmental expenditure            | 2.885                       | 7.81%                 |
| Joint Boards and Severance Costs        | (0.674)                     | (19.33%)              |
| <b>Expenditure Outturn</b>              | <b>1.190</b>                | <b>0.47%</b>          |
| Funding                                 | 0.882                       | 0.35%                 |
| <b>Outturn Total</b>                    | <b>2.072</b>                | <b>0.82%</b>          |

In Community Services, the overspend in Education was partly offset by an underspend in Adult Care. The underspend in Customer Services is due to procurement and vacancy savings. The overspend in Development and Infrastructure Services mainly relates to the additional costs associated with winter maintenance and coastal protection. The projected year-end position for the departments was forecast and monitored during 2014-15 and steps were taken to ensure that overall the departmental year-end variance position was not unfavourable.

## Comprehensive Income and Expenditure Statement

The Council ended the year with an accounting deficit of £13.868m for 2014-15 compared to a deficit of £5.917m in 2013-14, this is the accounting deficit based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure for 2014-15 represents the decrease in the net worth of the Council from £174.825m at 31 March 2014 to £160.957m at 31 March 2015. This is a decrease in the net worth of the Council in accounting terms and does not represent a decrease in the spending power of the Council.

The total Comprehensive Income and Expenditure comprises a surplus on the provision of services of £4.581m, reduced by a deficit on the revaluation of Long Term Assets of £0.774m and an actuarial loss on the pension fund assets/liability of £17.675m.

The surplus on the provision of services of £4.581m compares to a surplus of £1.694m for 2013-14. The main factors contributing to these changes are as follows:

- Taxation and Non-Specific Grant Income increased from £258.459m to £265.688m, an increase of £7.229m (2.8%). This increase in income reflects a general year on year decrease in General Government Grants and increases in Council Tax income, Non-domestic Rates income and Government Capital Grants.
- Financing and Investment Income and Expenditure decreased from £22.010m in 2013-14 to £20.845m in 2014-15, a decrease of £1.165m (5.3%). This decrease is due to an increase in interest and investment income which includes an unrealised gain on the revaluation of investment property of £1.648m.
- Other Operating Income and Expenditure decreased from £1.071m in 2013-14 to £0.874m in 2014-15, a decrease of £0.197m (18.4%). This decrease is due to there being a gain on the disposal of long term assets of £0.142m in 2014-15, this compares to a loss of £0.026m in 2013-14.
- The Net Cost of Services has increased from £233.684m in 2013-14 to £239.388m in 2014-15, an increase of £5.704m (2.4%). This is an increase in expenditure in accounting terms and does not represent a true increase in spend on services by the Council.

### Balance Sheet

As indicated above the accounting net worth of the Council has decreased by £13.868m from £174.825m at 31 March 2014 to £160.097m at 31 March 2015.

The value of long term assets has increased from £514.498m at 31 March 2014 to £527.060m at 31 March 2015, an increase of £12.562m (2.44%). This comprises the net of an overall upward revaluation of fixed assets, capital expenditure in the year, less the value of long term assets disposed.

Total current assets have increased from £57.652m at 31 March 2014 to £71.119m at 31 March 2015, an increase of £13.467m. The main reason for this is due to an increase in Cash and Cash Equivalents of £17.771m from £6.075m at 31 March 2014 to £23.846m at 31 March 2015.

Total current liabilities have increased from £48.746m at 31 March 2014 to £72.740m at 31 March 2015, an increase of £23.994m. Short term borrowing has increased by £22.287m from £11.442m at 31 March 2014 to £33.729m at 31 March 2015. Short term creditors have increased by £2.595m from £32.982m to £35.577m. In addition, there has been a decrease in short term provisions of £1.013m, which relates to the movement in the provisions for equal pay claims and severance costs associated with employees leaving the Council under redundancy and early retirement.

Overall, long term liabilities have increased from £348.579m at 31 March 2014 to £364.482m at 31 March 2015. The increase of £15.903m is primarily due to the increase in the IAS19 valuation of the pension scheme liability from £118.337m to £144.738m, partly offset by a decrease in Borrowing Repayable within a period of 12 Months of £10.085m and the introduction of a provision for the restoration and aftercare costs for landfill sites for £1.477m.

### Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The Cash and Cash Equivalents balance at 31 March 2014 was £6.075m and increased by £17.771m to £23.846m at 31 March 2015. The Net Cash Flows from Operating Activities have increased from £5.335m at 31 March 2014 to £13.541m at 31 March 2015; this increase of £8.206m represents an increase in the Councils expenditure being funded from taxation and grant income.

Cash outflows for Investment Activities have decreased from £10.133m during 2013-14 to £8.227m in 2014-15. Purchase of long term assets increased by £7.513m with this being more than offset by an increase in capital grants and contributions of £4.443m and an in year reduction of £5m in short term investments.

Cash flows from Financing Activities were an outflow of £0.995m during 2013-14 and an inflow of £12.457m during 2014-15, this change of £13.452m relates to £19.883m of temporary borrowing taken during 2014-15, offset by an increase of £8.251m in repayments of long term borrowing. In addition, there was an increase of £1.988m in the cash received in respect of non-domestic rates, which the council collects on behalf of the Scottish Government.

### Pension Liability

As noted above the IAS19 valuation of the pension scheme liability has increased from £118.337m at 31 March 2014 to £144.738m at 31 March 2015. This pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2015.

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

Hymans Robertson (Independent Actuaries) were instructed by Glasgow City Council, the administering authority to the Strathclyde Pension Fund, to undertake calculations in respect of the Local Government Pension Scheme on behalf of Argyll and Bute Council as at 31 March 2015. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under IAS19, issued by the Institute and the Faculty of Actuaries.

### Capital Expenditure and Borrowing

Local authority capital expenditure and borrowing is regulated by the Prudential Code, a regime of self-regulation. Under the Prudential Code of Practice the Council must ensure that:

- Capital expenditure plans are affordable;
- Borrowing is sustainable and prudent; and
- Treasury management reflects good professional practice.

The Council approved a set of prudential indicators for 2014-15 and managed capital expenditure and borrowing within these approved limits.

Capital expenditure was incurred across a range of services enhancing the value, useful life or working capacity of the Council's assets. This included investments in schools, offices, other premises and facilities, information technology and roads. Details of capital expenditure are as follows:

|   | £'m           |
|---|---------------|
| Gross Capital Expenditure                 | 36.281        |
| Less: Capital Receipts                    | 0.148         |
| Government Grants and Other Contributions | 16.438        |
| Revenue Contributions                     | 1.241         |
| <b>Balance Funded from Borrowing</b>      | <b>18.454</b> |

The capital financing requirement at 31 March 2015 was £257.556m. This was financed as follows:

|  | £'m            |
|--|----------------|
| Long Term Borrowing                        | 131.180        |
| Short Term Borrowing                       | 42.198         |
| Schools NPDO Finance Lease Liability       | 77.871         |
| Internal Funds                             | 6.307          |
| <b>Total Capital Financing Requirement</b> | <b>257.556</b> |

The external borrowing of the Council at 31 March 2015 amounted to £173.378m. The majority of this was financed by the Public Works Loan Board (£100.221m), with the remainder coming mainly from the money market.

During the year the Council completed £20.547m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also repaid loans of £8.350m.

### PROVISIONS AND CONTINGENT LIABILITIES

The Council has a number of significant balances held as provisions on the balance sheet, including:

- Severance costs - a number of employees have either taken or been offered a redundancy package as part of the Council Modernisation programme. A provision of £0.054m has been created in 2014-15 for the termination benefits for employees who have accepted redundancy but are not planned to leave until after 31 March 2015. Termination costs for all Council employees who have accepted redundancy by 31 March 2015 have been accounted for in 2014-15 or in previous years.
- Equal Pay - the Council has settled most of the remaining outstanding claims. A provision was held for claims where settlement offers were made and a reliable estimate could be made of the liability. There is a provision of £0.077m remaining and there are a few further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.
- Utilities Provision - a total of £0.599m has been provided for to cover the cost of a potential liability in relation to discrepancies in charges for utility costs.
- Restoration and aftercare costs for landfill sites - a provision for landfill sites of £1.477m 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.

### CHANGES IN ACCOUNTING POLICY

There are no changes in accounting policy for the 2014-15 Financial Statements.

### GROUP ACCOUNTS

The Group Accounts have been prepared. The opening position of the Group at 1 April 2014 decreased by £14.653m to £167.734m. This movement can mainly be attributed to a reduction in Argyll and Bute Council's single entity reserve position of £13.868m and a decrease in Group and Common Good reserves of £0.785m.

The following statements make up the "Group Accounts" for the Council:

- The Group Movement in Reserves Statement shows the movement in the year of the different reserves the Council holds, along with the movement in the Council's share of the reserves of its associates.

- The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure Figures for the Council with the Council's share of the operating results of each associate.
- The Group Balance Sheet brings together all the assets and liabilities of the group, and combines the Council's assets and liabilities with its share of each associate's net assets or liabilities.
- The notes to the Group Accounts give further information on the Council's group accounts.

### EVENTS AFTER THE BALANCE SHEET DATE

Events from the Balance Sheet date until the date of signing the Annual Accounts have been taken into consideration. There are no significant post balance sheet events to report.

### FUTURE OUTLOOK

The financial outlook for 2015-16 is one of relative financial stability, the future beyond that is more challenging. The Council adopted a 2 year budget for 2014-15 and 2015-16 in February 2014. This set budgetary targets of 1% cashable efficiency savings for each of these financial years. 2015-16 will be a year of more intensive planning to review the resources available to the Council and how they are used to deliver on priorities and objectives over a very challenging medium term.

The Council has agreed an ambitious Single Outcome Agreement (SOA) which has an overall objective of reversing economic and population decline which together with further forecast reductions in public sector funding sets out a very challenging agenda for the period beyond 2016-17. The Council will seek to address these challenges in its service choices review which will inform future budgets; guiding how the Council uses its resources to deliver priorities and objectives.

The outcome of the service choices review, of how the Council uses its resources to deliver on priorities and objectives and also the delivery plans that underpin the SOA will be important in mapping the future financial plans of the Council.

The Council will continue to monitor the financial implications of any emerging new pressures on service delivery e.g. welfare reform, kinship care, extension of free school meals.

The Council is actively preparing for the Scottish Government's policy reform programme in the area of Health and Social Care. A formal integration of health and care services between Argyll and Bute Council and Highland Health Board will occur from 1 April 2016. This will have implications for service users as well as financial and governance implications for both local government and the NHS in Scotland. Argyll and Bute Health and Social Care Partnership will be responsible for commissioning future care services across Argyll and Bute. Budgets for integrated services will be integrated to form a pool of resource which will have the flexibility to be redirected within the Partnership to address service pressures. The Council continues to work closely with the Scottish Government, professional associations and local NHS partners to ensure the new Partnership is well placed to deliver integrated services.

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 September 2015 the financial year ending 31 March 2016. During the TIF project period, the council is entitled to retain the TIF revenue from its NDR revenue, a pro-rate amount of NDR equal to the amount (if any) by which the collected amount exceeds the collectable amount. The council is required to apply 100% of the TIF revenue towards repayment of the TIF debt.

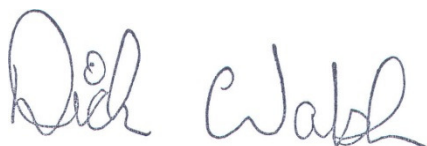
Following repayment in full, and until the end of the project period, the council is entitled to retain 50% of the TIF revenue for further infrastructure investment.

The Council has set a 5 year capital investment plan for the period to 2019-20, summarised in the table below.

|                                   | 2015-16       | 2016-17       | Future<br>Years |
|-----------------------------------|---------------|---------------|-----------------|
|                                   | £m            | £m            | £m              |
| <b>Total Capital Expenditure</b>  | <b>41.394</b> | <b>25.545</b> | <b>51.062</b>   |
| <b>Funded by:</b>                 |               |               |                 |
| Borrowing                         | 23.390        | 7.305         | 8.193           |
| Capital Grant                     | 14.301        | 10.250        | 30.750          |
| Contribution from Smoothing Funds | 2.214         | -             | 3.414           |
| Contribution from Revenue Budget  | 0.286         | -             | -               |
| Capital Receipts                  | 1.203         | 7.990         | 8.705           |

Capital funding is expected to continue to decline and this will have an increasing impact on the level of capital investment that the Council will be able to afford going forward. This reduction in funding will increase the importance of effective asset management and more innovative funding approaches to ensure that the Council can optimise resources to invest in future services and achieve planned goals.

The Council in common with many other public sector organisations is facing a period of significant financial challenge. However, it moves forward from a sound financial base in terms of reserves and control of expenditure and with clear plans to maintain financial sustainability. The financial position will be monitored on an on-going basis during 2015-16 and the revenue budget and capital plan reviewed for the medium term.



Cllr Dick Walsh  
**Leader**



Sally Loudon  
**Chief Executive**



Steve Barrett  
**Head of Strategic Finance**

**25 September 2015**

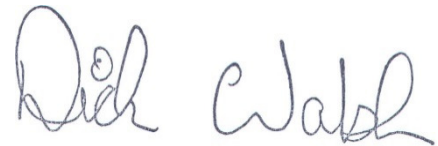
## THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

*I confirm that these Annual Accounts were approved for signature by the Audit Committee at its meeting on 25 September 2015.*

*Signed on behalf of Argyll and Bute Council:*



**Councillor Dick Walsh (Leader)**

## THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

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

In preparing the Annual Accounts, the Head of Strategic Finance has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation:
- complied with the Local Authority Accounting Code of Practice 2014-15 (in so far as it is compatible with legislation).

The Head of Strategic Finance has also:

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

*I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2015.*



**Steve Barrett**  
**Head of Strategic Finance**  
**25 September 2015**

## BACKGROUND

Argyll and Bute 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 in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

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, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).

A copy of the Code may be obtained from the Head of Governance and Law, Argyll and Bute Council, Kilmory, Lochgilphead, PA31 8RT.

## THE GOVERNANCE FRAMEWORK

The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies based on the following six headings:

- focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny, and managing risk; ensuring effective counter fraud and anti-corruption arrangements are developed and maintained;
- developing the capacity and capability of members and officers to be effective; and
- engaging with local people and other stakeholders to ensure robust public accountability and incorporating good governance arrangements in respect of partnerships and other joint working.

## GOVERNANCE ROLES AND RESPONSIBILITIES

Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Executive Director of Customer Services as Monitoring Officer has responsibility for:

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

Account has been taken of the results of reviews of internal control that have been carried out within each Council Service. Specific responsibilities are assigned to the Head of Strategic Finance to ensure that public funds are properly accounted for.



### AUDIT SCOTLAND FOLLOW-UP AUDIT

The Council was the subject of a follow-up audit by the Controller of Audit during 2014-15.

The follow-up audit considered the actions taken by the Council in response to the issues highlighted in the statutory report in 2013-14 and concluded that the Council had responded constructively to the Accounts Commission findings on the 2013-14 statutory report and was making progress with improvement work. It was, however, too early to assess the effectiveness of the actions and plans being implemented.

The original action plan developed in response to the statutory report in 2013-14 consisted of 33 actions, 30 of which have been completed and 3 are on track for completion in line with the timescales set.

In response to the follow up audit in April 2014, and an internal review of the action plan, a further 10 actions were developed and agreed at Council in September 2014. Three of these additional actions have been completed in line with the designated timescales, with all others on track.

In particular, the follow-up audit found that the leadership and political dynamics of the council were more stable, but the situation remained fragile. The risk to the council had been reduced but there were difficult circumstances ahead and tough decisions to be made that will prove challenging to political management and ongoing stability.

The new political management arrangements provide a foundation for improved governance. The council needed to ensure councillors and officers have a shared understanding in practice about the roles and responsibilities as well as effective links within and across the new arrangements to ensure they meet their potential.

Scrutiny still needed to improve and the Council needed the continued commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee, in order to ensure that these Committees continue to make a more effective contribution to governance and accountability. The role of senior management was also crucial.

There has been good attendance and participation of members of the Audit Committee during 2014-15 and considerable progress made in developing effectiveness and participation at the Performance Review and Scrutiny Committee, over the same period, through training/development sessions having taken place, in particular, a joint training session with the Audit Committee. The Chair of the Performance Review and Scrutiny Committee is an independent lay person.

A best value follow up audit is being carried out in 2015 which will assess the extent to which political management arrangements support effective decision making, the effectiveness of the council's scrutiny arrangements and whether roles and relationships, including those between members and officers, facilitate the effective delivery of council business.

Following on from an Internal Audit report on Land and Asset disposal arrangements which offered a limited level of assurance, Audit Scotland have undertaken some targeted work and have invited the Council to complete a Best Value 2 template to demonstrate how Asset Management is discharged within the Council. The template and supporting evidence has been returned and feedback is awaited from Audit Scotland. They have indicated that this exercise is not linked to any other audit work that is currently being conducted within the Council but that the findings may be taken into account when reaching a conclusion on the Best Value 2 Report.

### INTERNAL FINANCIAL CONTROL

The system of internal financial control 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 above named bodies.

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; and
- an effective Internal Audit Section

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

This 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

## **RISK MANAGEMENT**

The Council's Risk Management and Business Continuity Strategies continued to be developed in 2014-15. The Chief Executive presented an annual report on Audit and Risk Management to the Audit Committee. The Strategic Risk Register was also reviewed and agreed by the Policy and Resources Committee. Operational Risk Registers are reviewed and updated on a regular basis. Results from the annual CIPFA benchmarking exercise highlighted continued improvement with an overall Embedded and Integrated rating.

## **INTERNAL AUDIT**

Argyll and Bute Council and the above named bodies have internal audit functions, which operate to Public Sector Internal Audit Standards (PSIAS). The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and internal audit plans.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council. The annual report includes an independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control and concludes that although a number of the areas reviewed provided a limited level of assurance, overall, systems for internal control were satisfactory during 2014-15.

The Chairman and Vice Chairman are independent lay members of the Audit Committee.

During 2014-15 the Council successfully recruited a permanent Chief Internal Auditor and the service was fully resourced throughout the year. The Internal Audit service also addressed all outstanding Public Sector Internal Audit Standard compliance action points within its development plan during 2014-15.

### ISSUES FOR FURTHER DEVELOPMENT

The annual review of governance and internal control for 14-15 has identified the undernoted areas for noting and other areas for further consideration during 2015-16, particularly in the context of continuous improvement within the Council

- During 2014-15 the Council received 1276 FOI requests of which 1189 (93.2%) were responded to within the required timescale. The Council received 26 requests for review (2%).
- Internal Audit presented a number of reports with a limited level of assurance during the year. Management have accepted 100% of recommendations and have a robust follow-up system to track actions arising ensuring timely implementation.
- An action plan is in place to address Audit Scotland's report in relation to the Alcohol and Drugs Partnership and continues to be implemented.
- During 2014-15 to create a new Counter Fraud Investigation Team (CFIT) in order to prevent and detect fraud in relation to the Council Tax Reduction Scheme (CTRS) and to fulfil the residual responsibilities in relation to Single Fraud Investigation Service (SFIS). The proposed CFIT is located within Revenues and Benefits in Customer Services but will work closely with Internal Audit and provide investigative resource for any corporate fraud issues.
- Development of delivery plans for the single outcome agreement (SOA) and ensuring this is reflected in council priorities.
- Local Scrutiny Plan 15-16 take cognisance of issues identified within the 2013-16 Assurance and Improvement Plan (AIP). The plan is based on a shared risk assessment undertaken by the local area network (LAN) and draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way. The Council will be subject to a range of risk based and nationally driven scrutiny activity, the risk based scrutiny specifically relates to Audit Scotland Best Value follow up work. All other scrutiny arises from national scrutiny programmes. Ensuring resources and budget are aligned to support council priorities and SOA delivery plans, the service choices programme has been set up to address these issues and identify options and proposals going forward in a period of significantly reduced resources.
- Ongoing development of performance management and improving performance scrutiny.
- Further development of risk management to ensure risk management and business continuity are embedded within the council.
- Ensuring the internal audit function is fully resourced and work is planned to ensure the 2015-16 audit plan is delivered and that further improvements in the development of internal audit are achieved.
- Ensuring we are well placed to address any requirements arising from the implementation of the Community Empowerment Bill.
- Ensuring good governance and scrutiny arrangements are in place in respect our Health and Social Care Partnership.
- The actions being taken by the Council in response to the Audit Scotland Statutory report and follow-up audit continues to improve governance arrangements within the Council.
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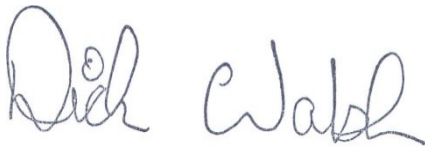
- Any actions brought out by the Audit Scotland assessment of how Asset Management is discharged within the Council will be addressed during 15-16.

