



**Unaudited Annual Accounts** for the year ended 31 March 2016

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## 1. INTRODUCTION

### What is the Management Commentary?

This Management Commentary outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced in making Argyll and Bute a place where people want to live, learn, work and do business.

### Argyll and Bute: The Geography

Argyll and Bute is bounded by the urban areas of Helensburgh and Dunoon along the Clyde, Loch Lomond to the East, Mull of Kintyre to the south, Atlantic Islands to the west, and the Sound of Mull and Appin to the north. It covers an area of 691,000 hectares making it the second largest local authority area in Scotland. Our area has the third sparsest population density of the 32 Scottish local authority areas, with an average population density of just 13 persons per square kilometre.



Argyll and Bute has 23 inhabited islands (Census 2011) more than any other local authority in Scotland with around 17% of the population living on Islands (Census 2011). The area is also home to several long sea lochs, which bisect the landscape and along with the islands give Argyll and Bute a very long coastline and a higher level of reliance on ferries for travel. Almost 80% of the population live within one kilometre of the coast (Scottish Coastal Forum, 2002).

### Argyll and Bute: Population and Demographics

The total population of Argyll and Bute is 88,166 based on the 2011 census. This compares to a total population for the area of 91,306 in the 2001 census, a reduction of 3.4%. Argyll and Bute was one of only 4 local authority areas to show a decrease in population. Future population projections suggest a reduction in total population of 7.2% from 2010 to 2035.

The population of Argyll and Bute has been declining, this decline is projected to continue and the population is also aging. These changes in population will have significant implications for the delivery of Council services now and into the future. The change in population has particular challenges in relation to the provision of care, the future sustainability of Argyll and Bute's workforce and the economic sustainability of the area.

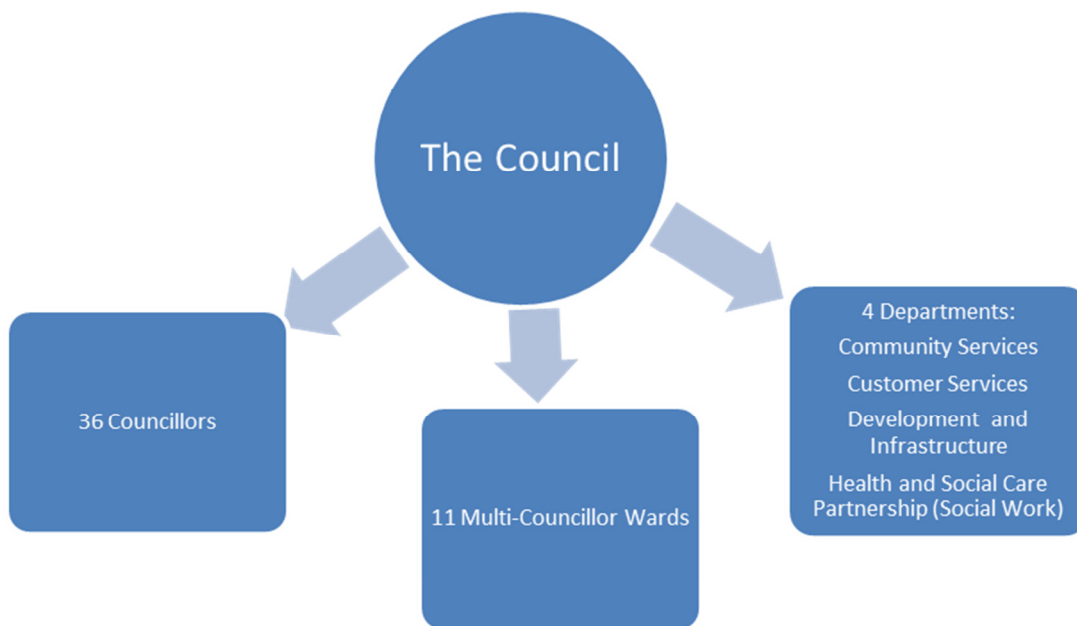
### Argyll and Bute: Key Challenges

- Our geography – A highly rural area with many small communities, often separated by water. Access to the area and to key services is a perennial challenge.
- Reducing population – The projected decline in total population is a real threat to the viability of the area with a potential to adversely impact on the economy/wealth creation, workforce availability and efficient service delivery.
- Changing population – With more extremes than most of Scotland we face increasing costs and challenges to deliver services to older people and we need to encourage younger people to move to the area so that our economy can grow.
- Economy – Unlocking the opportunities offered by its significant, sustainable economic assets for the benefit of its communities and the competitiveness and security of the Scottish and EU economies.

- Employment – Developing education, skills and training to maximise opportunities for all and create a workforce to support economic growth.
- Infrastructure – Improving and making better use of infrastructure in order to promote the conditions for economic growth including enhancing the built environment and our town centres.
- Sustainability – Ensuring a sustainable future by protecting the natural environment and mitigating climate change.
- Health –Improving health and wellbeing and reducing health inequalities.
- Deprivation –Inequalities exist in Argyll and Bute so we need to improve how we identify and implement action to address them.
- People on the fringe – Many of our communities are very isolated and risk collapsing as population change takes affect alongside urban communities where deprivation can create real hardships.