### 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;
- external review and inspection reports; and
- recommendations from the Audit 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 2014-15 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.



Cllr Dick Walsh  
**Leader**



Sally Loudon  
**Chief Executive**



Steve Barrett  
**Head of Strategic Finance**

**25 September 2015**

## BACKGROUND

The Local Authority Accounts (Scotland) Amendment 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 has been audited by Audit Scotland. All other sections within the Remuneration Report have been 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 2007/183), further amended by Regulations 2013 (SSI No 2013/351). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), senior councillors or 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.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The Regulations also provide for the banding of local authorities – Argyll and Bute is in Band B, the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014-15 the salary for the Leader of Argyll and Bute Council is £32,960. 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 £24,720 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 £0.284m. 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 £23,623 to each appointed spokesperson and the Chair of the Protective Services and Licensing Committee. Chairs of Area Committees without a spokesperson's remit are paid a salary of £19,711.

In 2014-15 Argyll and Bute Council had 14 senior councillors in the administration. The total salary remuneration for senior councillors during 2014-15 was £0.272m. 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/146 sets the amount of salary for the Chief Executive of Argyll and Bute Council for 2014-15.

The salaries of the Executive Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary in two bandings. Executive Directors receive 80% of the amount of the Chief Executive's salary and Heads of Service 75% of Executive Director's salary. This equates to Chief Officers Salary Scale Point (SCP) 43 for Executive Directors and (SCP) 29 for Heads of Service.

## COUNCILLORS' REMUNERATION

Councillors' payments are made in accordance with the Local Government (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:

| <b>Members Allowances</b>                     | <b>2014-15<br/>Actual<br/>£'000</b> | <b>2013-14<br/>Actual<br/>£'000</b> |
|---|-------------------------------------|-------------------------------------|
| Basic Councillor Salaries                     | 351                                 | 365                                 |
| Leader and Provost's Salary                   | 58                                  | 59                                  |
| Senior Councillor Salaries                    | 272                                 | 259                                 |
| Other Expenses and Allowances paid to Members | 139                                 | 175                                 |
| <b>Total Allowances</b>                       | <b>820</b>                          | <b>858</b>                          |

The annual return of councillors' salaries and expenses for 2014-15 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 Government (Scotland) Act 2004 (Remuneration) Regulations 2007 which for the purpose of remuneration, grades Councillors as either the Leader of the Council, The Civic Head (Provost), senior councillors or councillors. Details of senior councillors' remuneration are as follows:

| Senior Members                 | Responsibility   | 2014-15                          |                       |   |                         | 2013-14                 |
|--------------------------------|--|----------------------------------|-----------------------|---|-------------------------|-------------------------|
|                                |  | Salary, Fees and Allowances<br>£ | Taxable Expenses<br>£ | Non-cash Expenses & Benefits-in-kind<br>£ | Total Remuneration<br>£ | Total Remuneration<br>£ |
| Councillor Len Scoullar        | Provost and Lead Councillor for Island Affairs (from 31/10/13)   | 24,720                           | 114                   |   | 24,834                  | 9,185                   |
| Councillor Dick Walsh          | Leader (from 26/9/13), Lead Councillor for Strategic Finance, Improvement, HR and Customer Support (from 31/10/13), Lead Councillor for the Opposition (from 22/5/12 to 26/9/13) | 32,960                           | -                     | -   | 32,960                  | 26,680                  |
| Councillor Douglas Philand     | Depute Provost and Lead Councillor for Adult Care (from 31/10/13), Depute Provost and Area Leader for Mid Argyll, Kintyre and the Islands (from 21/03/13 to 31/10/13)            | 23,646                           | -                     | -   | 23,646                  | 21,434                  |
| Councillor Ellen Morton        | Depute Leader (from 26/9/13), Lead Councillor for Roads, Amenity Services, Infrastructure, Asset Management and Special Projects (from 31/10/13)                                 | 23,623                           | -                     | -   | 23,623                  | 8,675                   |
| Councillor Duncan MacIntyre    | Lead Councillor for European Affairs, Sustainable Economic Growth and Strategic Transportation (from 31/10/13)   | 23,605                           | -                     | -   | 23,605                  | 8,675                   |
| Councillor Robin Currie        | Lead Councillor for Community & Culture and Strategic Housing (from 31/10/13)  | 23,631                           | 531                   | -   | 24,162                  | 11,532                  |
| Councillor Alistair MacDougall | Chair of Oban, Lorn and the Isles Area Committee (from 31/10/13), Lead Councillor for Gaelic (from 28/09/14)   | 21,539                           | -                     | -   | 21,539                  | 7,232                   |

| Senior Members              | Responsibility   | 2014-15                          |                       |   |                         | 2013-14                 |
|-----------------------------|--|----------------------------------|-----------------------|---|-------------------------|-------------------------|
|                             |  | Salary, Fees and Allowances<br>£ | Taxable Expenses<br>£ | Non-cash Expenses & Benefits-in-kind<br>£ | Total Remuneration<br>£ | Total Remuneration<br>£ |
| Councillor Vivien Dance     | Lead Councillor for Sustainable Environment, Renewables and Strategic Tourism (from 31/10/13 to 08/01/15)  | 19,271                           | -                     | -   | 19,271                  | 8,675                   |
| Councillor Aileen Morton    | Lead Councillor for Education, Lifelong Learning and Strategic IT Services (from 31/10/13)   | 23,623                           | -                     | -   | 23,623                  | 8,675                   |
| Councillor David Kinniburgh | Chair of Planning, Protective Services and Licensing Committee (from 31/10/13)   | 23,623                           | -                     | -   | 23,623                  | 8,675                   |
| Councillor Mary Jean Devon  | Lead Councillor for Children and Families (from 22/5/12)   | 23,662                           | -                     | -   | 23,662                  | 21,519                  |
| Councillor Rory Colville    | Chair of Mid Argyll, Kintyre and the Islands Area Committee (from 31/10/13)  | 19,711                           | -                     | -   | 19,711                  | 7,232                   |
| Councillor Roddy McCuish    | Chair of Oban, Lorn and the Isles Area Committee, Leader and Lead Councillor for European Affairs (from 23/5/13 to 26/9/13), Depute Leader and Lead Councillor for European Affairs (from 14/02/13 to 23/5/13) | 6,924                            | -                     | -   | 6,924                   | 17,646                  |
| Councillor John Semple      | Lead Councillor for Environment, Development and Infrastructure (from 23/8/12 to 26/9/13)  | -                                | -                     | -   | -                       | 13,077                  |
| Councillor Donald Kelly     | Lead Councillor for Improvement, HR, Customer Support and Facility Services (from 31/10/13), Lead Councillor for Renewables and Tourism (from 23/8/12 to 26/9/13)  | -                                | -                     | -   | -                       | 17,937                  |



| Senior Members                | Responsibility  | 2014-15                          |                       |   |                         | 2013-14                 |
|-------------------------------|---|----------------------------------|-----------------------|---|-------------------------|-------------------------|
|                               |   | Salary, Fees and Allowances<br>£ | Taxable Expenses<br>£ | Non-cash Expenses & Benefits-in-kind<br>£ | Total Remuneration<br>£ | Total Remuneration<br>£ |
| Councillor Robert E MacIntyre | Chair of Bute and Cowal Area Committee (from 22/05/12)  | 19,735                           | -                     | -   | 19,735                  | 19,904                  |
| Councillor Gary Mulvaney      | Chair of Helensburgh and Lomond Area Committee (from 31/10/13)  | 19,711                           | -                     | -   | 19,711                  | 7,232                   |
| Councillor Isobel Strong      | Provost (from 22/05/12 to 31/10/13)   | -                                | -                     | -   | -                       | 15,207                  |
| Councillor James Robb         | Lead Councillor for Strategic Finance (from 23/5/13 to 26/9/13), Leader and Lead Councillor for Strategic Finance (from 14/02/13 to 23/05/13) | -                                | -                     | -   | -                       | 14,115                  |
| Councillor George Freeman     | Lead Councillor for Community, Culture and Strategic Housing (from 21/3/13 to 26/9/13)  | -                                | -                     | -   | -                       | 12,961                  |
| Councillor Sandy Taylor       | Lead Councillor for Planning and Regulatory Services (from 22/05/12 to 26/9/13)   | -                                | -                     | -   | -                       | 12,844                  |
| Councillor Louise Glen-Lee    | Lead Councillor for Support and Customer Services (from 21/3/13 to 26/9/13)   | -                                | -                     | -   | -                       | 13,163                  |
| Councillor Anne Horn          | Lead Councillor for Adult Care (from 22/5/12 to 26/9/13)  | -                                | -                     | -   | -                       | 12,844                  |
| Councillor Richard Trail      | Lead Councillor for Education and Lifelong Learning (from 21/03/13 to 26/9/13)  | -                                | -                     | -   | -                       | 14,600                  |

## 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, that was £50,000 or more in bands of £5,000 was:

| Range<br>£          | 2014-15<br>Number of Officers | 2013-14<br>Number of Officers |
|---------------------|-------------------------------|-------------------------------|
| £50,000 - £54,999   | 46                            | 25                            |
| £55,000 - £59,999   | 14                            | 17                            |
| £60,000 - £64,999   | 4                             | 4                             |
| £65,000 - £69,999   | 4                             | 9                             |
| £70,000 - £74,999   | 9                             | 5                             |
| £75,000 - £79,999   | 1                             | 3                             |
| £80,000 - £84,999   | 3                             | 2                             |
| £85,000 - £89,999   | -                             | -                             |
| £90,000 - £94,999   | 2                             | 2                             |
| £95,000 - £99,999   | 1                             | -                             |
| £100,000 - £104,999 | -                             | -                             |
| £105,000 - £109,999 | -                             | -                             |
| £110,000 - £114,999 | -                             | 1                             |
| £115,000 - £119,999 | -                             | -                             |
| £120,000 - £124,999 | 1                             | -                             |
| <b>Total</b>        | <b>85</b>                     | <b>68</b>                     |

## SENIOR EMPLOYEES' REMUNERATION

The table below provides details of the remuneration paid to the Council's Senior Employees (defined by the regulations) as those forming part of the Council's senior management team, or holding certain statutory posts and any additional employee whose salary is over £150,000.

In 2014-15 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2014-15 for senior officers:

| Post Holder  | Salary<br>(Including<br>Fees and<br>Allowances)<br>£ | Taxable<br>Expenses<br>£ | Total<br>Remuneration<br>2014/15<br>£ | Total<br>Remuneration<br>2013-14<br>£ |
|--|--|--------------------------|---------------------------------------|---------------------------------------|
| <b>Chief Executive</b> - Sally Loudon  | 121,817  | 1,766                    | <b>123,583</b>                        | <b>116,351</b>                        |
| <b>Executive Director of Community Services</b> - Cleland Sneddon  | 94,743   | 3,864                    | <b>98,607</b>                         | <b>97,316</b>                         |
| <b>Executive Director of Customer Services</b> - Douglas Hendry  | 95,565   | 435                      | <b>96,000</b>                         | <b>94,566</b>                         |
| <b>Executive Director of Development and Infrastructure Services</b> - Pippa Milne (from 1-4-14)   | 92,389   | 518                      | <b>92,907</b>                         | -                                     |
| <b>Executive Director of Development and Infrastructure Services</b> - Alexander MacTaggart (to 10-11-13)<br><i>(Full year equivalent)</i> | -  | -                        | -                                     | <b>60,724</b>                         |
| <b>Head of Strategic Finance (Section 95 Financial Officer)</b> - Bruce West (to 15-2-15)<br><i>(Full year equivalent)</i>                 | 65,100<br><i>(71,011)</i>                            | 642                      | <b>65,742</b><br><i>(71,011)</i>      | <b>70,288</b><br>-                    |
| <b>Head of Adult Care (Section 3 Social Work Officer)</b> - James Robb   | 71,011   | -                        | <b>71,011</b>                         | <b>69,384</b>                         |
| <b>Head of Improvement and HR (Direct Report to Chief Executive during 2013-14)</b> - Jane Fowler  | -  | -                        | -                                     | <b>69,384</b>                         |

The Chief Executive's salary of £121,817 in 2014-15 included £6,322 of remuneration for acting as Returning Officer during 2014-15.

During 2014-15, Pippa Milne was appointed to the role of Executive Director of Development and Infrastructure Services (effective 1 April 2014). Also during 2014-15, Bruce West, Head of Strategic Finance and Section 95 Financial Officer left the organisation. During 2013-14, the Improvement and HR function was transferred to Customer Services resulting in Jane Fowler, Head of Improvement and HR no longer reporting directly to the Chief Executive.

Steve Barrett, Interim Head of Strategic Finance from 16 February 2015, is employed by CIPFA Business Ltd. In 2014-15 the Council paid £18,240 to CIPFA Business Ltd in respect of this post.

## 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. The councillor's pay 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.

For local government employees this is a final salary pension scheme. 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.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members contribution rates for 2014-15 are as follows:

| Whole time pay                              | Contribution Rate<br>2014-15 |
|---|------------------------------|
| On earnings up to and including £20,335     | 5.50%                        |
| On earnings above £20,335 and up to £24,853 | 7.25%                        |
| On earnings above £24,853 and up to £34,096 | 8.50%                        |
| On earnings above £34,096 and up to £45,393 | 9.50%                        |
| On earnings above £45,393                   | 12.00%                       |

If a person works part-time their contribution is 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. The accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

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

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

## SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2015 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 total local government service and not just their current appointment.

| Senior Members                          | In-year pension contributions  |                                |                 | Accrued pension benefits |                                    |
|---|--------------------------------|--------------------------------|-----------------|--------------------------|------------------------------------|
|   | For year to 31 March 2015<br>£ | For year to 31 March 2014<br>£ |                 | As at 31 March 2015<br>£ | Difference from 31 March 2014<br>£ |
| Councillor Roddy McCuish                | 3,508                          | 4,581                          | Pension         | 3,102                    | 895                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,648</i>             | <i>172</i>                         |
| Councillor James Robb                   | 3,233                          | 4,201                          | Pension         | 2,530                    | 300                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,464</i>             | <i>(27)</i>                        |
| Councillor John Semple (See note below) | 1,659                          | 3,956                          | Pension         | 2,448                    | -                                  |
|   |                                |                                | <i>Lump Sum</i> | <i>1,526</i>             | -                                  |
| Councillor Sandy Taylor                 | 3,231                          | 3,956                          | Pension         | 1,132                    | 299                                |
|   |                                |                                | <i>Lump Sum</i> | -                        | -                                  |
| Councillor Anne Horn                    | 3,231                          | 3,956                          | Pension         | 2,358                    | 297                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,365</i>             | <i>(14)</i>                        |
| Councillor Donald Kelly                 | 3,234                          | 4,255                          | Pension         | 2,383                    | 298                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,379</i>             | <i>(16)</i>                        |
| Councillor Mary Jean Devon              | 4,567                          | 4,453                          | Pension         | 2,399                    | 404                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,389</i>             | <i>55</i>                          |
| Councillor David Kinniburgh             | 4,559                          | 3,630                          | Pension         | 2,332                    | 403                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,350</i>             | <i>(228)</i>                       |
| Councillor George Freeman               | 3,231                          | 3,956                          | Pension         | 2,879                    | 306                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,666</i>             | <i>(55)</i>                        |
| Councillor Ellen Morton                 | 4,559                          | 3,630                          | Pension         | 2,626                    | 407                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,520</i>             | <i>36</i>                          |
| Councillor Rory Colville                | 3,804                          | 3,352                          | Pension         | 2,441                    | 345                                |
|   |                                |                                | <i>Lump Sum</i> | <i>1,413</i>             | <i>11</i>                          |

| Senior Members                           | In-year pension contributions  |                                |          | Accrued pension benefits |                                    |
|--|--------------------------------|--------------------------------|----------|--------------------------|------------------------------------|
|  | For year to 31 March 2015<br>£ | For year to 31 March 2014<br>£ |          | As at 31 March 2015<br>£ | Difference from 31 March 2014<br>£ |
| Councillor Robin Currie                  | 4,561                          | 3,777                          | Pension  | 2,320                    | 406                                |
|  |                                |                                | Lump Sum | 745                      | 23                                 |
| Councillor Len Scoullar (See note below) | 1,328                          | 3,729                          | Pension  | 2,502                    |                                    |
|  |                                |                                | Lump Sum | 16,682                   |                                    |
| Councillor Richard Trail                 | 3,232                          | 4,022                          | Pension  | 872                      | 284                                |
|  |                                |                                | Lump Sum | -                        | -                                  |
| Councillor Aileen Morton                 | 4,559                          | 3,631                          | Pension  | 952                      | 398                                |
|  |                                |                                | Lump Sum | -                        |                                    |
| Councillor Gary Mulvaney                 | 3,804                          | 3,352                          | Pension  | 2,248                    | 341                                |
|  |                                |                                | Lump Sum | 1,301                    | 26                                 |
| Councillor Vivien Dance                  | 4,390                          | 3,630                          | Pension  | 2,406                    | 390                                |
|  |                                |                                | Lump Sum | 1,393                    | 45                                 |

Councillor Len Scoullar retired from the Strathclyde Pension Scheme on 21/06/14, the figures shown above are his actual figures calculated on retiral. His pension of £3,726 was reduced by £1,224 to £2,502; this increased the lump sum of £2,000 by £14,682 to £16,682.

Councillor John Semple resigned as a Councillor on 18/09/14 and as a result left Strathclyde Pension Fund, the figures disclosed are taken from his actual defined benefit calculation.

Councillors Dick Walsh, Douglas Philand, Duncan MacIntyre, Robert E McIntyre and Alistair MacDougall are not members of Strathclyde Pension Fund.

## SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2015 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 total local government service and not just their current appointment.

| Senior Officers  | In-year pension contributions  |                                |                 | Accrued pension benefits |                                    |
|--|--------------------------------|--------------------------------|-----------------|--------------------------|------------------------------------|
|  | For year to 31 March 2015<br>£ | For year to 31 March 2014<br>£ |                 | As at 31 March 2015<br>£ | Difference from 31 March 2014<br>£ |
| <b>Chief Executive - Sally Loudon</b>  | 23,038                         | 22,038                         | Pension         | 36,752                   | 3,172                              |
|  |                                |                                | <i>Lump Sum</i> | 74,784                   | 2,583                              |
| <b>Executive Director of Community Services - Cleland Sneddon</b>                                | 18,257                         | 18,048                         | Pension         | 32,014                   | 1,926                              |
|  |                                |                                | <i>Lump Sum</i> | 67,663                   | 777                                |
| <b>Executive Director of Customer Services - Douglas Hendry</b>                                  | 18,257                         | 18,099                         | Pension         | 41,079                   | 3,664                              |
|  |                                |                                | <i>Lump Sum</i> | 94,857                   | 5,011                              |
| <b>Executive Director of Development and Infrastructure Services - Pippa Milne (from 1-4-14)</b> | 17,679                         | -                              | Pension         | 35,213                   | -                                  |
|  |                                |                                | <i>Lump Sum</i> | 77,292                   | -                                  |
| <b>Head of Strategic Finance (Section 95 Financial Officer) - Bruce West (to 15-2-15)</b>        | 12,393                         | 13,401                         | Pension         | 31,150                   | 2,549                              |
|  |                                |                                | <i>Lump Sum</i> | 72,907                   | 3,690                              |
| <b>Head of Adult Care (Section 3 Social Work Officer) - James Robb</b>                           | 13,519                         | 13,363                         | Pension         | 27,749                   | 1,473                              |
|  |                                |                                | <i>Lump Sum</i> | 62,234                   | 716                                |

## EMPLOYEE EXIT PACKAGES

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

| No        | 2013/14                 |                  |                       |                    | Exit Package Cost Band | No        | 2014/15                 |                  |                       |                    |
|-----------|-------------------------|------------------|-----------------------|--------------------|------------------------|-----------|-------------------------|------------------|-----------------------|--------------------|
|           | Cash Value              |                  |                       | Notional CAY Value |                        |           | Cash Value              |                  |                       | Notional CAY Value |
|           | Compulsory Redundancies | Other Departures | Total Cash Value Cost |                    |                        |           | Compulsory Redundancies | Other Departures | Total Cash Value Cost |                    |
| £         | £                       | £                | £                     | £                  | £                      | £         | £                       | £                |                       |                    |
| 21        | 49,652                  | 123,200          | 172,852               | 33,832             | £0 - £20,000           | 13        | 23,389                  | 28,160           | 51,549                | 4,271              |
| 4         | 21,702                  | 88,815           | 110,517               | 11,799             | £20,001 - £40,000      | 4         | 53,068                  | 67,240           | 120,308               | -                  |
| 5         | -                       | 253,888          | 253,888               | 22,653             | £40,001 - £60,000      | 3         | 59,596                  | 109,344          | 168,940               | 13,189             |
| 2         | -                       | 143,210          | 143,210               | 18,129             | £60,001 - £80,000      | -         | -                       | -                | -                     | -                  |
| 3         | 88,982                  | 175,428          | 264,410               | 36,743             | £80,001 - £100,000     | 2         | 98,399                  | 84,827           | 183,226               | 19,829             |
| -         | -                       | -                | -                     | -                  | £100,001 - £150,000    | 2         | 101,744                 | 122,032          | 223,776               | 23,439             |
| -         | -                       | -                | -                     | -                  | £150,001 - £200,000    | -         | -                       | -                | -                     | -                  |
| <b>35</b> | <b>160,336</b>          | <b>784,541</b>   | <b>944,877</b>        | <b>123,156</b>     |                        | <b>24</b> | <b>336,196</b>          | <b>411,603</b>   | <b>747,799</b>        | <b>60,728</b>      |

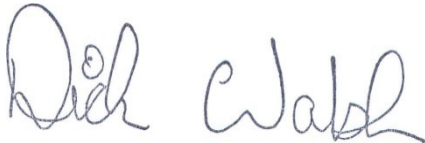
Exit package costs include redundancy payments, pension strain and compensatory lump sum payments for all retirees. The costs should also include the capitalised cost of compensatory added years ("CAY"), which will be payable to the pension fund until the retiree ceases to claim their pension. For employees with pensions provided by the Strathclyde Pension Fund (the provider for all employees other than teachers) the notional cost of added years is noted separately in the table as costs are based on an assessment by the pension's provider of the present value of all future payments to the retiree. These amounts are not based on actual costs but instead use actuarial assumptions on pensioner longevity and other factors and as such will be subject to change and will not reflect the actual costs incurred.

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 £0.748m in the previous 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 2015 of £0.091m, this represents the amount which has yet to be paid out by the Council, this amount is included within the bands above.

The supplementary Termination Benefits Note 32 on page 91 provides more information on the exit packages agreed in the last two financial years.



Cllr Dick Walsh  
**Leader**



Sally Loudon  
**Chief Executive**

**25 September 2015**

## Statement of Movement in Reserves

| Movements in 2014-15   | Usable Reserves (Note 30)     |                                    |                        |                                | Unusable Reserves (Note 29)  |                                     |                           |  |                                       |                                  | Total Reserves<br>£'000 |
|--|-------------------------------|------------------------------------|------------------------|--------------------------------|------------------------------|-------------------------------------|---------------------------|--|---------------------------------------|----------------------------------|-------------------------|
|  | General Fund Balance<br>£'000 | Repairs and Renewals Fund<br>£'000 | Capital Funds<br>£'000 | Total Usable Reserves<br>£'000 | Revaluation Reserve<br>£'000 | Capital Adjustment Account<br>£'000 | Pensions Reserve<br>£'000 | Financial Instrument Adjustment Account<br>£'000 | Accumulated Absences Account<br>£'000 | Total Unusable Reserves<br>£'000 |                         |
|  |                               |                                    |                        |                                |                              |                                     |                           |  |                                       |                                  |                         |
| <b>Balance at 31 March 2014</b>  | (44,041)                      | (1,025)                            | (3,460)                | (48,526)                       | (56,113)                     | (198,230)                           | 118,337                   | 4,889  | 4,818                                 | (126,299)                        | (174,825)               |
| (Surplus)/Deficit on Provision of Services   | (4,581)                       |                                    |                        | (4,581)                        |                              |                                     |                           |  |                                       | -                                | (4,581)                 |
| Other Comprehensive Income and Expenditure   |                               |                                    |                        |                                | 774                          |                                     | 17,675                    |  |                                       | 18,449                           | 18,449                  |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>(4,581)</b>                | <b>-</b>                           | <b>-</b>               | <b>(4,581)</b>                 | <b>774</b>                   | <b>-</b>                            | <b>17,675</b>             | <b>-</b>   | <b>-</b>                              | <b>18,449</b>                    | <b>13,868</b>           |
| <b>Adjustments between accounting basis and funding basis under regulations:</b>   |                               |                                    |                        |                                |                              |                                     |                           |  |                                       |                                  |                         |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost                                     |                               |                                    |                        | -                              | 115                          | (115)                               |                           |  |                                       | -                                | -                       |
| Amortisation of Intangible Assets  | (108)                         |                                    |                        | (108)                          |                              | 108                                 |                           |  |                                       | 108                              | -                       |
| Depreciation of Non-current Assets   | (20,938)                      |                                    |                        | (20,938)                       |                              | 20,938                              |                           |  |                                       | 20,938                           | -                       |
| Impairment of Non-current Assets   | (4,827)                       |                                    |                        | (4,827)                        |                              | 4,827                               |                           |  |                                       | 4,827                            | -                       |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement  | 16,438                        |                                    |                        | 16,438                         |                              | (16,438)                            |                           |  |                                       | (16,438)                         | -                       |
| Capital Expenditure Charged to the General Fund  | 1,241                         |                                    |                        | 1,241                          |                              | (1,241)                             |                           |  |                                       | (1,241)                          | -                       |
| Net Gain or Loss on Sale of Non-current Assets   | 142                           |                                    | (430)                  | (288)                          |                              | 288                                 |                           |  |                                       | 288                              | -                       |
| 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 | 373                           |                                    |                        | 373                            |                              |                                     |                           | (373)  |                                       | (373)                            | -                       |
| Employee Benefits  | (272)                         |                                    |                        | (272)                          |                              |                                     |                           |  | 272                                   | 272                              | -                       |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations                           | (8,726)                       |                                    |                        | (8,726)                        |                              |                                     | 8,726                     |  |                                       | 8,726                            | -                       |

## Statement of Movement in Reserves

|   |                 |              |                |                 |                 |                  |                |              |              |                  |                  |
|---|-----------------|--------------|----------------|-----------------|-----------------|------------------|----------------|--------------|--------------|------------------|------------------|
| Statutory Repayment of Debt - Loans Fund Advances                           | 17,843          |              |                | <b>17,843</b>   |                 | (17,843)         |                |              |              | <b>(17,843)</b>  | -                |
| Statutory Repayment of Debt - NPDO Finance                                  | 1,734           |              |                | <b>1,734</b>    |                 | (1,734)          |                |              |              | <b>(1,734)</b>   | -                |
| <b>Total Statutory Adjustments</b>  | <b>2,900</b>    | -            | (430)          | <b>2,470</b>    | <b>115</b>      | <b>(11,210)</b>  | <b>8,726</b>   | <b>(373)</b> | <b>272</b>   | <b>(2,470)</b>   | -                |
| <b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b> | <b>(1,681)</b>  | -            | (430)          | <b>(2,111)</b>  | <b>889</b>      | <b>(11,210)</b>  | <b>26,401</b>  | <b>(373)</b> | <b>272</b>   | <b>15,979</b>    | <b>13,868</b>    |
| <i>Other Transfers required by Statute</i>                                  |                 |              |                |                 |                 |                  |                |              |              |                  |                  |
| Transfer to/from Other Statutory Reserves                                   | (345)           | 356          | 148            | 159             |                 | (159)            |                |              |              | (159)            | -                |
| <b>(Increase)/Decrease in Year</b>  | <b>(2,026)</b>  | <b>356</b>   | <b>(282)</b>   | <b>(1,952)</b>  | <b>889</b>      | <b>(11,369)</b>  | <b>26,401</b>  | <b>(373)</b> | <b>272</b>   | <b>15,820</b>    | <b>13,868</b>    |
| <b>Balance at 31 March 2015 Carried Forward</b>                             | <b>(46,067)</b> | <b>(669)</b> | <b>(3,742)</b> | <b>(50,478)</b> | <b>(55,224)</b> | <b>(209,599)</b> | <b>144,738</b> | <b>4,516</b> | <b>5,090</b> | <b>(110,479)</b> | <b>(160,957)</b> |

This Statement shows the movement in the 2014-15 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 other 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 2013-14   | Usable Reserves (Note 30)     |                                    |                        |                                | Unusable Reserves (Note 29)  |                                     |                           |  |                                       |                                  | Total Reserves<br>£'000 |
|--|-------------------------------|------------------------------------|------------------------|--------------------------------|------------------------------|-------------------------------------|---------------------------|--|---------------------------------------|----------------------------------|-------------------------|
|  | General Fund Balance<br>£'000 | Repairs and Renewals Fund<br>£'000 | Capital Funds<br>£'000 | Total Usable Reserves<br>£'000 | Revaluation Reserve<br>£'000 | Capital Adjustment Account<br>£'000 | Pensions Reserve<br>£'000 | Financial Instrument Adjustment Account<br>£'000 | Accumulated Absences Account<br>£'000 | Total Unusable Reserves<br>£'000 |                         |
|  |                               |                                    |                        |                                |                              |                                     |                           |  |                                       |                                  |                         |
| <b>Balance at 31 March 2013</b>  | (46,138)                      | (850)                              | (3,316)                | (50,304)                       | (55,061)                     | (185,215)                           | 99,864                    | 5,262  | 4,712                                 | (130,438)                        | (180,742)               |
| (Surplus)/Deficit on Provision of Services   | (1,694)                       |                                    |                        | (1,694)                        |                              |                                     |                           |  |                                       | -                                | (1,694)                 |
| Other Comprehensive Expenditure and Income   |                               |                                    |                        |                                | (4,387)                      |                                     | 11,998                    |  |                                       | 7,611                            | 7,611                   |
| <b>Total Comprehensive Expenditure and Income</b>  | <b>(1,694)</b>                | <b>-</b>                           | <b>-</b>               | <b>(1,694)</b>                 | <b>(4,387)</b>               | <b>-</b>                            | <b>11,998</b>             | <b>-</b>   | <b>-</b>                              | <b>7,611</b>                     | <b>5,917</b>            |
| <b>Adjustments between accounting basis and funding basis under regulations:</b>   |                               |                                    |                        |                                |                              |                                     |                           |  |                                       |                                  |                         |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.                                    |                               |                                    |                        | -                              | 3,335                        | (3,335)                             |                           |  |                                       | -                                | -                       |
| Amortisation of Intangible Assets  | (106)                         |                                    |                        | (106)                          |                              | 106                                 |                           |  |                                       | 106                              | -                       |
| Depreciation and of Non-current Assets   | (20,996)                      |                                    |                        | (20,996)                       |                              | 20,996                              |                           |  |                                       | 20,996                           | -                       |
| Impairment of Non-current Assets   | (3,409)                       |                                    |                        | (3,409)                        |                              | 3,409                               |                           |  |                                       | 3,409                            | -                       |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure  | 10,998                        |                                    |                        | 10,998                         |                              | (10,998)                            |                           |  |                                       | (10,998)                         | -                       |
| Capital Expenditure Charged to the General Fund  | 3,910                         |                                    |                        | 3,910                          |                              | (3,910)                             |                           |  |                                       | (3,910)                          | -                       |
| Net Gain or Loss on Sale of Non-current Assets   | (26)                          |                                    | (454)                  | (480)                          |                              | 480                                 |                           |  |                                       | 480                              | -                       |
| 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 | 373                           |                                    |                        | 373                            |                              |                                     |                           | (373)  |                                       | (373)                            | -                       |
| Employee Benefits  | (106)                         |                                    |                        | (106)                          |                              |                                     |                           |  | 106                                   | 106                              | -                       |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations                           | (6,475)                       |                                    |                        | (6,475)                        |                              |                                     | 6,475                     |  |                                       | 6,475                            | -                       |

## Statement of Movement in Reserves

|   |                 |                |                |                 |                 |                  |                |              |              |                  |                  |
|---|-----------------|----------------|----------------|-----------------|-----------------|------------------|----------------|--------------|--------------|------------------|------------------|
| Statutory Repayment of Debt - Loans Fund Advances                           | 17,875          |                |                | <b>17,875</b>   |                 | (17,875)         |                |              |              | <b>(17,875)</b>  | -                |
| Statutory Repayment of Debt - Finance Leases                                | 19              |                |                | <b>19</b>       |                 | (19)             |                |              |              | <b>(19)</b>      | -                |
| Statutory Repayment of Debt - NPDO Finance                                  | 1,547           |                |                | <b>1,547</b>    |                 | (1,547)          |                |              |              | <b>(1,547)</b>   | -                |
| <b>Total Statutory Adjustments</b>  | <b>3,604</b>    | -              | (454)          | <b>3,150</b>    | <b>3,335</b>    | <b>(12,693)</b>  | <b>6,475</b>   | <b>(373)</b> | <b>106</b>   | <b>(3,150)</b>   | -                |
| <b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b> | <b>1,910</b>    | -              | (454)          | <b>1,456</b>    | <b>(1,052)</b>  | <b>(12,693)</b>  | <b>18,473</b>  | <b>(373)</b> | <b>106</b>   | <b>4,461</b>     | <b>5,917</b>     |
| <i>Other Transfers required by Statute</i>                                  |                 |                |                |                 |                 |                  |                |              |              |                  |                  |
| Transfer to/from Other Statutory Reserves                                   | 187             | (175)          | 310            | <b>322</b>      |                 | (322)            |                |              |              | (322)            | -                |
| <b>(Increase)/Decrease in Year</b>  | <b>2,097</b>    | <b>(175)</b>   | <b>(144)</b>   | <b>1,778</b>    | <b>(1,052)</b>  | <b>(13,015)</b>  | <b>18,473</b>  | <b>(373)</b> | <b>106</b>   | <b>4,139</b>     | <b>5,917</b>     |
| <b>Balance at 31 March 2014 Carried Forward</b>                             | <b>(44,041)</b> | <b>(1,025)</b> | <b>(3,460)</b> | <b>(48,526)</b> | <b>(56,113)</b> | <b>(198,230)</b> | <b>118,337</b> | <b>4,889</b> | <b>4,818</b> | <b>(126,299)</b> | <b>(174,825)</b> |

This Statement shows the movement in the 2013-14 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 other 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 Comprehensive Income and Expenditure

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 Movement in Reserves Statement.

| 2013-14                    |                       |                          | Note                              | 2014-15                    |                       |                          |
|----------------------------|-----------------------|--------------------------|-----------------------------------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |                                   | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
|                            |                       |                          | <b>Service</b>                    |                            |                       |                          |
| 108,526                    | 6,885                 | 101,641                  | Education Services                | 111,565                    | 6,921                 | 104,644                  |
| 36,753                     | 28,042                | 8,711                    | Housing Services (Non-HRA)        | 34,810                     | 28,601                | 6,209                    |
| 13,360                     | 2,345                 | 11,015                   | Cultural and Related Services     | 12,676                     | 2,263                 | 10,413                   |
| 23,222                     | 4,221                 | 19,001                   | Environmental Services            | 26,022                     | 4,281                 | 21,741                   |
| 24,214                     | 6,321                 | 17,893                   | Roads and Transport Services      | 25,517                     | 6,980                 | 18,537                   |
| 7,552                      | 4,477                 | 3,075                    | Trading Services                  | 7,903                      | 4,852                 | 3,051                    |
| 10,816                     | 5,554                 | 5,262                    | Planning and Development Services | 10,735                     | 5,660                 | 5,075                    |
| 70,096                     | 10,698                | 59,398                   | Social Work                       | 72,584                     | 10,645                | 61,939                   |
|                            |                       |                          | Central Services:                 |                            |                       |                          |
| 4,353                      | 125                   | 4,228                    | - Corporate and Democratic Core   | 4,537                      | 95                    | 4,442                    |
| 1,850                      | 2                     | 1,848                    | - Non Distributed Costs           | 1,758                      | -                     | 1,758                    |
| 2,912                      | 1,300                 | 1,612                    | - Central Services to the Public  | 2,859                      | 1,280                 | 1,579                    |
| <b>303,654</b>             | <b>69,970</b>         | <b>233,684</b>           | <b>Net Cost of Services</b>       | <b>310,966</b>             | <b>71,578</b>         | <b>239,388</b>           |

## Statement of Comprehensive Income and Expenditure

|  |                  |  |                  |
|--|------------------|--|------------------|
|  |                  | <b>Other Operating Income and Expenditure:</b>               |                  |
|  | 26               | Net (Gain)/loss on Disposal of Long Term Assets              | (142)            |
|  | (3)              | (Surplus)/deficit on trading undertakings                    | -                |
|  | 1,048            | Other Operating Income and Expenditure                       | 7                |
|  | <b>1,071</b>     | <b>Total Other Operating Income and Expenditure</b>          | <b>874</b>       |
|  |                  | <b>Financing and Investment Income and Expenditure:</b>      |                  |
|  | 18,107           | Interest Payable and Similar charges                         | 18,116           |
|  | (634)            | Interest and Investment Income                               | (2,432)          |
|  | 4,537            | Net Pension Interest Expense                                 | 5,161            |
|  | <b>22,010</b>    | <b>Total Financing and Investment Income and Expenditure</b> | <b>20,845</b>    |
|  |                  | <b>Taxation and Non-Specific Grant Income:</b>               |                  |
|  | (176,904)        | General Government Grants                                    | (174,877)        |
|  | (10,997)         | Government Capital Grants and Other Capital Contributions    | 12               |
|  | (28,492)         | Non-domestic Rates Redistribution                            | (31,002)         |
|  | (42,066)         | Council Tax Income   | (43,371)         |
|  | <b>(258,459)</b> | <b>Total Taxation and Non-Specific Grant Income</b>          | <b>(265,688)</b> |
|  | <b>(1,694)</b>   | <b>(Surplus)/Deficit on Provision of Services</b>            | <b>(4,581)</b>   |
|  | (4,387)          | (Surplus)/Deficit on revaluation of Long Term Assets         | 774              |
|  | 11,998           | Other Post Employment Benefits (Pensions)                    | 28.2             |
|  | <b>7,611</b>     | <b>Other Comprehensive Income and Expenditure</b>            | <b>18,449</b>    |
|  | <b>5,917</b>     | <b>Total Comprehensive Income and Expenditure</b>            | <b>13,868</b>    |

| 31 March 2014 |                  | Note   | 31 March 2015 |                  |
|---------------|------------------|--|---------------|------------------|
| £'000         | £'000            |  | £'000         | £'000            |
|               |                  | <b>Long Term Assets</b>                                    |               |                  |
|               |                  | <b>Property Plant &amp; Equipment</b>                      | 14            |                  |
| 290,414       |                  | - Other Land and Buildings                                 |               | 281,317          |
| 10,674        |                  | - Vehicles, Plant, Furniture and Equipment                 |               | 11,088           |
| 169,555       |                  | - Infrastructure Assets                                    |               | 183,985          |
| 1,669         |                  | - Community Assets   |               | 1,669            |
| 4,581         |                  | - Surplus Assets   |               | 3,992            |
| 25,591        |                  | - Assets Under Construction                                |               | 30,223           |
|               | <b>502,484</b>   | <b>Total Property Plant &amp; Equipment</b>                |               | <b>512,274</b>   |
|               | 1,371            | Heritage Assets  | 15            | 1,371            |
|               | 351              | Intangible Assets  | 16            | 647              |
|               | 6,281            | Investment Property  | 17            | 7,919            |
|               | 4,011            | Long-Term Debtors  | 20            | 4,849            |
|               | <b>514,498</b>   | <b>Total Long Term Assets</b>                              |               | <b>527,060</b>   |
|               |                  | <b>Current Assets</b>                                      |               |                  |
| 390           |                  | Inventories  |               | 334              |
| 16,034        |                  | Short Term Debtors (Net of Impairment)                     | 21            | 16,914           |
| 153           |                  | Assets Held for Sale                                       | 22            | 25               |
| 35,000        |                  | Short Term Investments                                     |               | 30,000           |
| 6,075         |                  | Cash and Cash Equivalents                                  | 23            | 23,846           |
|               | <b>57,652</b>    | <b>Total Current Assets</b>                                |               | <b>71,119</b>    |
|               |                  | <b>Current Liabilities</b>                                 |               |                  |
| (11,442)      |                  | Short-term Borrowing                                       | 25            | (33,729)         |
| (32,982)      |                  | Short-term Creditors                                       | 24            | (35,577)         |
| (165)         |                  | Capital Grant Receipts in Advance                          |               | (146)            |
| (2,423)       |                  | Provisions   | 27            | (1,410)          |
| (1,734)       |                  | Other Short Term Liabilities                               | 26            | (1,878)          |
|               | <b>(48,746)</b>  | <b>Total Current Liabilities</b>                           |               | <b>(72,740)</b>  |
|               |                  | <b>Long-term Liabilities</b>                               |               |                  |
| (151,520)     |                  | Borrowing Repayable within a Period in Excess of 12 Months | 25            | (141,435)        |
| (78,621)      |                  | Other Long-term liabilities                                | 26            | (76,743)         |
| (101)         |                  | Provisions   | 27            | (1,566)          |
| (118,337)     |                  | Other Long-term liabilities (Pensions)                     | 28            | (144,738)        |
|               | <b>(348,579)</b> | <b>Total Long-term Liabilities</b>                         |               | <b>(364,482)</b> |
|               | <b>174,825</b>   | <b>Total Assets less Liabilities</b>                       |               | <b>160,957</b>   |



| 31 March 2014 |                | Note                                       | 31 March 2015 |                |
|---------------|----------------|--|---------------|----------------|
| £'000         | £'000          |  | £'000         | £'000          |
|               |                | <b>Unusable Reserves</b>                   |               |                |
| 56,113        |                | - Revaluation Reserve                      | 55,224        |                |
| 198,230       |                | - Capital Adjustment Account               | 209,599       |                |
| (4,889)       |                | - Financial Instruments Adjustment Account | (4,516)       |                |
| (118,337)     |                | - Pensions Reserve                         | (144,738)     |                |
| (4,818)       |                | - Accumulated Absences Account             | (5,090)       |                |
|               | <b>126,299</b> |  |               | <b>110,479</b> |
|               |                | <b>Usable Reserves</b>                     |               |                |
| 3,460         |                | - Capital Funds                            | 3,742         |                |
| 1,025         |                | - Repairs and Renewals Funds               | 669           |                |
| 44,041        |                | - General Fund Balance                     | 46,067        |                |
|               | <b>48,526</b>  |  |               | <b>50,478</b>  |
|               | <b>174,825</b> | <b>Total Reserves</b>                      |               | <b>160,957</b> |

The Balance Sheet shows the value as at the Balance Sheet date 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 in two categories:

- The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves are those 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".

The Annual Accounts were issued on 25 June 2015 and the audited Annual Accounts were authorised for issue on 25 September 2015.



**Steve Barrett**  
**Head of Strategic Finance**  
**25 September 2015**

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.

| 2013-14<br>£'000 |   | Note | 2014-15<br>£'000 |
|------------------|---|------|------------------|
| (1,694)          | <b>Net (Surplus) or Deficit on the Provision of Services</b>  |      | (4,581)          |
| (12,655)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements   |      | (17,220)         |
| 9,014            | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities |      | 8,260            |
| <b>(5,335)</b>   | <b>Net Cash Flows from Operating Activities</b>   | 35   | <b>(13,541)</b>  |
| 10,133           | Investing Activities  | 36   | 8,227            |
| 995              | Financing Activities  | 37   | (12,457)         |
| <b>5,793</b>     | <b>Net Increase or Decrease in Cash and Cash Equivalents</b>  |      | <b>(17,771)</b>  |
| (11,868)         | Cash and Cash Equivalents at the beginning of the Reporting Period  |      | (6,075)          |
| <b>(6,075)</b>   | <b>Cash and Cash Equivalents at the end of the Reporting Period</b>   | 23   | <b>(23,846)</b>  |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2014-15 financial year and its position at the year-end of 31 March 2015. The Council must ensure that its Annual Accounts are prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014 and, so far as compatible with these regulations, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and the Service Reporting Code of Practice for Local Authorities 2014-15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- Interest payable on borrowings and receivable on investments is accounted for 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 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 Changes in Accounting Policies, Estimates and Errors

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.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances.

### 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 cover depreciation, revaluation and impairment losses or amortisations. These transactions are reversed out through the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### 1.6 Employee Benefits

#### 1.6.1 Benefits Payable during Employment

Short-term benefits, such as wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense 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 and which employees can carry forward into the next financial year.

#### 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 different 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:

##### a) Teachers

This 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 contributions 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.

### b) Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This 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 projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (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:
  - Current service cost – the increase in liabilities as a result of years’ 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, charged to the Non Distributed Costs in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability (asset), i.e. net interest expenses 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.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council's Pension Fund in the year. In the Movement in Reserves Statement, this means that there are appropriations 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 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 reporting period 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 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 Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the 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 on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

When 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.

### 1.10 Heritage Assets

The main heritage assets held by the Council are two art collections 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 its property, plant and equipment policy. Other buildings included in this category are McCaig’s Folly in Oban and Castle Lodge in Dunoon.

### Archaeology and “Other” Museum Exhibits

The Council does not consider that reliable cost or valuation information can be obtained for archaeological items and “other” museum exhibits outwith the art collections. This is because of the diverse nature of the assets held and lack of comparable values. Consequently, the Council does not recognise these assets on the Balance Sheet.

### 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 1.18.3 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 requirements relating to capital expenditure and receipts (see note 1.18.4 in this summary of significant accounting policies).

#### 1.11 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 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.

#### 1.12 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 investments, i.e. at cost, less any provision for losses.

#### 1.13 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.

#### 1.14 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length.



Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### 1.15 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 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.

#### 1.15.1 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 – 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 are 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 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).

### 1.15.2 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 debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A capital receipt for the disposal of the asset – applied to write down the 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 will be 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 Authority grants an operating lease over a property or an item of plant and 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.

### 1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013-14 – Scotland (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation; and
- Non Distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### 1.17 Assets Held for Sale

Property, land and buildings 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*.

### 1.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and 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*.

#### 1.18.1 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.

#### 1.18.2 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 whilst 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 assets and community assets – depreciated historical cost
- All other assets – fair value, determined 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 fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

Assets included in the balance sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service.

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.

### 1.18.3 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, 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.

### 1.18.4 Disposals

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 Non Distributed Costs 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 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 Fund, and can then only be used for new capital investment or set aside to reduce the Council's

underlying need to borrow (the capital financing requirement). 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 costs 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.

### 1.18.5 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.

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

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets 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 fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are re-valued 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.
- Annual 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.
- 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.

### 1.20 Provisions, Contingent Liabilities and Contingent Assets

#### 1.20.1 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 authority 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.

### **1.20.2 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.

### **1.20.3 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

### **1.21 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 29 to the accounts.

### **1.22 VAT**

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

### **1.23 ACCOUNTING FOR THE CARBON REDUCTION COMMITMENT SCHEME**

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

allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2015 for 2015/16).

For this disclosure the standards introduced by the 2015/16 Code include:

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRSs 2011-2013 Cycle*
- IFRIC 21 *Levies*

It is anticipated that the above standards will not have a material impact on the financial statements of the council.

### 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:

**Government Funding:** There is a high degree of uncertainty about future levels of funding for local government. However, the Council had 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.

**Service Concessions:** The Council currently operates two 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 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.

**Holiday Pay Accrual:** Unused holiday entitlement earned at 31 March 2015 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 2014-15 financial statements in respect of the holiday pay accrual is £5.090m.

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

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



| Item   | Uncertainties   | Effect if Actual Results Differ from Assumptions   |                                |   |                                   |                                     |     |        |   |    |        |                                       |    |        |  |    |        |
|--|---|--|--------------------------------|---|-----------------------------------|-------------------------------------|-----|--------|---|----|--------|---------------------------------------|----|--------|--|----|--------|
| <p>Property, Plant and Equipment</p> <p>Pensions Liability</p> | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.</p> <p>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> | <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 £1.3m for every year that useful lives had to be reduced.</p> <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="1223 895 2128 1404"> <thead> <tr> <th data-bbox="1223 895 1641 1066">Sensitivities at 31 March 2015</th> <th data-bbox="1641 895 1906 1066">Approximate % Increase to Employer Obligation</th> <th data-bbox="1906 895 2128 1066">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1223 1066 1641 1150">0.5% decrease in real discount rate</td> <td data-bbox="1641 1066 1906 1150">11%</td> <td data-bbox="1906 1066 2128 1150">74,275</td> </tr> <tr> <td data-bbox="1223 1150 1641 1235">1 year increase in member life expectancy</td> <td data-bbox="1641 1150 1906 1235">3%</td> <td data-bbox="1906 1150 2128 1235">19,232</td> </tr> <tr> <td data-bbox="1223 1235 1641 1319">0.5% increase in salary increase rate</td> <td data-bbox="1641 1235 1906 1319">5%</td> <td data-bbox="1906 1235 2128 1319">32,739</td> </tr> <tr> <td data-bbox="1223 1319 1641 1404">0.5% increase in pension increase rate</td> <td data-bbox="1641 1319 1906 1404">8%</td> <td data-bbox="1906 1319 2128 1404">50,767</td> </tr> </tbody> </table> | Sensitivities at 31 March 2015 | Approximate % Increase to Employer Obligation | Approximate monetary amount £'000 | 0.5% decrease in real discount rate | 11% | 74,275 | 1 year increase in member life expectancy | 3% | 19,232 | 0.5% increase in salary increase rate | 5% | 32,739 | 0.5% increase in pension increase rate | 8% | 50,767 |
| Sensitivities at 31 March 2015                                 | Approximate % Increase to Employer Obligation   | Approximate monetary amount £'000  |                                |   |                                   |                                     |     |        |   |    |        |                                       |    |        |  |    |        |
| 0.5% decrease in real discount rate                            | 11%   | 74,275   |                                |   |                                   |                                     |     |        |   |    |        |                                       |    |        |  |    |        |
| 1 year increase in member life expectancy                      | 3%  | 19,232   |                                |   |                                   |                                     |     |        |   |    |        |                                       |    |        |  |    |        |
| 0.5% increase in salary increase rate                          | 5%  | 32,739   |                                |   |                                   |                                     |     |        |   |    |        |                                       |    |        |  |    |        |
| 0.5% increase in pension increase rate                         | 8%  | 50,767   |                                |   |                                   |                                     |     |        |   |    |        |                                       |    |        |  |    |        |

| Item    | Uncertainties  | Effect if Actual Results Differ from Assumptions   |
|---------|--|--|
| Arrears | At 31 March 2015, the Council had a balance of sundry debtors of £2.478m. A review of significant balances suggested an allowance of 27.8% (£0.690m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate an increase of the allowance by 10% would increase the bad debt provision required by £0.247m. |

### 5. TRANSFERS TO/FROM EARMARKED RESERVES

The Council has ring-fenced £30.193m of the balance on the General Fund as follows:

| Ring-fenced Balances   | Balance<br>1 April 2014<br>£'000 | Funds Used<br>£'000 | Contributions<br>to Funds<br>£'000 | Balance<br>31 March<br>2015<br>£'000 |
|--|----------------------------------|---------------------|------------------------------------|--------------------------------------|
| Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund) | 7,484                            | (1,738)             | 1,926                              | 7,672                                |
| Unspent Grants   | 979                              | (471)               | 293                                | 801                                  |
| Contributions Carried Forward  | 255                              | (59)                | 7                                  | 203                                  |
| Unspent Budget Carried Forward   | 7,298                            | (3,222)             | 3,963                              | 8,039                                |
| School Budget Carry Forwards   | 887                              | (887)               | 737                                | 737                                  |
| Unspent Budget Required for Existing Legal Commitments                       | 196                              | (51)                |                                    | 145                                  |
| CHORD  | 420                              | (324)               |                                    | 96                                   |
| Revenue Contribution to Capital (Dunoon and Campbeltown Schools)             | 3,000                            |                     |                                    | 3,000                                |
| Investment in Affordable Housing   | 9,500                            |                     |                                    | 9,500                                |
| Severance Costs  | 27                               | (27)                |                                    | -                                    |
| Reserve Committed for 2014-15 Budget   | 326                              | (326)               |                                    | -                                    |
| <b>Total Ring-fenced</b>   | <b>30,372</b>                    | <b>(7,105)</b>      | <b>6,926</b>                       | <b>30,193</b>                        |
| Unallocated  | 13,669                           |                     | 2,205                              | 15,874                               |
| <b>Total General Fund Balance</b>  | <b>44,041</b>                    | <b>(7,105)</b>      | <b>9,131</b>                       | <b>46,067</b>                        |

The unallocated balance of £15.874m is 6.5% of the Council's budgeted net expenditure for 2015-16.

## 6. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Strategic Management Team on the basis of budgets analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows, (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Certain costs are deemed to be out with departmental control and are therefore reported separately to management, for example insurances across the Council.

### 6.1 Departmental Information for the year ended 31 March 2015

The income and expenditure of the Council's principal departments recorded in the budget reports for the 2014-15 year is as follows:

| Departmental Income and Expenditure 2014-15 | Community<br>Services<br>£'000 | Development<br>and<br>Infrastructure<br>Services<br>£'000 | Customer<br>Services<br>£'000 | Chief<br>Executive's<br>Unit<br>£'000 | Total<br>£'000   |
|---|--------------------------------|---|-------------------------------|---------------------------------------|------------------|
| Fees, Charges and Other Service Income      | (18,919)                       | (39,146)  | (41,908)                      | (152)                                 | (100,125)        |
| Government Grants                           | (1,959)                        | (510)   | (548)                         | (3)                                   | (3,020)          |
| <b>Total Income</b>                         | <b>(20,878)</b>                | <b>(39,656)</b>   | <b>(42,456)</b>               | <b>(155)</b>                          | <b>(103,145)</b> |
| Employee Expenses                           | 87,094                         | 21,567  | 15,717                        | 5,510                                 | 129,888          |
| Other Operating Expenses                    | 71,052                         | 50,811  | 60,223                        | 640                                   | 182,726          |
| <b>Total Operating Expenses</b>             | <b>158,146</b>                 | <b>72,378</b>   | <b>75,940</b>                 | <b>6,150</b>                          | <b>312,614</b>   |
| <b>Net Cost of Services</b>                 | <b>137,268</b>                 | <b>32,722</b>   | <b>33,484</b>                 | <b>5,995</b>                          | <b>209,469</b>   |

| <b>Departmental Income and Expenditure 2013-14<br/>Comparative Figures</b> | <b>Community<br/>Services<br/>£'000</b> | <b>Development<br/>and<br/>Infrastructure<br/>Services<br/>£'000</b> | <b>Customer<br/>Services<br/>£'000</b> | <b>Chief<br/>Executive's<br/>Unit<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|---|--|--|---|------------------------|
| Fees, Charges and Other Service Income                                     | (18,209)                                | (38,752)   | (42,649)                               | (178)   | (99,788)               |
| Government Grants  | (2,227)                                 | -  | (789)                                  | -   | (3,016)                |
| <b>Total Income</b>  | <b>(20,436)</b>                         | <b>(38,752)</b>  | <b>(43,438)</b>                        | <b>(178)</b>                                    | <b>(102,804)</b>       |
| Employee Expenses  | 85,113                                  | 22,116   | 16,775                                 | 3,834   | 127,838                |
| Other Operating Expenses   | 73,687                                  | 52,698   | 59,566                                 | 511   | 186,462                |
| <b>Total Operating Expenses</b>  | <b>158,800</b>                          | <b>74,814</b>  | <b>76,341</b>                          | <b>4,345</b>                                    | <b>314,300</b>         |
| <b>Net Cost of Services</b>  | <b>138,364</b>                          | <b>36,062</b>  | <b>32,903</b>                          | <b>4,167</b>                                    | <b>211,496</b>         |

## 6.2 Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

The reconciliation below shows how the figures in the analysis of departmental income and expenditure relate to the total Net Cost of Services in the Comprehensive Income and Expenditure Statement.

|  | <b>2014-15<br/>£'000</b> | <b>2013-14<br/>£'000</b> |
|--|--------------------------|--------------------------|
| <b>Cost of Services in Service Analysis</b>  | <b>209,469</b>           | <b>211,496</b>           |
| Add Services not included in Main Analysis   | 4,790                    | 4,358                    |
| Add Amounts not Reported to Management   | 26,336                   | 18,691                   |
| Remove Amounts Reported to Management not Included in Comprehensive Income and Expenditure Statement | (1,207)                  | (861)                    |
| <b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>                        | <b>239,388</b>           | <b>233,684</b>           |