## Argyll and Bute Council

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 thirty six councillors elected every five years to represent the interests of the local community. Argyll and Bute is split into 11 multi-councillor areas or wards. This means that for every ward there are at least 3 councillors that represent the area you live in.

The management of the Council is led by the Chief Executive, Cleland Sneddon. The operational structure is divided into the Chief Executive’s Unit, four directorates: Community Services, Customer Services, Development and Infrastructure and Integration Services. From 1 April 2016, Adult Care and Children and Families Services transferred over to the Health Social Care Partnership and strategic decisions will be the responsibility of the Integrated Joint Board.

Chief Executive's Unit	Community Services	Customer Services	Development and Infrastructure	Health and Social Care Partnership
<ul style="list-style-type: none"> <li>Strategic Finance</li> </ul>	<ul style="list-style-type: none"> <li>Education</li> <li>Community and Culture</li> </ul>	<ul style="list-style-type: none"> <li>Governance and Law</li> <li>Customer and Support Services</li> <li>Improvement and Human Resources</li> <li>Facility Services</li> </ul>	<ul style="list-style-type: none"> <li>Roads and Amenity Services</li> <li>Economic Development</li> <li>Planning and Regulatory Services</li> </ul>	<ul style="list-style-type: none"> <li>Adult Care</li> <li>Children and Families</li> <li>Health Services</li> </ul>

**Annual Accounts 2015-16**

The Annual Accounts set out the financial statements of the Council and its group for the year ended 31 March 2016. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2015-16 Accounts have been prepared in accordance with this Code.

**2. OBJECTIVES AND STRATEGY OF THE COUNCIL**

**Community Plan and Single Outcome Agreement 2013-2023**

Our geography, coupled with a declining population presents us with unique challenges and together with our community planning partners we have developed a Single Outcome Agreement (SOA), now referred to as the Local Outcome Improvement Plan (LOIP). The LOIP sets out the shared vision, priorities and objectives for Argyll and Bute over the next ten years.

Our shared vision is:

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

The vision has six key outcomes:





The Community Plan and Single Outcome Agreement can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/council-and-government/community-plan-and-single-outcome-agreement>

### Corporate Plan 2015-17

This corporate plan sets out what we as a council will contribute to achieving the outcomes within the Single Outcome Agreement. The period 2015-17 has brought, and will bring, challenges for us as we make choices around planning our future. We must accommodate a reducing budget, yet make the right choices to invest in our future. Our shared vision as set out in the SOA, corporate mission and strategic priorities provide us with clear direction and ensure that the Council is in a strong position to plan our future.

Our mission:

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

Our Corporate Plan can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/performance-reporting-and-best-value>

### Service Plans

Service Plans set out the key service delivery aims for the financial year and are aligned to the Corporate Plan and Single Outcome Agreement. The service plans also detail the agreed measures, targets and timescales to achieve the required results.

Our Service Plans can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/service-plans-overview>

### Performance Reporting

We have a Planning and Performance Management Framework (PPMF) that ensures a focus on performance is integral to the work of the Council. The PPMF details the structure and process for performance management at all levels. Plans specify the outcomes to be achieved aligned to success measures, as well as risks to be reduced.

Councillors and senior managers review and scrutinise the Council's performance at all levels to ensure our services are having the desired impact on our communities and customers.

At a strategic level performance is scrutinised through our Strategic Committees and more locally at our Area committees. The Performance Review and Scrutiny Committee, which meets four times a year has a key role in reviewing and scrutinising how we are meeting our strategic objectives.

Our Performance is reported through scorecards which are reviewed at team and service level as well as Council and Departmental level. These are reviewed at Council meetings and are available on the following web-link:

<https://www.argyll-bute.gov.uk/council-and-government/quarterly-performance-reports>.

The Council also produces an Annual Report which provides residents with a summary of progress being made. The Annual Report for 2015-16 will be produced later this year; however, the 2014-15 Annual Report is available on the following web-link:

[https://www.argyll-bute.gov.uk/sites/default/files/annual\\_report\\_updated\\_january\\_2016\\_-\\_post\\_prs.pdf](https://www.argyll-bute.gov.uk/sites/default/files/annual_report_updated_january_2016_-_post_prs.pdf)

### Budget Strategy

A report on the budget strategy for 2014-15 and 2015-16 was presented to Council on 28 November 2013. Taking account of the commitments in the SOA, challenging financial outlook and the current stability offered by the proposed flat cash finance settlement for 2014-15 and 2015-16 it was agreed to set a 1% savings target for services in each of the two years 2014-15 and 2015-16. This provided a degree of stability over these two years whilst the Council developed its approach to service prioritisation linking budget to strategic priorities, now referred to as Service Choices.