### 6.3 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2014-15  | Service Analysis<br>£'000 | Services not in Analysis<br>£'000 | Not Reported to Management<br>£'000 | Not Included in I&E<br>£'000 | Total Net Cost of Services<br>£'000 | Corporate Amounts<br>£'000 | Total<br>£'000   |
|--|---------------------------|-----------------------------------|-------------------------------------|------------------------------|-------------------------------------|----------------------------|------------------|
| Fees, Charges and Other Service Income                 | (100,090)                 | (109)                             | -                                   | 157                          | (100,042)                           |                            | (100,042)        |
| Surplus or Deficit on Associated and Joint Ventures    | -                         | -                                 | -                                   | -                            | -                                   |                            | -                |
| Interest and Investment Income                         | (35)                      | -                                 | -                                   | 35                           | -                                   | (2,432)                    | (2,432)          |
| Income from Council Tax                                | -                         | -                                 | -                                   | -                            | -                                   | (43,371)                   | (43,371)         |
| Government Grants and Contributions                    | (3,020)                   | -                                 | -                                   | -                            | (3,020)                             | (222,317)                  | (225,337)        |
| <b>Total Income</b>                                    | <b>(103,145)</b>          | <b>(109)</b>                      | <b>-</b>                            | <b>192</b>                   | <b>(103,062)</b>                    | <b>(268,120)</b>           | <b>(371,182)</b> |
| Employee Expenses                                      | 129,888                   | 2,183                             | 6,092                               | (52)                         | 138,111                             |                            | 138,111          |
| Other Service Expenses                                 | 182,726                   | 1,369                             | 3,882                               | (60)                         | 187,917                             | (271)                      | 187,646          |
| Depreciation, Amortisation and Impairment              | -                         | -                                 | 16,362                              | -                            | 16,362                              | -                          | 16,362           |
| Interest Payments, Net Pension Interest Expense        | -                         | -                                 | -                                   | -                            | -                                   | 23,277                     | 23,277           |
| Precepts, Levies and Requisitions                      | -                         | 1,347                             | -                                   | (1,287)                      | 60                                  | 1,287                      | 1,347            |
| Gain or Loss on Disposal of Assets                     | -                         | -                                 | -                                   | -                            | -                                   | (142)                      | (142)            |
| <b>Total Operating Expenses</b>                        | <b>312,614</b>            | <b>4,899</b>                      | <b>26,336</b>                       | <b>(1,399)</b>               | <b>342,450</b>                      | <b>24,151</b>              | <b>366,601</b>   |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>209,469</b>            | <b>4,790</b>                      | <b>26,336</b>                       | <b>(1,207)</b>               | <b>239,388</b>                      | <b>(243,969)</b>           | <b>(4,581)</b>   |

| <b>2013-14 Comparative Figures</b>                     | <b>Service Analysis<br/>£'000</b> | <b>Services not<br/>in Analysis<br/>£'000</b> | <b>Not Reported<br/>to<br/>Management<br/>£'000</b> | <b>Not Included<br/>in I&amp;E<br/>£'000</b> | <b>Total Net<br/>Cost of<br/>Services<br/>£'000</b> | <b>Corporate<br/>Amounts<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|-----------------------------------|---|---|--|---|--|------------------------|
| Fees, Charges and Other Service Income                 | (99,788)                          | (146)   | -   | 612  | (99,322)  | (577)                                  | (99,899)               |
| Surplus or Deficit on Associated and Joint Ventures    | -                                 | -   | -   | -  | -   | -                                      | -                      |
| Interest and Investment Income                         | -                                 | -   | -   | -  | -   | (634)                                  | (634)                  |
| Income from Council Tax                                | -                                 | -   | -   | -  | -   | (42,066)                               | (42,066)               |
| Government Grants and Contributions                    | (3,016)                           | -   | -   | -  | (3,016)   | (216,393)                              | (219,409)              |
| <b>Total Income</b>                                    | <b>(102,804)</b>                  | <b>(146)</b>                                  | <b>-</b>  | <b>612</b>                                   | <b>(102,338)</b>                                    | <b>(259,670)</b>                       | <b>(362,008)</b>       |
| Employee Expenses                                      | 127,838                           | 1,964   | 4,321   | (320)  | 133,803   | 350                                    | 134,153                |
| Other Service Expenses                                 | 186,462                           | 1,334   | 3,564   | (12)   | 191,348   | 131                                    | 191,479                |
| Depreciation, Amortisation and Impairment              | -                                 | -   | 10,806  | -  | 10,806  | -                                      | 10,806                 |
| Interest Payments, Net Pension Interest Expense        | -                                 | -   | -   | -  | -   | 22,644                                 | 22,644                 |
| Precepts, Levies and Requisitions                      | -                                 | 1,206   | -   | (1,141)                                      | 65  | 1,141                                  | 1,206                  |
| Gain or Loss on Disposal of Assets                     | -                                 | -   | -   | -  | -   | 26                                     | 26                     |
| <b>Total Operating Expenses</b>                        | <b>314,300</b>                    | <b>4,504</b>                                  | <b>18,691</b>                                       | <b>(1,473)</b>                               | <b>336,022</b>                                      | <b>24,292</b>                          | <b>360,314</b>         |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>211,496</b>                    | <b>4,358</b>                                  | <b>18,691</b>                                       | <b>(861)</b>                                 | <b>233,684</b>                                      | <b>(235,378)</b>                       | <b>(1,694)</b>         |

## Notes to the Financial Statements

### 7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.016m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure consists mainly of the requisition paid to Dunbartonshire and Argyll & Bute Joint Valuation Board of £1.281m offset by a write back of the equal pay provision of £0.218m and £0.047m of backdated VAT income received as a result of claims being made under the “Fleming” case law principle.

### 8. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2014-15 income from this agreement amounted to £0.318m.

| Agency Income  | 2014-15<br>Actual<br>£'000 | 2013-14<br>Actual<br>£'000 |
|----------------|----------------------------|----------------------------|
| Scottish Water | 318                        | 265                        |
| <b>Total</b>   | <b>318</b>                 | <b>265</b>                 |

The Council also acts as agent for the Scottish Government in the collection of non-domestic rate income. Further information on the collection of non-domestic rate income can be found on pages 97 to 98

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

During 2014-15, under the Community Care and Health (Scotland) Act 2002, the Council continued to develop services which centred on joint working with the Argyll & Bute Community Health Partnership (CHP) and NHS Highland within the Argyll and Bute Health and Social Care Partnership.

The aspiration of the CHP is to work together to fully integrate the delivery of health and social care services, focusing on achieving good outcomes for all those who use our services and have an efficient, cost effective and seamless delivery of service.

During 2014-15 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 2014-15 income received by the Council from this source amounted to £5.819 and the related expenditure was £7.517. This can be analysed as follows:

| Purpose of Services   | Income<br>£'000 | Expenditure<br>£'000 |
|---|-----------------|----------------------|
| Care of the Elderly   | 2,333           | 3,463                |
| Provision of Services for People with Learning Disabilities | 2,369           | 2,900                |
| Provision of Services for People with Mental Health Needs   | 1,117           | 1,154                |
| <b>Total</b>  | <b>5,819</b>    | <b>7,517</b>         |

### 10. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

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



## Notes to the Financial Statements

The Council has paid a service charge of £4.954m (2013-14 £5.283m) which represents the value of the service provided from 1 April 2014 to 31 March 2015. Under the agreement the Council is committed to paying the following sums:

| Future Repayment Periods | £'000         |
|--------------------------|---------------|
| 2015 - 2016              | 5,485         |
| 2017 - 2020              | 23,648        |
| 2020 - 2025              | 32,460        |
| 2025 - 2027              | 9,444         |
| <b>Total</b>             | <b>71,037</b> |

This equates to £5.328m per annum over the life of the contract.

### 11. FEES PAYABLE TO AUDIT SCOTLAND

In 2014-15 the following fees relating to external audit and inspection were incurred:

| Auditor's Remuneration   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor | 285              | 277              |
| <b>Total Remuneration</b>  | <b>285</b>       | <b>277</b>       |

The fee for 2014-15 includes £3,300 for the audit of the Council's charitable trusts.

### 12. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2014-15:

| Grant Income  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b>         |                  |                  |
| Revenue Support Grant   | 174,877          | 176,904          |
| Non Domestic Rates  | 31,002           | 28,492           |
| Specific Capital Grant  | 140              | 77               |
| General Capital Grant   | 13,948           | 8,532            |
| European Regional Development Fund (ERDF)                         | 716              | 1,592            |
| SUSTRANS  | 864              | 171              |
| Other Grants  | 744              | 545              |
| Other Government Capital Grants                                   | 26               | 80               |
| <b>Total</b>  | <b>222,317</b>   | <b>216,393</b>   |
| <b>Credited to Services</b>                                       |                  |                  |
| Scottish Government Specific Grants                               | 373              | 472              |
| General Capital Grant - Private Sector Housing Improvement Grants | 1,516            | 1,362            |
| Housing Benefit Subsidy   | 23,619           | 23,424           |
| Other Revenue Government Grants                                   | 1,196            | 1,713            |
| <b>Total</b>  | <b>26,704</b>    | <b>26,971</b>    |

## Notes to the Financial Statements

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### 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 the subjective analysis in Note 6 on reporting for resource allocation decisions and also in Note 12 – Grant Income.

#### 13.2 Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014-15 is shown in the Remuneration Report on page 20.

During the year there were two organisations 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<br>£'000 |
|---|----------------------|
| South Kintyre Development Trust                           | 68                   |
| MacDougall's Garage                                       | 34                   |

## Notes to the Financial Statements

### 13.3 Other Related Bodies

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

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

| Related Bodies   | Expenditure<br>£'000 |
|--|----------------------|
| Transactions with related bodies during the year totalled          | 1,585                |
| <i>Of these, transactions with the following exceeded £10,000:</i> |                      |
| Visit Scotland   | 109                  |
| Scotland Excel   | 66                   |
| Convention of Scottish Local Authorities (COSLA)                   | 61                   |
| Cowal Council on Alcohol and Drugs                                 | 36                   |
| Helensburgh Addiction Rehabilitation Team                          | 66                   |
| Islay and Jura Community Enterprise                                | 90                   |
| Kintyre Alcohol and Drugs Advisory Service                         | 24                   |
| Argyll and Bute Citizens Advice Bureaux                            | 58                   |
| Mid Argyll Community Enterprise                                    | 73                   |
| Kintyre Recycling  | 182                  |
| Fyne Futures   | 171                  |
| RE-JIG (Recycling)   | 22                   |
| SEEMIS   | 70                   |
| Oban Addiction Support and Information Services (OASIS)            | 36                   |
| Oban and Lorn Community Enterprise - Atlantis Leisure              | 453                  |
| Encompass Counselling and Support                                  | 61                   |
| <b>Total</b>   | <b>1,578</b>         |

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

## Notes to the Financial Statements

### 14. PROPERTY, PLANT AND EQUIPMENT

#### 14.1 Movement in Property, Plant and Equipment

| Movements in 2014-15   | Other Land & Buildings<br>£'000 | Vehicles Plant & Equipment<br>£'000 | Infra-structure Assets<br>£'000 | Community Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total 2014-15<br>£'000 |
|--|---------------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------------|------------------------------------|------------------------|
| <b>Cost or Valuation</b>   |                                 |                                     |                                 |                           |                         |                                    |                        |
| <b>At 1 April 2014</b>   | <b>312,151</b>                  | <b>26,390</b>                       | <b>225,473</b>                  | <b>1,671</b>              | <b>4,756</b>            | <b>25,591</b>                      | <b>596,032</b>         |
| Additions  | 6,686                           | 3,778                               | 6,292                           | -                         | 39                      | 19,867                             | 36,662                 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (15,655)                        | -                                   | -                               | -                         | (172)                   | -                                  | (15,827)               |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (6,341)                         | -                                   | -                               | -                         | (224)                   | -                                  | (6,565)                |
| Derecognition - Disposals  | -                               | (1,576)                             | -                               | -                         | (156)                   | -                                  | (1,732)                |
| Derecognition - Other  | -                               | -                                   | -                               | -                         | -                       | -                                  | -                      |
| Assets reclassified (to)/from Held for Sale  | -                               | -                                   | -                               | -                         | (15)                    | -                                  | (15)                   |
| Other movements in cost or valuation   | 3,042                           | 232                                 | 13,425                          | -                         | -                       | (15,235)                           | 1,464                  |
| <b>At 31 March 2015</b>  | <b>299,883</b>                  | <b>28,824</b>                       | <b>245,190</b>                  | <b>1,671</b>              | <b>4,228</b>            | <b>30,223</b>                      | <b>610,019</b>         |
| <b>Depreciation and Impairments</b>  |                                 |                                     |                                 |                           |                         |                                    |                        |
| <b>At 1 April 2014</b>   | <b>(21,737)</b>                 | <b>(15,716)</b>                     | <b>(55,918)</b>                 | <b>(2)</b>                | <b>(175)</b>            | <b>-</b>                           | <b>(93,548)</b>        |
| Depreciation Charge for 2014-15  | (11,928)                        | (3,588)                             | (5,287)                         | -                         | (133)                   | -                                  | (20,936)               |
| Depreciation written out to the Revaluation Reserve  | 15,009                          | -                                   | -                               | -                         | 9                       | -                                  | 15,018                 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | 90                              | -                                   | -                               | -                         | 36                      | -                                  | 126                    |
| Derecognition - Disposals  | -                               | 1,568                               | -                               | -                         | 24                      | -                                  | 1,592                  |
| Other movements in depreciation and impairment   | -                               | -                                   | -                               | -                         | 3                       | -                                  | 3                      |
| <b>At 31 March 2015</b>  | <b>(18,566)</b>                 | <b>(17,736)</b>                     | <b>(61,205)</b>                 | <b>(2)</b>                | <b>(236)</b>            | <b>-</b>                           | <b>(97,745)</b>        |
| <b>Balance Sheet amount at 1 April 2015</b>  | <b>281,317</b>                  | <b>11,088</b>                       | <b>183,985</b>                  | <b>1,669</b>              | <b>3,992</b>            | <b>30,223</b>                      | <b>512,274</b>         |
| <b>Balance Sheet amount at 1 April 2014</b>  | <b>290,414</b>                  | <b>10,674</b>                       | <b>169,555</b>                  | <b>1,669</b>              | <b>4,581</b>            | <b>25,591</b>                      | <b>502,484</b>         |

| Comparative Movements in 2013-14   | Other Land & Buildings<br>£'000 | Vehicles Plant & Equipment<br>£'000 | Infra-structure Assets<br>£'000 | Community Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total 2013-14<br>£'000 |
|--|---------------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------------|------------------------------------|------------------------|
| <b>Cost or Valuation</b>   |                                 |                                     |                                 |                           |                         |                                    |                        |
| <b>At 1 April 2013</b>   | <b>314,281</b>                  | <b>22,191</b>                       | <b>214,710</b>                  | <b>1,468</b>              | <b>3,656</b>            | <b>17,400</b>                      | <b>573,706</b>         |
| Additions  | 7,803                           | 4,165                               | 9,882                           | 203                       | -                       | 10,331                             | 32,384                 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (4,334)                         | -                                   | -                               | -                         | 224                     | -                                  | (4,110)                |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (5,459)                         | -                                   | -                               | -                         | (224)                   | -                                  | (5,683)                |
| Derecognition - Disposals  | (527)                           | (728)                               | -                               | -                         | (75)                    | -                                  | (1,330)                |
| Assets reclassified (to)/from Held for Sale  | (110)                           | -                                   | -                               | -                         | 1,175                   | -                                  | 1,065                  |
| Other movements in cost or valuation   | 497                             | 762                                 | 881                             | -                         | -                       | (2,140)                            | -                      |
| <b>At 31 March 2014</b>  | <b>312,151</b>                  | <b>26,390</b>                       | <b>225,473</b>                  | <b>1,671</b>              | <b>4,756</b>            | <b>25,591</b>                      | <b>596,032</b>         |
| <b>Depreciation and Impairments</b>  |                                 |                                     |                                 |                           |                         |                                    |                        |
| <b>At 1 April 2013</b>   | <b>(20,435)</b>                 | <b>(13,369)</b>                     | <b>(50,888)</b>                 | <b>(2)</b>                | <b>(146)</b>            | <b>-</b>                           | <b>(84,840)</b>        |
| Depreciation Charge for 2013-14  | (12,801)                        | (3,071)                             | (5,030)                         | -                         | (94)                    | -                                  | (20,996)               |
| Depreciation written out to the Revaluation Reserve  | 8,529                           | -                                   | -                               | -                         | 12                      | -                                  | 8,541                  |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | 2,802                           | -                                   | -                               | -                         | 25                      | -                                  | 2,827                  |
| Derecognition - Disposals  | 150                             | 724                                 | -                               | -                         | -                       | -                                  | 874                    |
| Other movements in depreciation and impairment   | 18                              | -                                   | -                               | -                         | 28                      | -                                  | 46                     |
| <b>At 31 March 2014</b>  | <b>(21,737)</b>                 | <b>(15,716)</b>                     | <b>(55,918)</b>                 | <b>(2)</b>                | <b>(175)</b>            | <b>-</b>                           | <b>(93,548)</b>        |
| <b>Balance Sheet amount at 1 April 2014</b>  | <b>290,414</b>                  | <b>10,674</b>                       | <b>169,555</b>                  | <b>1,669</b>              | <b>4,581</b>            | <b>25,591</b>                      | <b>502,484</b>         |
| <b>Balance Sheet amount at 1 April 2013</b>  | <b>293,846</b>                  | <b>8,822</b>                        | <b>163,822</b>                  | <b>1,466</b>              | <b>3,510</b>            | <b>17,400</b>                      | <b>488,866</b>         |

### 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 Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. This includes Other Land and Buildings and Surplus Assets.

Revaluations of council owned Land and Property were carried out at 31 March 2015 in accordance with the Council’s rolling programme of revaluations. The revaluations have been carried out by external valuers, BNP Paribas Real Estate. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following statement shows the progress of the Council’s rolling programme for the revaluation of Property, Plant and Equipment:

| Valued at Fair Value as at:    | Other Land & Buildings<br>£'000 | Corporate Surplus Assets<br>£'000 |
|--------------------------------|---------------------------------|-----------------------------------|
| 31 March 2015                  | 70,417                          | 2,127                             |
| 31 March 2014                  | 45,562                          | 984                               |
| 31 March 2013                  | 123,450                         | 172                               |
| 31 March 2012                  | 12,163                          | 439                               |
| 31 March 2011                  | 29,725                          | 270                               |
| <b>Total Cost or Valuation</b> | <b>281,317</b>                  | <b>3,992</b>                      |

## Notes to the Financial Statements

### 14.3 Depreciation

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

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

### 14.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2014-15 total spending on capital projects was £38.529m.

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| <b>Opening Capital Financing Requirement</b> | <b>256,463</b>   | <b>258,398</b>   |
| <b>Capital Investment:</b>                   |                  |                  |
| Property Plant and Equipment:                |                  |                  |
| Other Land and Buildings                     | 8,163            | 7,803            |
| Vehicles, Plant, Furniture and Equipment     | 3,778            | 4,165            |
| Infrastructure Assets                        | 6,292            | 9,882            |
| Community Assets                             | -                | 203              |
| Surplus Assets                               | 39               | -                |
| Assets Under construction                    | 19,867           | 10,331           |
| Heritage Assets                              | -                | 47               |
| Intangible Assets                            | 390              | 254              |
| <b>Total Capital Investment</b>              | <b>38,529</b>    | <b>32,685</b>    |
| <b>Sources of Finance:</b>                   |                  |                  |
| Capital Receipts                             | (430)            | (454)            |
| Government Grants                            | (16,438)         | (10,998)         |
| Capital Financed from Current Revenue        | (1,241)          | (3,910)          |
| Repayment of External Loans                  | (17,843)         | (17,875)         |
| Capital Element of Finance Lease Payments    | -                | (19)             |
| Capital Element of Schools NPDO Payments     | (1,734)          | (1,547)          |
| Capital Receipts transferred to Capital Fund | 430              | 454              |
| Capital Receipts Used from Capital Fund      | (148)            | (310)            |
| Other  | (32)             | 39               |
| <b>Total Funding</b>                         | <b>(37,436)</b>  | <b>(34,620)</b>  |
| <b>Closing Capital Financing Requirement</b> | <b>257,556</b>   | <b>256,463</b>   |

## Notes to the Financial Statements

### 14.5 Commitments under Capital Contracts

At 31 March 2015, the Council had commitments on capital contracts of £12.201m. 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 2014 were £12.588m. The major commitments are:

|  | £'000 |
|--|-------|
| Dunoon Wooden Pier                                   | 2,659 |
| Helensburgh Office Project                           | 1,746 |
| Dunoon CHORD   | 1,464 |
| Campbeltown Berthing Facility                        | 1,423 |
| School Building Improvements (Various Locations)     | 1,378 |
| Rothesay Pavilion                                    | 515   |
| A83 South of Musdale (Contribution to Road Widening) | 500   |
| Vehicle Purchases                                    | 475   |
| Helensburgh CHORD                                    | 353   |
| Kilmory - Biomass                                    | 156   |
| Corran Halls   | 102   |
| Kilarrow House                                       | 101   |

### 15. HERITAGE ASSETS

The main heritage assets held by the Council are two art collections 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 1.10 on page 45.

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

| Movements in 2014-15                  | Art<br>Collections | Heritage<br>Property | Total        |
|---------------------------------------|--------------------|----------------------|--------------|
|                                       | £'000              | £'000                | £'000        |
| <b>Cost or Valuation</b>              |                    |                      |              |
| <b>Net Book Value at 1 April 2014</b> | 1,148              | 223                  | 1,371        |
| Additions                             | -                  | -                    | -            |
| Disposals                             | -                  | -                    | -            |
| Revaluations                          | -                  | -                    | -            |
| Depreciation                          | -                  | -                    | -            |
| <b>At 31 March 2015</b>               | <b>1,148</b>       | <b>223</b>           | <b>1,371</b> |



### 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 Account over the economic life of the licences, assessed as five years.

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

The movement in intangible assets during the year was:

| Movements in 2014-15                        | Carbon<br>Reduction<br>Commitment<br>Allowance | Purchased<br>Software<br>Licences | Total<br>Intangible<br>Assets |
|---|--|-----------------------------------|-------------------------------|
|   | £'000  | £'000                             | £'000                         |
| <b>Cost or Valuation</b>                    |  |                                   |                               |
| <b>At 1 April 2014</b>                      | -  | 1,067                             | 1,067                         |
| Additions                                   | 234  | 156                               | 390                           |
| Disposals                                   | -  |                                   | -                             |
| Reclassifications                           | -  | 14                                | 14                            |
| <b>At 31 March 2015</b>                     | <b>234</b>                                     | <b>1,237</b>                      | <b>1,471</b>                  |
| <b>Depreciation and Impairments</b>         |  |                                   |                               |
| <b>At 1 April 2014</b>                      | -  | (716)                             | (716)                         |
| Charge for 2014-15                          | -  | (108)                             | (108)                         |
| Disposals                                   | -  |                                   | -                             |
| <b>At 31 March 2015</b>                     | <b>-</b>                                       | <b>(824)</b>                      | <b>(824)</b>                  |
| <b>Balance Sheet amount at 1 April 2015</b> | <b>234</b>                                     | <b>413</b>                        | <b>647</b>                    |
| <b>Balance Sheet amount at 1 April 2014</b> | <b>-</b>                                       | <b>351</b>                        | <b>351</b>                    |

| Comparative Movements in 2013-14            | Purchased Software Licences<br>2013-14<br>£'000 |
|---|---|
| <b>Cost or Valuation</b>                    |   |
| <b>At 1 April 2013</b>                      | <b>813</b>                                      |
| Additions                                   | 254   |
| Disposals                                   | -   |
| Reclassifications                           | -   |
| <b>At 31 March 2014</b>                     | <b>1,067</b>                                    |
| <b>Depreciation and Impairments</b>         |   |
| <b>At 1 April 2013</b>                      | <b>(610)</b>                                    |
| Charge for 2013-14                          | (106)   |
| Disposals                                   | -   |
| <b>At 31 March 2014</b>                     | <b>(716)</b>                                    |
| <b>Balance Sheet amount at 1 April 2014</b> | <b>351</b>                                      |
| <b>Balance Sheet amount at 1 April 2013</b> | <b>203</b>                                      |

## 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 2015. Revaluations of investment properties were carried out at 31 March 2015 by external valuers, BNP Paribas Real Estate.

### 17.1 Movement in Investment Property

The movement in investment property during 2014-15 was:

| Movements in 2014-15                         | Investment Properties<br>£'000 |
|--|--------------------------------|
| <b>Cost or Valuation</b>                     |                                |
| <b>At 1 April 2014</b>                       | <b>6,281</b>                   |
| Acquisitions                                 | -                              |
| Disposals                                    | -                              |
| Net Gains/Losses from fair value adjustments | 1,638                          |
| Transfers                                    | -                              |
| <b>At 31 March 2015</b>                      | <b>7,919</b>                   |

## Notes to the Financial Statements

| Comparative Movements in 2013-14             | Investment Properties<br>£'000 |
|--|--------------------------------|
| <b>Cost or Valuation</b>                     |                                |
| <b>At 1 April 2013</b>                       | <b>6,397</b>                   |
| Acquisitions                                 | -                              |
| Disposals                                    | -                              |
| Net Gains/Losses from fair value adjustments | (116)                          |
| Transfers                                    | -                              |
| <b>At 31 March 2014</b>                      | <b>6,281</b>                   |

### 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:

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| Rental Income from Investment Property                     | 98               | 98               |
| Direct operating expenses arising from investment property | -                | -                |
| <b>Net gain/(loss)</b>                                     | <b>98</b>        | <b>98</b>        |

### 18. 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, 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.

#### 18.1 Assets Held under Schools NPDO Contract

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 2013 and depreciation to date are included as part of Other Land and Buildings as follows:

| Movements in 2014-15                        | Land & Buildings<br>£'000 |
|---|---------------------------|
| <b>Cost or Valuation</b>                    |                           |
| <b>At 1 April 2014</b>                      | <b>93,179</b>             |
| Additions                                   | 13                        |
| Revaluations                                | -                         |
| <b>At 31 March 2015</b>                     | <b>93,192</b>             |
| <b>Depreciation and Impairments</b>         |                           |
| <b>At 1 April 2014</b>                      | <b>(1,705)</b>            |
| Charge for 2014-15                          | (1,700)                   |
| Revaluations                                | -                         |
| <b>At 31 March 2015</b>                     | <b>(3,405)</b>            |
| <b>Balance Sheet amount at 1 April 2015</b> | <b>89,787</b>             |
| <b>Balance Sheet amount at 1 April 2014</b> | <b>91,474</b>             |

#### 18.2 Schools NPDO Finance Lease Liability

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

| Movements in 2014-15   | £'000           |
|--|-----------------|
| <b>Balance at 1 April 2014</b>                               | <b>(79,605)</b> |
| Repayments   | 1,734           |
| <b>Schools NPDO Finance Lease Liability at 31 March 2015</b> | <b>(77,871)</b> |
| Split:   |                 |
| Obligations payable within 1 year                            | (1,878)         |
| Obligations payable after 1 year                             | (75,993)        |
| <b>Schools NPDO Finance Lease Liability at 31 March 2015</b> | <b>(77,871)</b> |

## 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<br>£'000 | Lifecycle Costs<br>£'000 | Payment of Interest<br>£'000 | Service Charges<br>£'000 | Total Payments<br>£'000 |
|--------------------------|---------------------------------|--------------------------|------------------------------|--------------------------|-------------------------|
| 2015 - 2020              | 10,205                          | -                        | 37,659                       | 24,497                   | 72,361                  |
| 2020 - 2025              | 14,888                          | 947                      | 32,003                       | 28,646                   | 76,484                  |
| 2025 - 2030              | 22,156                          | 2,896                    | 23,253                       | 32,846                   | 81,151                  |
| 2030 - 2035              | 30,622                          | 3,186                    | 9,897                        | 33,854                   | 77,559                  |
| <b>Total</b>             | <b>77,871</b>                   | <b>7,029</b>             | <b>102,812</b>               | <b>119,843</b>           | <b>307,555</b>          |

### 19. OPERATING LEASES

#### 19.1 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2014-15 were as follows:

|                     | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---------------------|------------------|------------------|
| Land and Buildings  | 231              | 278              |
| Vehicles            | 227              | 245              |
| Plant and Equipment | 209              | 164              |
| <b>Total</b>        | <b>667</b>       | <b>687</b>       |

#### 19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2015 to making payments of £0.510m under operating leases comprising the following elements:

|                                       | Other Land and Buildings<br>£'000 | Vehicles, Plant and Equipment<br>£'000 |
|---------------------------------------|-----------------------------------|--|
| Leases expiring within 1 year         | 3                                 | 118                                    |
| Leases expiring between 1 and 5 years | 43                                | 194                                    |
| Leases expiring after 5 years         | 151                               | 1                                      |
| <b>Value at 31 March 2015</b>         | <b>197</b>                        | <b>313</b>                             |

### 20. LONG TERM DEBTORS

|   | 31st March 2015<br>£'000 | 31st March 2014<br>£'000 |
|---|--------------------------|--------------------------|
| House Loans   | 43                       | 66                       |
| Waste PPP Historic Contamination Fund                       | 750                      | 750                      |
| Charging Orders - Care Home Fees                            | 1,051                    | 934                      |
| Strategic Housing Fund Loans to Registered Social Landlords | 2,905                    | 2,161                    |
| Other Long Term Debtors                                     | 100                      | 100                      |
| <b>Total Long Term Debtors</b>                              | <b>4,849</b>             | <b>4,011</b>             |

**21. DEBTORS**

|  |                               | 31 March 2015 |               | 31 March 2014 |               |
|--|-------------------------------|---------------|---------------|---------------|---------------|
|  |                               | £'000         | £'000         | £'000         | £'000         |
| Arrears of Local Taxation                      | Council Tax                   | 13,299        |               | 12,510        |               |
|  | Less: Provision for Bad Debts | (10,764)      |               | (10,439)      |               |
|  |                               |               | 2,535         |               | 2,071         |
|  | Community Charge              | -             |               | 7,550         |               |
|  | Less: Provision for Bad Debts | -             |               | (7,550)       |               |
|  |                               |               | -             |               | -             |
| Housing Benefits Overpayments                  |                               | 1,105         |               | 929           |               |
| Less: Provision for Bad Debts                  |                               | (900)         |               | (703)         |               |
|  |                               |               | 205           |               | 226           |
| Debtor Accounts                                |                               | 2,478         |               | 2,844         |               |
| Less: Provision for Bad Debts                  |                               | (690)         |               | (692)         |               |
|  |                               |               | 1,788         |               | 2,152         |
| VAT Recoverable from HMRC                      |                               |               | 3,033         |               | 3,742         |
| Strategic Housing Fund Loans due within 1 Year |                               |               | 1,186         |               | 1,847         |
| Other Debtors                                  |                               |               | 8,167         |               | 5,996         |
| <b>Total Debtors</b>                           |                               |               | <b>16,914</b> |               | <b>16,034</b> |

**22. ASSETS HELD FOR SALE**

The movement in assets held for sale during 2014-15 was:

| Movements in 2014-15   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| <b>Balance outstanding at start of year</b>                              | <b>153</b>       | <b>1,708</b>     |
| Assets newly classified as held for sale (Property, Plant and Equipment) | 15               | 553              |
| Revaluation losses   | (2)              | (480)            |
| Revaluation gains  | -                | -                |
| Impairment losses  | -                | -                |
| Assets declassified as held for sale (Property, Plant and Equipment)     | (3)              | (1,604)          |
| Assets Sold  | (138)            | (24)             |
| <b>Balance outstanding at year-end</b>                                   | <b>25</b>        | <b>153</b>       |

### 23. CASH AND CASH EQUIVALENTS

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

|   | 31 March<br>2015<br>£'000 | 31 March<br>2014<br>£'000 |
|---|---------------------------|---------------------------|
| Cash held by the Authority                | 64                        | 62                        |
| Cash in transit                           | 106                       | 80                        |
| Short term deposits with banks            | 14,408                    | 9,350                     |
| Short term deposits in Money Market Funds | 12,000                    | -                         |
| Bank Current Accounts (Overdraft)         | (2,732)                   | (3,417)                   |
| <b>Total Cash and Cash Equivalents</b>    | <b>23,846</b>             | <b>6,075</b>              |

### 24. CREDITORS

|  | 31 March<br>2015<br>£'000 | 31 March<br>2014<br>£'000 |
|--|---------------------------|---------------------------|
| Accrued Payrolls and Superannuation                          | 6,077                     | 6,122                     |
| Accrued Employer's National Insurance Contributions and PAYE | 2,155                     | 2,296                     |
| Accrual for Short Term Accumulating Absences                 | 5,090                     | 4,818                     |
| Creditors System Liability                                   | 6,297                     | 7,037                     |
| Accrued Expenditure  | 5,566                     | 4,908                     |
| Other Creditors  | 10,392                    | 7,801                     |
| <b>Total Creditors</b>                                       | <b>35,577</b>             | <b>32,982</b>             |

### 25. FINANCIAL INSTRUMENTS DISCLOSURES

#### 25.1 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 2015      |                  | 31 March 2014      |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | Long Term<br>£'000 | Current<br>£'000 | Long Term<br>£'000 | Current<br>£'000 |
| <b>Investments and Lending</b>          |                    |                  |                    |                  |
| Loans and Receivables                   | 4,849              | 70,760           | 4,011              | 57,109           |
| <b>Borrowing</b>                        |                    |                  |                    |                  |
| Financial Liabilities at amortised cost | 218,178            | 71,183           | 230,141            | 46,158           |

### 25.2 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 2015 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

|                       | 31 March 2015            |                     | 31 March 2014            |                     |
|-----------------------|--------------------------|---------------------|--------------------------|---------------------|
|                       | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| <b>Lending</b>        |                          |                     |                          |                     |
| Loans and Receivables | 75,609                   | 75,693              | 61,120                   | 61,227              |
| <b>Borrowing</b>      |                          |                     |                          |                     |
| Financial Liabilities | 289,361                  | 345,404             | 276,299                  | 302,512             |

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.

The fair value is greater than the carrying amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above the current market rates increases the amount the Council would have to pay if it agreed to early repayment of the loans.

### 25.3 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.

### 25.4 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.

### 25.5 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.



## Notes to the Financial Statements

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<br>31 March 2015<br>£'000 | Historical<br>Experience of<br>Non-payment<br>adjusted for<br>Market<br>Conditions at<br>31 March 2015<br>% | Estimated<br>Maximum<br>Exposure to<br>Default and<br>Uncollectibility<br>£'000 |
|--|-------------------------------------|---|---|
| Deposits with Banks and Money Market Funds | 26,408                              | -   | -   |

The information in respect of the Council's debtors can be found in note 20 and 21 on pages 75 to 76. 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 21 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.

### 25.6 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 and 60% within a rolling five-year period 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<br>2015<br>£'000 | 31 March<br>2014<br>£'000 |
|---|---------------------------|---------------------------|
| <b>Maturity analysis of financial liabilities</b> |                           |                           |
| Less than one year                                | 71,184                    | 46,158                    |
| Between one and two years                         | 11,316                    | 12,337                    |
| Between two and five years                        | 26,997                    | 29,183                    |
| More than five years                              | 179,864                   | 188,621                   |
|   | <b>289,361</b>            | <b>276,299</b>            |

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

### 25.7 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

## Notes to the Financial Statements

in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

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

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

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

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

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

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

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2014, with all other variables held constant:

|  | <b>31 March<br/>2015<br/>£'000</b> |
|--|------------------------------------|
| <b>Impact on tax-payer</b>   |                                    |
| Increase on interest payable on variable rate borrowings                 | 219                                |
| Increase in interest receivable on variable rate lending                 | -                                  |
| Increases in government grant receivable for “loan charges”              | -                                  |
| <b>Net effect on Statement of Comprehensive Income &amp; Expenditure</b> | <b>219</b>                         |

|   | <b>31 March<br/>2015<br/>£'000</b> |
|---|------------------------------------|
| <b>Other accounting presentational changes</b>  |                                    |
| A decrease in the “fair value” of fixed rate borrowing (disclosure confined to the notes to the financial statements) | 28,357                             |

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

### 25.8 Price Risk

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

### 25.9 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.

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### 25.10 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<br>2015<br>£'000 | 31 March<br>2014<br>£'000 |
|------------------------------|---------------------------|---------------------------|
| Banks and Money Market Funds | 26,408                    | 9,350                     |

### 25.11 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 2015 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 33 and 34 on pages 91 to 92.

|             | 31 March<br>2015<br>£'000 | 31 March<br>2014<br>£'000 |
|-------------|---------------------------|---------------------------|
| Common Good | 107                       | 100                       |
| Trust Funds | 1,258                     | 1,264                     |

## 26. 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 £78.621m as at 31 March 2015 and comprise the following:

| Movements in 2014-15                                 | Opening<br>Balance<br>31 March<br>2014<br>£'000 | Movement<br>in Year<br>£'000 | Closing<br>Balance<br>31 March<br>2015<br>£'000 |
|--|---|------------------------------|---|
| Schools NPDO Finance Lease Liability (See note 18.2) | (79,605)  | 1,734                        | (77,871)  |
| Land Contamination                                   | (750)   | -                            | (750)   |
| <b>Total Other Liabilities</b>                       | <b>(80,355)</b>                                 | <b>1,734</b>                 | <b>(78,621)</b>                                 |
| Split:   |   |                              |   |
| Short Term Liabilities (due within 1 year)           |   |                              | (1,878)   |
| Long Term Liabilities (due after 1 year)             |   |                              | (76,743)  |
| <b>Total Other Liabilities</b>                       |   |                              | <b>(78,621)</b>                                 |

### 27. PROVISIONS

|  | Opening<br>Balance<br>31 March<br>2014<br>£'000 | Additional<br>Provision<br>£'000 | Amounts<br>Used<br>£'000 | Unused<br>Amounts<br>Reversed<br>£'000 | Closing<br>Balance at<br>31 March<br>2015<br>£'000 |
|--|---|----------------------------------|--------------------------|--|--|
| SRC Insurance Claims                             | (21)  |                                  |                          |  | (21)   |
| Equal Pay Claims                                 | (400)   | (77)                             | 34                       | 366                                    | (77)   |
| Income due to Registered Social Landlords        | (80)  |                                  |                          | 12                                     | (68)   |
| Reorganisation Redundancy Costs                  | (338)   | (54)                             | 130                      | 171                                    | (91)   |
| Landfill Sites - Restoration and Aftercare Costs | -   | (1,477)                          |                          |  | (1,477)  |
| Utilities Provision                              | (726)   |                                  |                          | 127                                    | (599)  |
| Other Provisions                                 | (959)   | (367)                            | 226                      | 457                                    | (643)  |
| <b>Total Provisions</b>                          | <b>(2,524)</b>                                  | <b>(1,975)</b>                   | <b>390</b>               | <b>1,133</b>                           | <b>(2,976)</b>                                     |
| <i>Split:</i>                                    |   |                                  |                          |  |  |
| Short Term Provisions (due within 1 year)        |   |                                  |                          |  | (1,410)  |
| Long Term Provisions (due after 1 year)          |   |                                  |                          |  | (1,566)  |
| <b>Total Other Liabilities</b>                   |   |                                  |                          |  | <b>(2,976)</b>                                     |

Liabilities have continued to arise in respect of the former Strathclyde Regional Council's operations. At present, potential liabilities in respect of insurance claims and various legal actions could cost the Council £0.021m.