A further suite of reports entitled “Delivering on the Single Outcome Agreement” were presented to the Policy and Resources Committee on 18 December 2014. The suite of reports outlined a structured approach to managing the budget challenge. This included Service Choices in order to match budget to Member priorities as well as developing an approach to investment for economic growth and strategic infrastructure plan. In addition, the balance on the General Fund was earmarked to support the SOA, investment for income and to establish an investment fund that could borrow to take forward projects that would generate an income stream and support the economy.

### Budget Monitoring

The Council has robust budget monitoring arrangements in place and a monitoring pack is prepared and presented to the Policy and Resources Committee every two months. The monitoring pack includes the following reports:

- Financial Monitoring Pack Summary – an executive summary.
- Revenue Budget Monitoring - this report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.
- Monitoring of Financial Risks - this report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks.
- Capital Plan Monitoring – this report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.
- Treasury Monitoring - this report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.
- Reserves and Balances - this report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.

### Risk Strategy

The council has a risk management strategy in place that is subject to regular review and has been assessed as “embedded and integrated” as per CIPFA Benchmarking. Detailed guidance is in place which provides detail on the risk management framework including risk identification and risk treatment. Strategic and operational risks are reviewed on a regular basis and active mitigations are in place.

There are 15 principal risks facing the Council reflected within the Strategic Risk Register as follows:

- Population and economic decline
- Condition and suitability of overall Council infrastructure and asset base.
- External built environment.
- Welfare reform
- Political leadership
- Finance – Income and Funding
- Finance - expenditure
- Health and Social Care Integration
- Reputation
- Demographic Changes
- Partnership Governance
- Engagement and alignment of service delivery
- Leadership and Management
- Civil contingency and business continuity
- Management of services and resources.

The Strategic Risk Register now includes Risk Appetite and Risk Tolerance thresholds. Two of the risks are currently showing a residual score in excess of agreed tolerance levels. These are Population and Economic Decline and Health and Social Care Integration. These risks are being actively managed and there is a focus and priority emphasis on these areas which includes prioritisation or redirection of resources, prioritisation of mitigations and defined action plans.

Financial risks are also considered as part of the budget process and medium term outlook and regularly reviewed as part of routine budget monitoring throughout the year. There are some Council wide financial risks in relation to shortfall on savings, employer's on-costs, energy costs and increase to general inflation. There are also a number of risks relevant to departments/services and mitigations are in place.

### **Treasury Strategy**

The Council publishes an annual Treasury Management Strategy to coincide with the approval of the financial plans in February. This strategy links the Council's capital investment plans to its treasury management activities including borrowing and investment strategies.

### **3. PERFORMANCE AGAINST OUR PRIORITIES**

The Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports. Performance is reviewed by the Strategic Committees and then the Council and departmental performance reports and scorecards are presented to the Policy, Review and Scrutiny Committee on a quarterly basis.

Below is a small selection of performance information for each priority that was presented during 2015-16. Further information will be contained in the Council's Annual Performance Report due to be published later in the year. This selection of information supports that performance has been improving in key priority areas despite the reduction in Council funding.

### Priority 1: The economy is diverse and thriving

- In the last quarter of 2015-16 the planning application approval rate above target (95%) for the 12th consecutive quarter at 97%.
- The average number of weeks to determine local planning applications at 10.3 weeks remains below the current 12 week target.
- The number of business taking up a growth grant opportunity is 33, which exceeded the target of 31.
- Procurement bids from local suppliers have increased from 23% in 2014-15 to 31% in 2015-16.

### Priority 2: We have infrastructure that supports sustainable growth

- The total number of empty homes brought back into use in Argyll and Bute during 2015-16 was 73, above our target of 50.
- 873 bridge inspections were carried out over the year against a target of 843.
- 91.9% category 1 road defects were repaired on time in the last quarter of 2015-16. There have been 46% more category 1 defects in 2015-16 than the previous year, but despite this we have maintained a high performance above the target of 90% and significantly above the APSE benchmark of 88.25% all year.
- The percentage of premises within Argyll and Bute with access to 3G phone signal has increased from 28% at the end of 2014-15 to 38% at the end of 2015-16.

### Priority 3: Education, skills and training maximises opportunities for all

- The number of adults achieving accredited learning outcomes through Community Based Adult Learning has increased from 539 in 2014-15 to 632 in 2015-16.
- The percentage of young people achieving a sustained positive destination at the end of 2015-16 was 93.1% reflecting the highest recorded figures.
- Overall 70% of leavers entered a positive destination post Activity Agreement, this matches target of 70%.
- The number of students accessing alternative qualifications has increased from 1,493 in 2014-15 to 1,535 in 2015-16.

### Priority 4: Children and Young People have the best possible start

- The uptake of nutritional free school meals provided to eligible pupils has been maintained at over 86% against a benchmark of 75% (Scottish average uptake 2014/15 APSE benchmarking data).
- Out of 373 members of childcare staff, 360 are qualified for SSSC role or are working towards the qualification, 96.5% against a benchmark of 94%.
- Currently 93% of children on the Child Protection Register have no change of social worker.
- All schools have reviewed their anti-bullying policies during 2015-16.