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 2014-15 amounted to £1.880m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected, due to be paid to registered social landlords, has been created amounting to £0.068m.

As with previous years, liabilities have arisen in respect of employees who will be made redundant as a result of restructuring. The Council has had significant budget savings to make and there will be an ongoing requirement to make savings in future years. The Council invited all employees to express an interest in voluntary redundancy. As a result of service review and other savings agreed as part of the budget process for 2011-12 to 2014-15 a number of employees have subsequently either taken or have been offered a redundancy package. The additional costs for employees terminated on or before 31 March 2015 were incurred in-year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2015, a provision of £0.054m has been created during 2014-15. For further information refer to note 32 - Termination Benefits on page 91.

A provision for landfill sites of £1.477m created in 2014-15 reflects 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.

The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.127m has been utilised this during 2014-15 resulting in a total provision of £0.599m.

The "other" provisions include funds to cover legal expenses in respect of recent court cases which the council will have to incur and also an amount in relation to the schools NPDO service charges which have been withheld from the operator. These amounts will require to be settled during 2015-16.

### 28. DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority 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 different 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*

This 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 contributions 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 authority 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.

#### 28.1 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 2015. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2015. The amounts are as follows:

- Local Government Pension Scheme – £1.241m
- Teachers' scheme – £0.691m

#### 28.2 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 2014. 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 2015 remains substantially stable with new entrants replacing any leavers.

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

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| <b>Comprehensive Income and Expenditure Statement:</b>  |                  |                  |
| <b>Cost of Services:</b>  |                  |                  |
| <i>Service cost comprising:</i>   |                  |                  |
| Current Service Cost  | 16,474           | 13,946           |
| Past Service Cost (Including Curtailments)  | 311              | 444              |
| <b>Net Cost of Services</b>   | <b>16,785</b>    | <b>14,390</b>    |
| Net Interest Expense  | 5,161            | 4,537            |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>21,946</b>    | <b>18,927</b>    |
| <b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  |                  |                  |
| Return on Assets (excluding amounts included in net interest)   | (25,812)         | (9,712)          |
| Other Experience  | (33,937)         | 203              |
| Change in Financial Assumptions   | 77,424           | 21,507           |
| <b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>   | <b>39,621</b>    | <b>30,925</b>    |
| <b>Statement of Movement in Reserves:</b>   |                  |                  |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (8,726)          | (6,475)          |
| <b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>   |                  |                  |
| Employer's Contributions Payable to the Scheme  | 13,220           | 12,452           |

### 28.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| <b>Defined Benefit Obligation at 1 April</b>  | <b>581,522</b>   | <b>534,974</b>   |
| Current Service Cost                          | 16,474           | 13,946           |
| Past Service Costs including Curtailments     | 311              | 444              |
| Interest Cost                                 | 25,027           | 24,090           |
| Contributions by Scheme Participants          | 3,542            | 3,347            |
| Re-measurement Gains and (Losses)             | 43,487           | 21,710           |
| Estimated Benefits Paid                       | (18,504)         | (16,989)         |
| <b>Defined Benefit Obligation at 31 March</b> | <b>651,859</b>   | <b>581,522</b>   |

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

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| <b>Fair Value of Employer Assets at 1 April</b>  | <b>463,185</b>   | <b>435,110</b>   |
| <b>Re-measurement Gains and (Losses):</b>        |                  |                  |
| Expected Rate of Return on Pension Fund Assets   | 25,812           | 9,712            |
| Actuarial Gains and Losses                       | -                | -                |
| Interest Income on Plan Assets                   | 19,866           | 19,553           |
| Employers Contributions                          | 13,220           | 12,452           |
| Contributions by Scheme Participants             | 3,542            | 3,347            |
| Estimated Benefits Paid                          | (18,504)         | (16,989)         |
| <b>Fair Value of Employer Assets at 31 March</b> | <b>507,121</b>   | <b>463,185</b>   |

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

### 28.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| <b>Local Government Pension Scheme</b> |                  |                  |
| Present Value of Funded Liabilities    | (622,119)        | (553,500)        |
| Present Value of Unfunded Liabilities  | (29,740)         | (28,022)         |
| Fair Value of Employer Assets          | 507,121          | 463,185          |
| <b>(Deficit) in the Scheme</b>         | <b>(144,738)</b> | <b>(118,337)</b> |

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

**28.5 Analysis of Pension Fund’s Assets**

Argyll and Bute Council’s share of the Pension Fund’s assets at 31 March 2015 comprised:

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| Cash and Cash Equivalents                  | 12,460           | 22,152           |
| Equity Instruments (by industry type)      |                  |                  |
| Consumer                                   | 47,924           | 42,668           |
| Manufacturing                              | 38,267           | 37,483           |
| Energy and Utilities                       | 15,056           | 16,964           |
| Financial Institutions                     | 35,258           | 30,991           |
| Health and Care                            | 20,614           | 15,885           |
| Information Technology                     | 29,173           | 25,240           |
| Sub-total Equity Instruments               | 186,292          | 169,231          |
| Bonds (by sector)                          |                  |                  |
| Corporate                                  | 3                | 3                |
| Government                                 | -                | -                |
| Sub-total Bonds                            | 3                | 3                |
| Real Estate                                |                  |                  |
| UK Property                                | 46,332           | 32,448           |
| Overseas Property                          | -                | -                |
| Sub-total Real Estate                      | 46,332           | 32,448           |
| Private Equity (All)                       | 49,347           | 43,684           |
| UK   |                  |                  |
| Investment Funds and Unit Trusts           |                  |                  |
| Equities                                   | 145,498          | 140,979          |
| Bonds                                      | 64,207           | 53,750           |
| Commodities                                | 192              | 184              |
| Infrastructure                             | 1,714            | 656              |
| Other                                      | 921              | 1                |
| Sub-total Investment Funds and Unit Trusts | 212,532          | 195,570          |
| Derivatives                                |                  |                  |
| Forward Foreign Exchange Contracts         | -                | -                |
| Other                                      | 155              | 98               |
| Sub-total Derivatives                      | 155              | 98               |
| <b>Total Assets</b>                        | <b>507,121</b>   | <b>463,186</b>   |



| Fair Value of Pension Fund Assets  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|------------------------------------|------------------|------------------|
| Equity Securities                  |                  |                  |
| Quoted in an Active Market         | 185,910          | 168,875          |
| Not Quoted in an Active Market     | 382              | 356              |
| <b>Sub-total Equity Securities</b> | <b>186,292</b>   | <b>169,231</b>   |

### 28.6 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:

| Long-term Expected Rate of Return on Assets in the Fund | 2014-15<br>% | 2013-14<br>% |
|---|--------------|--------------|
| Equity Investments                                      | 3.2%         | 4.3%         |
| Bonds   | 3.2%         | 4.3%         |
| Property  | 3.2%         | 4.3%         |
| Cash  | 3.2%         | 4.3%         |

| Mortality assumptions                   | 2014-15<br>Years | 2013-14<br>Years |
|---|------------------|------------------|
| Longevity at 65 for current pensioners: |                  |                  |
| Men                                     | 22.1             | 21.0             |
| Women                                   | 23.6             | 23.4             |
| Longevity at 65 for future pensioners:  |                  |                  |
| Men                                     | 24.8             | 23.3             |
| Women                                   | 26.2             | 25.3             |

| Financial Assumptions                   | 2014-15<br>% | 2013-14<br>% |
|---|--------------|--------------|
| Rate of Inflation (CPI)                 | 2.4%         | 2.8%         |
| Rate of Increase in Salaries            | 4.3%         | 5.1%         |
| Rate of Increase in Pensions (CPI)      | 2.4%         | 2.8%         |
| Rate for discounting scheme liabilities | 3.2%         | 4.3%         |

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

### 28.7 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.

### 28.8 Impact on the Authority'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 2015-2016.

The Fund will need to take account of national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earnings (CARE) scheme for future accruals.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £11.339m.

The assumed weighted average duration of the defined benefit obligation is 17.8 years (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

### 28.9 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Authority are members of the Teachers' Pension Scheme administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of these Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2015, the Authority's own contributions equate to 1.45%.

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| Amount Paid Over (£'000)                             | 5,028            | 5,036            |
| Rate of Contribution (%)                             | 14.90%           | 14.90%           |
| Amount of Added Years Awarded by the Council (£'000) | 525              | 534              |

The contributions due to be paid to the Teacher's Scheme by Argyll and Bute Council in the next financial year are estimated to be £5.414m.

## 29. UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Statement of Movement in Reserves on pages 32 to 33.

### 29.1 Revaluation Reserve

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

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

### 29.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting on non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement 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 fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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.

### 29.3 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 Authority 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.

### 29.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting 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 Authority 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 Authority had 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.

### 29.5 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.

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### 30. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Statement of Movement in Reserves on pages 32 to 33.

#### 30.1 Capital Funds

The Authority 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 2014-15                   | Usable Capital Receipts Reserve<br>£'000 | Capital Fund<br>£'000 | Total Capital Funds<br>£'000 |
|--|--|-----------------------|------------------------------|
| <b>Balance at 1 April 2014</b>         | <b>2,757</b>                             | <b>703</b>            | <b>3,460</b>                 |
| Proceeds of Disposals                  | -  | 430                   | 430                          |
| Transfer to Capital Adjustment Account | -  | (159)                 | (159)                        |
| Contribution to Loans Fund Charges     | -  | -                     | -                            |
| Interest Earned                        | 9  | 2                     | 11                           |
| <b>Balance at 31 March 2015</b>        | <b>2,766</b>                             | <b>976</b>            | <b>3,742</b>                 |

The movement in the Repairs and Renewals Funds are as follows:

| Movements in 2014-15 | Balance at 31 March 2014<br>£'000 | Contribution from Revenue<br>£'000 | Interest Earned<br>£'000 | Contribution to Revenue<br>£'000 | Balance at 31 March 2015<br>£'000 |
|----------------------|-----------------------------------|------------------------------------|--------------------------|----------------------------------|-----------------------------------|
| Education            | 955                               | 19                                 | 3                        | (378)                            | 599                               |
| Vehicles             | 70                                | -                                  | -                        | -                                | 70                                |
| <b>Total</b>         | <b>1,025</b>                      | <b>19</b>                          | <b>3</b>                 | <b>(378)</b>                     | <b>669</b>                        |

### 31. CONTINGENT LIABILITIES

The Council settled a number of equal pay claims during 2014-15, 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.

In a recent legal case, the European Court of Justice ruled that if a worker's remuneration includes contractual commission; their holiday pay must also take account of that commission. All pay

elements such as overtime, standby/emergency call outs and commission should be included in the calculation of holiday pay. At this stage the extent of the Council's potential liability is unknown.

### 32. TERMINATION BENEFITS

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

Redundancy costs as part of the programme of service reviews have been incurred by the Council since the 2010-11 financial year in relation to the budget savings agreed. In each year provision was made within the financial year for the costs of all employees who had accepted redundancy as at 31 March ending that year, including accounting for costs for employee who confirmed redundancy by 31 March but left or were leaving after this date. The total cost accounted for in 2013-14 was £0.945m for 35 employees and in 2014-15 was £0.748m for 24 employees. These costs are detailed further in the Remuneration Report on pages 30 to 31.

Therefore termination costs for all Council employees who have accepted redundancy by 31 March 2014 have been accounted for in 2014-15, or in previous financial years. There is only one group of employees where there is insufficient information to allow for redundancy costs to be estimated reliably, therefore no actual financial provision can be made for these costs.

The reduction in the staffing establishment includes posts from all services across the Council and reductions were in line with the service review and other savings agreed by the Council. There are likely to be further redundancy costs incurred as the Council is required to make further savings to balance the budget in future years.

### 33. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 60 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 Argyll and Bute Council act as sole trustee:

|                           | Income    | Expenditure | Net Assets   | Reserves     |
|---------------------------|-----------|-------------|--------------|--------------|
|                           | £'000     | £'000       | £'000        | £'000        |
| Argyll Education Trust    | 12        | 5           | 449          | 449          |
| GM Duncan Trust           | 1         | 2           | 85           | 85           |
| MacDougall Trust          | 2         | -           | 611          | 611          |
| Various Other Trust Funds | 5         | 2           | 516          | 516          |
| <b>Total Trust Funds</b>  | <b>20</b> | <b>9</b>    | <b>1,661</b> | <b>1,661</b> |

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

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

## Notes to the Financial Statements

A number of the trust funds administered by Argyll and Bute 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 Argyll and Bute Council comply and will continue to comply with these requirements.

### 34. 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 2015. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Strategic Finance within the Chief Executive's Unit.

#### 34.1 Common Good Income and Expenditure Account for the year ended 31 March 2015

| 2013-14<br>Actual<br>£'000 |                                       | 2014-15<br>Actual<br>£'000 |
|----------------------------|---------------------------------------|----------------------------|
| 175                        | Expenditure                           | 201                        |
| (87)                       | Income                                | (80)                       |
| <b>88</b>                  | <b>(Surplus)/Deficit for the Year</b> | <b>121</b>                 |

#### 34.2 Common Good Balance Sheet at 31 March 2015

| 2013-14<br>Actual<br>£'000 |                                      | 2014-15<br>Actual<br>£'000 |
|----------------------------|--------------------------------------|----------------------------|
| 4,284                      | Tangible Fixed Assets                | 4,151                      |
| 2,036                      | Investments                          | 2,098                      |
| 188                        | Current Assets                       | 216                        |
| (2)                        | Current Liabilities                  | (2)                        |
| <b>6,506</b>               | <b>Total Assets less Liabilities</b> | <b>6,463</b>               |
| 3,961                      | Revaluation Reserve                  | 4,151                      |
| 2,545                      | Common Good Fund                     | 2,312                      |
| <b>6,506</b>               | <b>Total Net Worth</b>               | <b>6,463</b>               |

**35. 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:

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| <b>Net (Surplus)/Deficit on Provision of Services</b>  | <b>(4,581)</b>   | <b>(1,694)</b>   |
| <b>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</b>  |                  |                  |
| Statutory Adjustments through Statement of Movement in Reserves  | 2,900            | 3,604            |
| Transfer to/from Other Statutory Reserves  | (345)            | 187              |
| Increase/(Decrease) in Inventories   | (56)             | (241)            |
| Increase/(Decrease) in Debtors   | 599              | 1,739            |
| (Increase)/Decrease in Creditors and Provisions  | (1,213)          | 4,402            |
| Other Revenue Adjustments  | (19,105)         | (22,346)         |
|  | <b>(17,220)</b>  | <b>(12,655)</b>  |
| <b>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</b> |                  |                  |
| Non Cash Capital   | 9,994            | 10,580           |
| Capital Element of Finance Lease Payments  | (1,734)          | (1,566)          |
|  | <b>8,260</b>     | <b>9,014</b>     |
| <b>Net Cash Flows from Operating Activities</b>  | <b>(13,541)</b>  | <b>(5,335)</b>   |
| <b>The cash flows for Operating Activities include the following items:</b>  |                  |                  |
| Interest Paid on Borrowings  | 9,804            | 8,564            |
| Interest Paid on Finance Leases  | 8,071            | 8,174            |
| Interest Received on Bank Deposits   | (514)            | (410)            |
| <b>Net Cash Outflow from Servicing of Finance</b>  | <b>17,361</b>    | <b>16,328</b>    |

## Notes to the Financial Statements

### 36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets | 28,976           | 21,463           |
| Investments made/(disposed of) during year  | (5,000)          | -                |
| Proceeds from the Sale of Property, Plant and Equipment and Investment Property                   | (430)            | (454)            |
| Other Receipts from Investing Activities  | (15,319)         | (10,876)         |
| <b>Net Cash Outflow from Investing Activities</b>   | <b>8,227</b>     | <b>10,133</b>    |

### 37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

|  | 2014-15<br>£'000 | 2013-14<br>£'000 |
|--|------------------|------------------|
| Cash Receipts of Short and Long Term Borrowing   | (20,589)         | (706)            |
| Other Receipts from Financing Activities   | (1,994)          | (6)              |
| Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts | 1,734            | 1,566            |
| Repayments of Short and Long Term Borrowing  | 8,392            | 141              |
| Other Payments from Financing Activities   | -                | -                |
| <b>Net Cash Outflow from Financing Activities</b>  | <b>(12,457)</b>  | <b>995</b>       |



## Council Tax Income Account

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

| 2013-14<br>Actual<br>£'000 |  | 2014-15<br>Actual<br>£'000 |
|----------------------------|--|----------------------------|
| 54,035                     | Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income | 54,356                     |
|                            | Add Back:  |                            |
| 1,924                      | RSL Second Home Discount Additional Income   | 1,880                      |
|                            | Less:  |                            |
| (13,560)                   | Other Discounts and Reductions   | (12,607)                   |
| (997)                      | Provision for Bad and Doubtful Debts   | (926)                      |
| <b>41,402</b>              | <b>Total</b>   | <b>42,703</b>              |
| 664                        | Adjustment to Previous Years' Community Charge and Council Tax                                 | 668                        |
| <b>42,066</b>              | <b>Transfers to General Fund</b>   | <b>43,371</b>              |

## Notes to the Council Tax Income Account

### 1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2014-15 was as follows:

| Band | Valuation Band      | % Band D | £ per year |
|------|---------------------|----------|------------|
| A    | Up to £27,000       | 67%      | 785.33     |
| B    | £27,001 - £35,000   | 78%      | 916.22     |
| C    | £35,001 - £45,000   | 89%      | 1,047.11   |
| D    | £45,001 - £58,000   | 100%     | 1,178.00   |
| E    | £58,001 - £80,000   | 122%     | 1,439.78   |
| F    | £80,001 - £106,000  | 144%     | 1,701.56   |
| G    | £106,001 - £212,000 | 167%     | 1,963.33   |
| H    | Over £212,000       | 200%     | 2,356.00   |

### 2. CALCULATION OF THE COUNCIL TAX BASE 2014-15

| Council Tax Base   | A            | B            | C            | D            | E            | F            | G            | H          | Total         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|---------------|
| Total Number of Properties   | 7,708        | 9,848        | 9,365        | 6,029        | 7,301        | 4,077        | 2,765        | 243        | 47,336        |
| <b>Less</b> - Exemptions / Deductions  | 972          | 784          | 1,029        | 528          | 577          | 240          | 178          | 46         | 4,354         |
| - Adjustment for Single Chargepayers   | 878          | 1,021        | 749          | 440          | 423          | 194          | 106          | 6          | 3,817         |
| <b>Effective Number of Properties</b>  | <b>5,858</b> | <b>8,043</b> | <b>7,587</b> | <b>5,061</b> | <b>6,301</b> | <b>3,643</b> | <b>2,481</b> | <b>191</b> | <b>39,165</b> |
| Band D Equivalent Factor (ratio)   | 6/9          | 7/9          | 8/9          | 9/9          | 11/9         | 13/9         | 15/9         | 18/9       |               |
| <b>Band D Equivalent Number of Properties</b>  | <b>3,905</b> | <b>6,256</b> | <b>6,744</b> | <b>5,061</b> | <b>7,701</b> | <b>5,262</b> | <b>4,135</b> | <b>382</b> | <b>39,446</b> |
| <b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent) |              |              |              |              |              |              |              |            | 512           |
| <b>Nominal Tax Yield</b>   |              |              |              |              |              |              |              |            | <b>39,958</b> |
| <b>Less</b> Provision for Non-Collection - 1.50%                                     |              |              |              |              |              |              |              |            | 599           |
| <b>Council Tax Base 2014-15 - Number of Band D equivalents</b>                       |              |              |              |              |              |              |              |            | <b>39,359</b> |