### Priority 5: People live active, healthier and independent lives

- No. of visits to Council run gyms has increased from 109,666 in 2014-15 to 115,227 in 2015-16.
- No. of visits to Council run pools has increased from 309,791 in 2014-15 to 319,206 in 2015-16.
- The number of older people receiving care in the community has been maintained at around 80% in 2015-16.

- The number of enhanced telecare packages which play a key role in enabling people to remain safely in their own homes and communities has increased from 460 in 2014-15 to 513 in 2015-16.

### **Priority 6: People live in safer and stronger communities**

- The percentage of building warrants responded to within 20 days is 89.7% against a target of 80%.
- Percentage of compliance with the shellfish monitoring contract: 98.5%, which exceeds the target.
- Percentage of high risk food inspections within due date: 92.5% achieved and all premises were visited in 2015-16 as planned.

## **4. FINANCIAL PERFORMANCE 2015-16**

### **Revenue and Capital Expenditure**

The financial resources of the Council are categorised into Revenue and Capital Expenditure. Expenditure on recurring day to day costs associated with providing the Council's services (e.g. salaries, supplies) is revenue, whereas spending on assets (e.g. buildings) that have a useful value to the Council over multiple years is referred to as capital. The financing of revenue and capital expenditure, in general, comes from different sources.

### **Annual Budget and Setting of Council Tax for 2015-16**

The Council set a two year revenue budget in February 2014 which set the budget for 2014-15 and 2015-16. The budget assumptions were revised and an updated 2015-16 budget was approved at Council in February 2015. The budget for 2015-16 was based on the Council Tax for Band D remaining at £1,178 for the eighth successive year. For 2015-16, a surplus of £0.154m was planned after taking account of government grants, inflation, borrowing costs and efficiency savings.

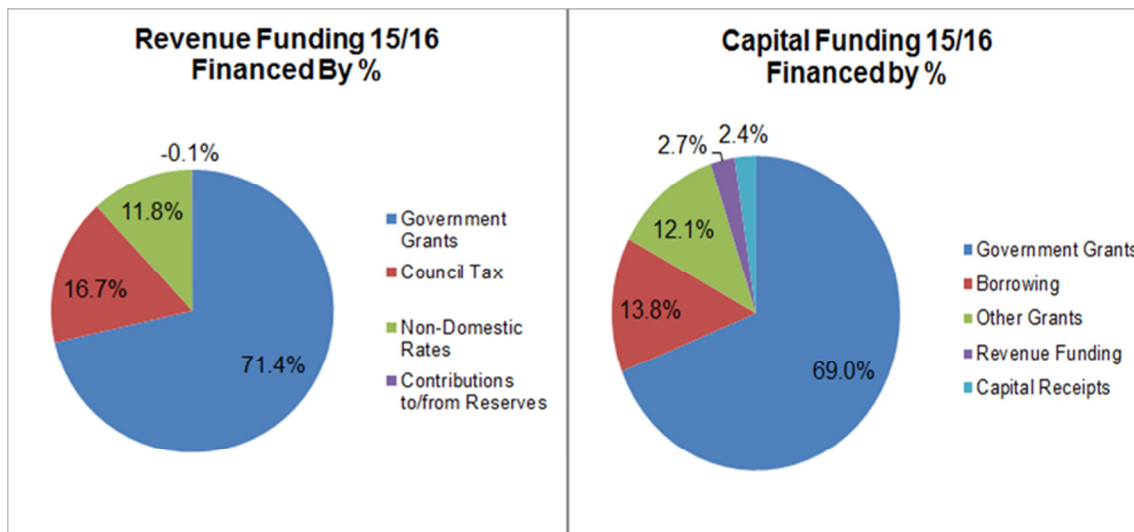
The Council approved a £118m capital programme covering the years 2015-16 to 2019-20 in April 2015. The capital programme was based on assumptions on the level of General Capital Grant from the Scottish Government and the likely capital receipts over the period. The major capital projects included in the programme were CHORD, the replacement of Campbeltown Grammar School, Oban High School and Kirn Primary School and the refurbishment of Dunoon Primary Schools, the replacement of Helensburgh Pool, Helensburgh Flood Defences, the new Helensburgh Office and asset sustainability projects in respect of Roads Reconstruction and Property Refurbishment.

### **2015-16 Available Budget**

The resources available are categorised into revenue and capital expenditure. The financing of these generally come from different sources.

The funding at the beginning of financial year 2015-16 for revenue expenditure was £244.4m. This was funded from government grants (£174.7m), Council Tax (£40.9m) and Non-domestic rates (£28.8m). The Council agreed to transfer £0.154m back to the General Fund balance in 2015-16.

The available budget for capital expenditure is £27.4m and is funded government grants (£18.9m), borrowing (£3.8m), grants from other organisations (£3.3m) contributions from revenue (£0.7m), and receipts from sale of assets (£0.7m).