## Non Domestic Rate Income Account

The Non-Domestic Rate 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.

| 2013-14<br>Actual<br>£'000 |  | 2014-15<br>Actual<br>£'000 |
|----------------------------|--|----------------------------|
| 38,669                     | Gross rates levied and Contributions in Lieu           | 39,832                     |
|                            | Less:  |                            |
| (10,100)                   | Reliefs and other deductions                           | (9,734)                    |
| -                          | Payment of Interest                                    | (29)                       |
| (185)                      | Provision for Bad and Doubtful Debts                   | (267)                      |
| <b>28,384</b>              | <b>Net Non-Domestic Rate Income</b>                    | <b>29,802</b>              |
| 108                        | Contribution (to)/from national non-domestic rate pool | 1,200                      |
| <b>28,492</b>              | <b>Transfers to General Fund</b>                       | <b>31,002</b>              |

## 1. ANALYSIS OF RATEABLE VALUES

|  | 2014-15<br>£      | 2013-14<br>£      |
|--|-------------------|-------------------|
| Industrial and freight transport subjects                              | 6,650,490         | 6,546,665         |
| Miscellaneous including Telecomms, Rail, Gas and Electricity Companies | 55,639,870        | 55,602,432        |
| Commercial subjects:   |                   |                   |
| Shops  | 13,262,165        | 13,468,040        |
| Offices  | 4,933,370         | 4,925,695         |
| Hotels, Boarding Houses etc.   | 6,618,475         | 6,658,775         |
| Others   | 1,986,020         | 1,977,520         |
| <b>Total Rateable Value</b>  | <b>89,090,390</b> | <b>89,179,127</b> |

## 2. NON-DOMESTIC RATE CHARGE

|  | 2014-15<br>Pence | 2013-14<br>Pence |
|--|------------------|------------------|
| Rate Per Pound   | 47.1p            | 46.2p            |
| Supplementary Rate Per Pound for Properties over £35,000 | 1.1p             | 0.9p             |

## 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 2014-15: 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.

## 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).

| Movements in 2014-15  | Argyll and Bute Council |                           |                |                       |                         |                               | Council's Share of Reserves of Associates | 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                         |   |                            |                  |
| <b>Balance at 31 March 2014</b>   | (44,041)                | (1,025)                   | (3,460)        | (48,526)              | (126,299)               | (174,825)                     | (1,056)                                   | (6,506)                    | (182,387)        |
| Surplus/(Deficit) on Provision of Services                                  | (4,581)                 | -                         | -              | (4,581)               | -                       | (4,581)                       | 48  | (9)                        | (4,542)          |
| Other Comprehensive Income and Expenditure                                  | -                       | -                         | -              | -                     | 18,449                  | 18,449                        | 694                                       | 52                         | 19,195           |
| <b>Total Comprehensive Income and Expenditure</b>                           | <b>(4,581)</b>          | <b>-</b>                  | <b>-</b>       | <b>(4,581)</b>        | <b>18,449</b>           | <b>13,868</b>                 | <b>742</b>                                | <b>43</b>                  | <b>14,653</b>    |
| <b>Total Statutory Adjustments (See Page 32 to 33)</b>                      | <b>2,900</b>            | <b>-</b>                  | <b>(430)</b>   | <b>2,470</b>          | <b>(2,470)</b>          | <b>-</b>                      | <b>-</b>                                  | <b>-</b>                   | <b>-</b>         |
| <b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b> | <b>(1,681)</b>          | <b>-</b>                  | <b>(430)</b>   | <b>(2,111)</b>        | <b>15,979</b>           | <b>13,868</b>                 | <b>742</b>                                | <b>43</b>                  | <b>14,653</b>    |
| <i>Other Transfers required by Statute</i>                                  |                         |                           |                |                       |                         |                               |   |                            |                  |
| Transfer to/from Other Statutory Reserves                                   | (345)                   | 356                       | 148            | 159                   | (159)                   | -                             | -   | -                          | -                |
| <b>(Increase)/Decrease in Year</b>  | <b>(2,026)</b>          | <b>356</b>                | <b>(282)</b>   | <b>(1,952)</b>        | <b>15,820</b>           | <b>13,868</b>                 | <b>742</b>                                | <b>43</b>                  | <b>14,653</b>    |
| <b>Balance at 31 March 2015 Carried Forward</b>                             | <b>(46,067)</b>         | <b>(669)</b>              | <b>(3,742)</b> | <b>(50,478)</b>       | <b>(110,479)</b>        | <b>(160,957)</b>              | <b>(314)</b>                              | <b>(6,463)</b>             | <b>(167,734)</b> |

The Council's Statement of Movement in Reserves on pages 32 to 33 gives a more detailed analysis of the movement in the Council's usable and unusable reserves during 2014-15.

## Group Statement of Movement in Reserves

This statement shows the comparative movement in the year on 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.

| Comparative Movements in 2013-14  | Argyll and Bute Council |                           |                |                       |                         |                               | Council's Share of Reserves of Associates | 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                         |   |                            |                  |
| <b>Balance at 31 March 2013</b>   | (46,138)                | (850)                     | (3,316)        | (50,304)              | (130,438)               | (180,742)                     | 261,675                                   | (3,060)                    | 77,873           |
| Transfer of Police and Fire Services to Central Government                  | -                       | -                         | -              | -                     | -                       | -                             | (263,112)                                 | -                          | (263,112)        |
| <b>Revised Balance at 1 April 2013</b>                                      | (46,138)                | (850)                     | (3,316)        | (50,304)              | (130,438)               | (180,742)                     | (1,437)                                   | (3,060)                    | (185,239)        |
| Surplus/(Deficit) on Provision of Services                                  | (1,694)                 | -                         | -              | (1,694)               | -                       | (1,694)                       | 79  | 35                         | (1,580)          |
| Other Comprehensive Expenditure and Income                                  | -                       | -                         | -              | -                     | 7,611                   | 7,611                         | 302                                       | (3,481)                    | 4,432            |
| <b>Total Comprehensive Expenditure and Income</b>                           | <b>(1,694)</b>          | <b>0</b>                  | <b>0</b>       | <b>(1,694)</b>        | <b>7,611</b>            | <b>5,917</b>                  | <b>381</b>                                | <b>(3,446)</b>             | <b>2,852</b>     |
| <b>Total Statutory Adjustments (See Page 34 to 35)</b>                      | <b>3,604</b>            | <b>-</b>                  | <b>(454)</b>   | <b>3,150</b>          | <b>(3,150)</b>          | <b>-</b>                      | <b>-</b>                                  | <b>-</b>                   | <b>-</b>         |
| <b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b> | <b>1,910</b>            | <b>-</b>                  | <b>(454)</b>   | <b>1,456</b>          | <b>4,461</b>            | <b>5,917</b>                  | <b>381</b>                                | <b>(3,446)</b>             | <b>2,852</b>     |
| <i>Other Transfers required by Statute</i>                                  |                         |                           |                |                       |                         |                               |   |                            |                  |
| Transfer to/from Other Statutory Reserves                                   | 187                     | (175)                     | 310            | 322                   | (322)                   | -                             | -   | -                          | -                |
| <b>(Increase)/Decrease in Year</b>  | <b>2,097</b>            | <b>(175)</b>              | <b>(144)</b>   | <b>1,778</b>          | <b>4,139</b>            | <b>5,917</b>                  | <b>381</b>                                | <b>(3,446)</b>             | <b>2,852</b>     |
| <b>Balance at 31 March 2014 Carried Forward</b>                             | <b>(44,041)</b>         | <b>(1,025)</b>            | <b>(3,460)</b> | <b>(48,526)</b>       | <b>(126,299)</b>        | <b>(174,825)</b>              | <b>(1,056)</b>                            | <b>(6,506)</b>             | <b>(182,387)</b> |

## Group Statement of Comprehensive Income and Expenditure

This statement shows the accounting cost in the year of providing the Council's services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves on pages 32 to 33.

| 2013-14                    |                       |                          | Service                                     | 2014-15                    |                       |                          |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |   | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 108,526                    | 6,885                 | 101,641                  | Education Services                          | 111,565                    | 6,921                 | 104,644                  |
| 36,753                     | 28,042                | 8,711                    | Housing Services (Non-HRA)                  | 34,810                     | 28,601                | 6,209                    |
| 13,360                     | 2,345                 | 11,015                   | Cultural and Related Services               | 12,676                     | 2,263                 | 10,413                   |
| 23,222                     | 4,221                 | 19,001                   | Environmental Services                      | 26,022                     | 4,281                 | 21,741                   |
| 24,214                     | 6,321                 | 17,893                   | Roads and Transport Services                | 25,517                     | 6,980                 | 18,537                   |
| 7,552                      | 4,477                 | 3,075                    | Trading Services                            | 7,903                      | 4,852                 | 3,051                    |
| 10,816                     | 5,554                 | 5,262                    | Planning and Development Services           | 10,735                     | 5,660                 | 5,075                    |
| 70,096                     | 10,698                | 59,398                   | Social Work                                 | 72,584                     | 10,645                | 61,939                   |
|                            | -                     |                          | Central Services:                           |                            |                       |                          |
| 4,353                      | 125                   | 4,228                    | - Corporate and Democratic Core             | 4,537                      | 95                    | 4,442                    |
| 1,850                      | 2                     | 1,848                    | - Non Distributed Costs                     | 1,758                      | -                     | 1,758                    |
| 3,091                      | 1,300                 | 1,791                    | - Central Services to the Public            | 2,922                      | 1,280                 | 1,642                    |
| 3,147                      | 3,068                 | 79                       | Associates Accounted for on an Equity Basis | 2,925                      | 2,877                 | 48                       |
| <b>306,980</b>             | <b>73,038</b>         | <b>233,942</b>           | <b>Net Cost of Services</b>                 | <b>313,954</b>             | <b>74,455</b>         | <b>239,499</b>           |



## Group Statement of Comprehensive Income and Expenditure

|  |                  |   |                  |
|--|------------------|---|------------------|
|  |                  | <b>Other Operating Income and Expenditure:</b>  |                  |
|  | 26               | Net (Gain)/loss on Disposal of Fixed Assets   | (142)            |
|  | (3)              | (Surplus)/deficit on trading undertakings   | -                |
|  | 1,048            | Other Operating Income and Expenditure  | 1,016            |
|  | <b>1,071</b>     | <b>Total Other Operating Income and Expenditure</b>                                     | <b>874</b>       |
|  |                  | <b>Financing and Investment Income and Expenditure:</b>                                 |                  |
|  | 18,107           | Interest Payable and Similar charges  | 18,125           |
|  | (778)            | Interest and Investment Income  | (2,513)          |
|  | 4,537            | Net Pension Interest Expense  | 5,161            |
|  | <b>21,866</b>    | <b>Total Financing and Investment Income and Expenditure</b>                            | <b>20,773</b>    |
|  |                  | <b>Taxation and Non-Specific Grant Income:</b>  |                  |
|  | (176,904)        | General Government Grants   | (174,877)        |
|  | (10,997)         | Government Capital Grants and Other Capital Contributions                               | (16,438)         |
|  | (28,492)         | Non-domestic Rates Redistribution   | (31,002)         |
|  | (42,066)         | Council Tax Income  | (43,371)         |
|  | <b>(258,459)</b> | <b>Total Taxation and Non-Specific Grant Income</b>                                     | <b>(265,688)</b> |
|  | <b>(1,580)</b>   | <b>(Surplus)/Deficit on Provision of Services</b>                                       | <b>(4,542)</b>   |
|  | (4,387)          | (Surplus)/Deficit on revaluation of Fixed Assets  | 774              |
|  | 11,998           | Other Post Employment Benefits (Pensions)   | 17,675           |
|  | (3,179)          | Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds | 746              |
|  | <b>4,432</b>     | <b>Other Comprehensive Income and Expenditure</b>                                       | <b>19,195</b>    |
|  | <b>2,852</b>     | <b>Total Comprehensive Income and Expenditure</b>                                       | <b>14,653</b>    |

| 31 March 2014 |                  |  | 31 March 2015 |                  |
|---------------|------------------|--|---------------|------------------|
| £'000         | £'000            |  | £'000         | £'000            |
|               |                  | <b>Long Term Assets</b>                                    |               |                  |
|               |                  | <b>Property Plant &amp; Equipment</b>                      |               |                  |
| 290,414       |                  | - Other Land and Buildings                                 | 281,317       |                  |
| 10,674        |                  | - Vehicles, Plant, Furniture and Equipment                 | 11,088        |                  |
| 169,555       |                  | - Infrastructure Assets                                    | 183,985       |                  |
| 5,954         |                  | - Community Assets   | 5,820         |                  |
| 4,581         |                  | - Surplus Assets   | 3,992         |                  |
| 25,591        |                  | - Assets Under Construction                                | 30,223        |                  |
|               | <b>506,769</b>   | <b>Total Property Plant &amp; Equipment</b>                |               | <b>516,425</b>   |
|               | 1,371            | Heritage Assets  |               | 1,371            |
|               | 351              | Intangible Assets  |               | 647              |
|               | 6,281            | Investment Property  |               | 7,919            |
|               | 4,011            | Long-Term Debtors  |               | 4,849            |
|               | 2,036            | Long-Term Investments                                      |               | 2,098            |
|               | 2,626            | Investment in Associates                                   |               | 2,596            |
|               | <b>523,445</b>   | <b>Total Long Term Assets</b>                              |               | <b>535,905</b>   |
|               |                  | <b>Current Assets</b>                                      |               |                  |
| 390           |                  | Inventories  | 334           |                  |
| 16,073        |                  | Short Term Debtors (Net of Impairment)                     | 16,965        |                  |
| 153           |                  | Assets Held for Sale                                       | 25            |                  |
| 35,000        |                  | Short Term Investments                                     | 30,000        |                  |
| 6,121         |                  | Cash and Cash Equivalents                                  | 23,904        |                  |
|               | <b>57,737</b>    | <b>Total Current Assets</b>                                |               | <b>71,228</b>    |
|               |                  | <b>Current Liabilities</b>                                 |               |                  |
| (11,442)      |                  | Short-term Borrowing                                       | (33,623)      |                  |
| (32,882)      |                  | Short-term Creditors                                       | (35,578)      |                  |
| (165)         |                  | Capital Grant Receipts in Advance                          | (146)         |                  |
| (2,423)       |                  | Provisions   | (1,410)       |                  |
| (1,734)       |                  | Other Short Term Liabilities                               | (1,878)       |                  |
|               | <b>(48,646)</b>  | <b>Total Current Liabilities</b>                           |               | <b>(72,635)</b>  |
|               |                  | <b>Long-term Liabilities</b>                               |               |                  |
| (151,520)     |                  | Borrowing Repayable within a Period in Excess of 12 Months | (141,435)     |                  |
| (78,621)      |                  | Other Long-term liabilities                                | (76,743)      |                  |
| (101)         |                  | Provisions   | (1,566)       |                  |
| (118,337)     |                  | Other Long-term liabilities (Pensions)                     | (144,738)     |                  |
| (1,570)       |                  | Liabilities in Associates                                  | (2,282)       |                  |
|               | <b>(350,149)</b> | <b>Total Long-term Liabilities</b>                         |               | <b>(366,764)</b> |
|               | <b>182,387</b>   | <b>Total Assets less Liabilities</b>                       |               | <b>167,734</b>   |

| 31 March 2014 |                |  | 31 March 2015 |                |
|---------------|----------------|--|---------------|----------------|
| £'000         | £'000          |  | £'000         | £'000          |
| 56,113        |                | <b>Unusable Reserves</b>                   |               |                |
| 198,230       |                | - Revaluation Reserve                      | 55,224        |                |
| (4,889)       |                | - Capital Adjustment Account               | 209,599       |                |
| (118,337)     |                | - Financial Instruments Adjustment Account | (4,516)       |                |
| (4,818)       |                | - Pensions Reserve                         | (144,738)     |                |
|               |                | - Accumulated Absences Account             | (5,090)       |                |
|               | <b>126,299</b> |  |               | <b>110,479</b> |
|               |                | <b>Usable Reserves</b>                     |               |                |
| 3,460         |                | - Capital Funds                            | 3,742         |                |
| 1,025         |                | - Repairs and Renewals Funds               | 669           |                |
| 44,041        |                | - General Fund Balance                     | 46,067        |                |
|               | <b>48,526</b>  |  |               | <b>50,478</b>  |
|               | <b>1,056</b>   | <b>Group Reserves</b>                      |               | <b>314</b>     |
|               | <b>6,506</b>   | <b>Common Good Reserves</b>                |               | <b>6,463</b>   |
|               | <b>182,387</b> | <b>Total Reserves</b>                      |               | <b>167,734</b> |

The Balance sheet is a snapshot of the value at the 31 March 2015 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).

The Annual Accounts were issued on 25 June 2015 and the Audited Annual Accounts were authorised for issue on 25 September 2015.



Steve Barrett  
 Head of Strategic Finance  
 25 September 2015

## Notes to the Group Financial Statements

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### 1. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements on pages 41 to 53.

- 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.

The accounting period for all entities is 31 March 2015.

### 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 28 participating Scottish local authorities. Argyll and Bute Council contributed £0.066m towards Scotland Excel in the 2014-15 financial year.

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

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

## Notes to the Group Financial Statements

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### 4. NATURE OF COMBINATION

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

### 5. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £6.777m. This gives an overall net asset position for the Group of £167.734m.

All associates have prepared their accounts on a 'going concern' basis. For Strathclyde Passenger Transport Authority 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

Due to the significant impact upon the reported figures of the Group Accounts further information in respect of the Associate Entities outlined above can be summarised as follows:

#### **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 £0.606m or 1.62% of the Board's estimated net running costs during 2014-15 and accounted for £2.528m 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 2014-15 the Council contributed £0.176m or 4.14% of the net annual running costs and accounted for £0.068m 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.

#### **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 2014-15 Argyll and Bute Council contributed £1.281m towards estimated running costs and accounted for £2.282m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

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

|   | 2014/15<br>£'m | 2013/14<br>£'m |
|---|----------------|----------------|
| Argyll and Bute Council has a 48.1% share of: |                |                |
| Gross Income                                  | 2.931          | 2.745          |
| Net (Surplus)/Deficit                         | 0.237          | 0.191          |
| Long Term Assets                              | 0.743          | 0.847          |
| Current Assets                                | 0.730          | 0.644          |
| Liabilities due within one year               | (0.101)        | (0.126)        |
| Liabilities due over one year                 | -              | -              |
| Pension Liability                             | (6.115)        | (4.544)        |
| Capital and Revenue Reserves                  | (4.744)        | (3.178)        |

## 7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 36 to 37) 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 34 of the Notes to the Financial Statements on page 92 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £6.463m.

## 8. GROUP CASH FLOW STATEMENT

The impact of the incorporation of the associates has no effect upon the Cash Flow statement for Argyll and Bute Council on page 40. Only the Common Good transactions would have an impact. However, this impact is not material enough for a separate Group Cash Flow Statement to be prepared.

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

I certify that I have audited the financial statements of Argyll and Bute council and its group for the year ended 31 March 2015 under part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority only Statements of Movement in Reserves, Statements of Comprehensive Income and Expenditure Statements and Balance Sheets, the authority only Cash-Flow Statement, the Council Tax Income Account, the Non Domestic Rate Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of the Head of Strategic Finance and auditor

As explained more fully in the Statement of Responsibilities for the Annual Accounts the Head of Strategic Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Strategic Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

## Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with delivering Good Governance in Local Government: or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Fiona Mitchell-Knight FCA  
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Audit Scotland  
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8 Nelson Mandela Place  
GLASGOW  
G2 1BT

**25 September 2015**