**Revenue: Outturn against Budget**

The performance against budget for financial year 2015-16 was an overall underspend of £2.134m (0.84%), after adjusting to reflect the new amounts earmarked by departments at the year end. There was a net overspend of £0.074m in relation to departmental expenditure and a net underspend of £1.725m in relation to other central/non-departmental costs. The remainder of the underspend of £0.483m is in relation to funding and the over-recovery of Council Tax income. A summary of the final outturn position is noted within the table below:

Final Outturn Variance (Un-audited)				
2015-16				
Department	Actuals	Budget	Variance	
		Adjusted for Earmarking	(Overspend) Underspend	% age
	£	£	£	
Chief Executive's Unit	2,166,866	2,169,953	3,087	0.14%
Community Services	84,255,041	84,692,627	437,586	0.52%
Customer Services	33,220,057	33,253,215	33,159	0.10%
Development and Infrastructure Services	57,769,324	57,005,844	(763,480)	-1.34%
Integrated Services	37,895,604	38,110,876	215,272	0.56%
<b>Total Dept Controllable Expenditure</b>	<b>215,306,892</b>	<b>215,232,515</b>	<b>(74,377)</b>	<b>-0.03%</b>
Joint Boards	1,345,998	1,351,980	5,982	0.44%
Loans Charges	20,001,921	21,373,436	1,371,515	6.42%
Pension Costs	2,983,857	1,904,249	(1,079,608)	-56.69%
Other	1,924,036	3,351,450	1,427,414	42.59%
<b>Total Central/Non Dept Expenditure</b>	<b>26,255,812</b>	<b>27,981,115</b>	<b>1,725,304</b>	<b>6.17%</b>
<b>Total Expenditure</b>	<b>241,562,703</b>	<b>243,213,630</b>	<b>1,650,927</b>	<b>0.68%</b>
Total Funding	254,088,300	253,605,550	482,750	0.19%
<b>UNDERSPEND</b>			<b>2,133,677</b>	

### Capital: Outturn against Budget

Expenditure for the full financial year is £24.185m compared to a capital budget of £27.415m giving rise to an underspend for the year of £3.230m. The underspend is as a result of net slippage of projects between financial years, with a significant element being in respect of the replacement of Campbeltown Grammar School, Dunoon Primary School, Kirn Primary School and Oban High School.

The new Helensburgh Office was occupied by staff during 2015-16 and the refurbishment of the Rothesay Pavilion started on site during the year. The new schools projects for the replacement of Campbeltown Grammar School, Oban High School and Kirn Primary School reached financial close which enables the projects to proceed.

In terms of project performance 80% were completed on time and within budget tolerances.

### Comprehensive Income and Expenditure Account

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

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2015-16 (The Code). These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2015.

#### Still to complete:

Section with table comparing the net cost of services to the revenue budget outturn position.

### Balance Sheet

The balance sheet summaries the Council's assets as at 31 March 2016 and it is accompanied by explanatory notes. The net worth of the Council has increased to £203.091m compared to a net worth at 31 March 2015 of £160.957m. The main reason for this increase relates to the reduction in the pension liability as a result of an increase in the net discount rate over the period. An increase in the net discount rate will decrease the assessed value of liabilities as a lower value is placed on benefits paid in the future.

**Long Term Assets:** total Long Term Assets includes property, plant and equipment as well as other intangible assets. They have reduced by £20.955m from £527.060m as at 31 March 2015 to £506.105m as at 31 March 2016. The main reason for the decrease is due to the downward revaluation of Oban High School, Campbeltown Grammar School and Kirn Primary School to reflect the reduction in the useful life of the asset as these schools are due to be replaced by new schools.

**Current Assets:** total Current Assets has decreased from £71.119m as at 31 March 2015 to £64.036m at 31 March 2016. The main reason for this decrease relates to the amount of cash that was held at the year-end due to external debt having been repaid and not replaced.

**Current Liabilities:** total current liabilities have decreased from £72.740m as at 31 March 2015 to £55.096m as at 31 March 2016. The main reason for this reduction is due to the repayment of external debt which had a life of less than one year.

Further details on the current provisions are noted later within the commentary.

**Long Term Liabilities:** total long term liabilities have decreased by £52.528m from £364.482m as at 31 March 2015 to £311.954m as at 31 March 2016. The main reason for this reduction relates to the pension liability which has reduced by £50.297m. Further detail on the pension liability is noted later within the commentary.

## Statement of Movement in Reserves

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

The balance of usable reserves has increased by £6.409m from £50.478m as at 31 March 2015 to £56.887m as at 31 March 2016. This is mainly as a result of the increase to the General Fund Balance of £6.422m in addition to an increase in the Capital Fund which is outlined in Note 30.1 on [page x](#).

In respect of the General Fund Balance movement, there were £6.518m of earmarked reserves released to services and spent during 2015-16 and supplementary estimates of £0.039m drawn down for the Waverley and Hebridean Air Services. The contributions to earmarked reserves amount to £10.391m and there was a budgeted contribution of £0.154m agreed as part of the 2015-16 budget. The overall underspend on the revenue budget amounted to £2.134m which is transferred to the General Fund balance. All these factors contribute to the increase in the General Fund balance as summarised within the table below:

	£000
Balance on General Fund 31 March 2015	46,067
Released sums earmarked to service budgets 2015-16	(6,518)
Supplementary Estimates agreed during 2015-16	(39)
Contributions to earmarked reserves 2015-16	10,391
Budgeted contribution to General Fund 2015-16	154
Overall budget underspend as above	2,134
<b>Balance on General Fund 31 March 2016</b>	<b>52,189</b>

The balance of unusable reserves has increased by £35.725m from £110.479m as at 31 March 2015 to £146.204m as at 31 March 2016. The main reasons for this increase relates to the reduction in the pension fund reserve which matches the pensions liability, offset by the downward revaluation of the schools as noted above (under Long Term Assets) which is charged to the capital adjustment account.

## Provisions

The Council has provisions totalling £3.865m on the balance sheet, noted as follows:

- £0.077m Equal Pay Claims. 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.
- £0.148m cash not yet collected, due to be paid to registered social landlords. The Council reduced the discount on council tax from second homes to 10% during 2005-06 and this provision relates to the cash not yet collected within 2015-16.
- £1.018m redundancy costs. Liabilities have arisen in respect of employees who will be made redundant as a result of restructuring and also as part of the Service Choices process. The costs for any employee, whose contract has been terminated on or before 31 March 2016, has been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2016, a provision has been created.



- £1.042m landfill sites. A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.
- £0.510m Utilities. The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.089m has been utilised during 2015-16 reducing the provision to £0.510m.
- £0.320m VAT Liability. The provision was created to reflect the potential liability the Council faces from the over claiming of VAT on staff mileage for the period 2012 to 2016 which will require to be repaid to HMRC.
- £0.750m other provisions. These 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 2016-17.

### Pension Liability

The Council is required to account for its share of the Strathclyde Pension Fund assets and liabilities. The information included in the Accounts is provided by the Pension Fund actuaries following the annual valuation of the Fund. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2016.

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.

The pension liability can fluctuate significantly year on year. The table below shows the pension liability over the last three years.

	<b>2015-16</b> £'m	<b>2014-15</b> £'m	<b>2013-14</b> £'m
<i>Pension Liability</i>	94,441	144,738	118,337

Most of the changes each year can be attributed to the change in financial and demographic assumptions. In 2014-15 there was an increase in liabilities which was partially offset by an increase in the return on assets. The following table shows the movement in financial assumptions over the last three years:

	<b>2015-16</b> %	<b>2014-15</b> %	<b>2013-14</b> %
<i>Rate of Inflation</i>	2.2%	2.4%	2.8%
<i>Rate of Increase in Salaries</i>	4.2%	4.3%	5.1%
<i>Rate of Increase in Pensions</i>	2.2%	2.4%	2.8%
<i>Rate for Discounting Scheme Liabilities</i>	3.5%	3.2%	4.3%

Of the four financial assumptions above, the change in discount rate has the most significant financial impact on the pension liability. An increase in the net discount rate will decrease the assessed value of liabilities as a lower value is placed on benefits paid in the future, the opposite is also true, a decrease in the discount rate will increase the liability.

The change in financial assumptions added £62.3m onto the liability in March 2015, mainly because the discount rate decreased. Changes in demographics added a further £15m on to the liability but this was offset by an increase in the return on assets of £25.8m and a fall in obligations of £33.9m in relation to "Other Experience".

At 31 March 2016 the change in financial assumptions (discount rate increased to 3.5%) meant that the liability reduced by £55.8m, "Other Experience" further reduced the liability by £8.4m, there was a loss on return on assets of £3m. Therefore the above "re-measurements" total £61.2m which are the main reason for the decrease in the Net Pension Liability position at 31 March 2016.

### General Fund Balance

The General Fund Balance includes balances that the Council has agreed to earmark for specific purposes. Some of these earmarked balances were due to be spent during 2015-16 and some of them will be held over and spent in later years. The Council has agreed a policy where balances will automatically be carried forward in respect of Strategic Housing Fund, CHORD, balances unspent with the Devolved Management of Resources Scheme of Delegation for schools, unspent grants and unspent contributions from external bodies and any unspent budget that relates to existing policy commitments arising from a previous Council decision or where they are required to meet an existing legal commitment.

Outwith the situations noted above there will be no automatic carry forward of unspent budget and any request for carry forward will be reported to Council for approval and supported by a business case. There are 14 new unspent budget earmarked proposals for consideration:

- Strategic Finance Initiatives - £0.058
- Written in the Landscape Project - £0.030m
- Education grant funding carry forwards (Developing the Young Workforce, GIRFEC, Langauges 1+2) - £0.307m
- National Improvement Framework Literacy and Numeracy - £0.103m
- Case Management and Time Recording System - £0.035
- Campbeltown Office Rationalisation - £0.060m
- Pathfinder North - £0.100m
- Local Elections 2017 - £0.300m
- Modern Apprentices and Growing our Own - £0.226m
- Leadership Development - £0.050m
- Waste Management Model - £0.130m
- Development Policy - £0.022m
- Winter Maintenance (April 2016) - £0.200m
- Transformation Project Management - £0.100m

The General Fund balance at 31 March 2015 was £46.067m, of this a total of £30.193m was approved by Council to be earmarked for specific purposes. The new earmarked balance as at 31 March 2016 amounts to £42.522m and Note 5 on [page x](#) provides further detail of the movement.

The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget for 2016-17. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. The unallocated General Fund balance after the 2% contingency amounts to £4.924m.

### Borrowing

The Council was under borrowed at the yearend by £19.132m compared with £3.418m at 31 March 2015 the increase in the under borrowed position is due to the repayment of external loans of £32.255m offset by new borrowing of £16.541m. This reduction in external debt is in line with the Council's borrowing Strategy which is to minimise the cost of borrowing and keep to a minimum the Council's cash balances. The only long term borrowing under taken during the year was a £9.500m loan from the Public Works Loans Board at the discounted Project Finance Rate which was made available by the Scottish Government. The balance is short term borrowing over the yearend to provide cash flow cover; this borrowing has subsequently been repaid.

### Capital Finance

The resources to fund the Council's capital plan comes from a number of sources, there are grants from the Scottish Government and other bodies, capital receipts from the disposal of assets, contributions from reserves and the revenue budget, borrowing funded by the loans charges budget and in respect of the replacement schools revenue funding from the Scottish Futures Trust. During 2016-16 the funding of the new schools project changed as a result of ESA 10 a direct capital contribution from the Council towards these projects was no longer allowed under accounting rules which resulted in a balances which had been earmarked in the General Fund being released back to the General Fund and a compensating increase in the unitary charge in respect of the schools.

### Group Accounts

Argyll and Bute Council Group comprise the following entities:

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

In addition, the Council's Common Good Funds have been fully consolidated into the Group Accounts, Note 34 on [page X](#) gives further details on the Council's Common Good Funds.

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £7.783m. This gives an overall net asset position for the Group of £210.874m, an increase of £43.140m over the previous financial year. As with the single entity Balance Sheet, the increase is mainly due to the decrease in the Pension Liability.

## 5. KEY FINANCIAL INDICATORS

### Still to be completed

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

Financial Indicator	2015-16	2014-15	Comment
<b>Reserves</b>			
Unallocated General Fund Balance as a proportion of Annual Budgeted Net Expenditure	2.00%	1.50% 6.56% (Unallocated and contingency)	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council has agreed to keep a 2% contingency.
Movement in the Unallocated General Fund Balance		£2.03m	Reflects the extent to which the Council is using its Unallocated General Fund Balance.
<b>Council Tax</b>			
In-year collection rate	95.97%	95.51%	Reflects the Council's effectiveness in collecting Council Tax debt.
Ratio of Council Tax Income to Overall Level of Funding	16.75%	16.70%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income. Argyll and Bute Council, in common with other local authorities has frozen Council Tax at 2008-2008 levels.
<b>Financial Management</b>			
Actual Outturn compared to budgeted expenditure		£2.072m 0.82%	A measure of how the final outturn compares to the budgeted position and is a reflection of the effectiveness of financial management.
Actual contribution to/from Unallocated General Fund Balance compared to budget.		£1.38m 135.3%	Shows the extent to which the Council has decreased / (increased) its unallocated General Fund Balance.
<b>Debt/Long-term Borrowing</b>			
Capital Financing Requirement (CFR) for the current year		£257.556m	Measurement of requirement to borrow for capital purposes.
External Debt Levels for the current year		£173.378m	Actual borrowing for capital investment levels.
Ratio of financing costs to net revenue stream		10.98%	Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less available to meet other revenue expenditure.

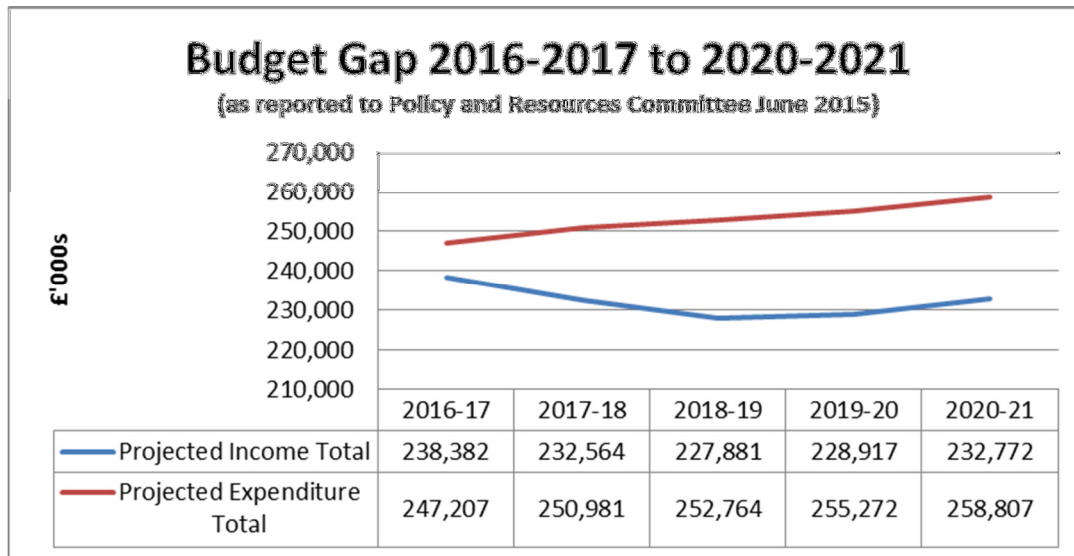
## 6. PLANS FOR THE FUTURE

### 2016-17 Budget and Medium Term Financial Outlook

Creating a financial outlook is challenging as a number of assumptions need to be made anticipating changes to the base budget in relation to employee costs, non-pay inflation, cost and demand pressures and fees and charges as well as assumptions on the Council's funding position. When forecasting the funding there are a number of variables to consider including the overall level of public sector budgets, the amount the Scottish Government decides to allocate to fund Local Government, the impact of population reductions on Argyll and Bute and scope for any future Council Tax increases.

A financial outlook was presented to the Policy and Resources Committee on 22 June 2015 covering the 5 year period 2016-17 to 2020-21. The budget gap was estimated to be between £21.7m and

£26.0m by year 5, with a gap of around £9m in 2016-17. The worst case budget gap is shown in the graph below.



One of the elements of the budget strategy agreed in December 2014 was Service Choices. Service Choices was an approach to plan for the estimated funding reductions by aligning the available budget to Members priorities. During 2015, the Council developed a number of service choices savings options that went out to public consultation prior to being considered by Members as part of setting the budget for 2016-17.

In common with other local authorities across Scotland, the level of reduction to the Council's revenue funding allocation for 2016-17 was higher than anticipated, however, our Council was well placed to deliver a balanced budget due to the options offered through Service Choices, in addition to the management and operational savings which had minimal impact on front line services.

The Council set a one year revenue budget for 2016-17 and a four year capital plan which focused on protecting core services and jobs, delivering what people want and building prosperity within the area. The budget has put us in a position to invest in creating economic growth. The package of measures agreed included an investment, from our financial reserves and capital funding, of some £75 million designed to attract more people to live and work here, securing employment and prosperity for our area.

Service Choices savings options were agreed not only for 2016-17 but for 2017-18 and beyond to allow for preparation time for some saving options where significant redesign of services is required to deliver the longer term savings.

A new Scottish Government is now in place effective from May 2016. There is a full Spending Review later this year covering the period 2017-18 to 2019-20 with the expectation that the Council will be advised of its funding over the next three years. The Council are currently updating their medium term financial outlook taking into consideration recent announcements, including:

- On 2 March 2016, the First Minister announced that an additional £100m each year will be invested in schools across Scotland as a result of a package of reforms to Council Tax. The rates paid by those in the four highest council tax bands (E, F, G and H) will be adjusted in a move that will generate £100m per year. The additional revenue will be invested in schools through future local government settlements. It is estimated that the change to the bandings would generate additional income of around £2.4m.
- The First Minister also announced that from April 2017 the Council Tax freeze will be replaced with discretion for local authorities to increase Council Tax by a maximum of 3% per year which could generate up to £70m for council services across the country. In addition to this extra revenue,

local authorities will also retain the £70m per year that has funded the Council Tax freeze. It is estimated that an additional 3% would generate additional income of around £1.2m.

It should be noted that the position in 2018-19 and 2019-20 is worse than originally anticipated last year as it was expected that the funding situation would improve, however, from the UK Budget 2016 it is clear that austerity is going to be with us for the next five years, with significant additional spending cuts required in later years.

The future service choices savings already agreed by Members, the significant investments agreed as part of the budget in February 2016 to support the economy and deliver additional income streams as well as the transformation work that the council is committed and is continuing to pursue, prepare the Council for the financial challenges ahead.

### Health and Social Care Integration

The Argyll and Bute Integrated Joint Board (IJB) with responsibility for social work and a range of health services was established and came into effect on 1 April 2016. The IJB will be responsible for financial and strategic oversight of these services. Significant activity has taken place during 2015-16 in preparation for this transfer, including the establishment of an Integration Scheme which sets out the terms and conditions of the integration and the relationship between the Council, the Health Board and the Partnership and the development of a three year Strategic Plan which sets out the services which will be provided by the Partnership. The financial position of the IJB will be closely monitored during 2016-17.

### Argyll, Lomond and the Islands Regeneration Initiative

On the 11 February 2016, the Council agreed to establish the new flagship “Argyll, Lomond and the Islands Regeneration Initiative” which will encompass all existing and new strategies and plans relating to population and economic growth into a single and cohesive programme to ensure focus in supporting the Single Outcome Agreement’s overarching vision to build the economy through a growing population. Three new investments were agreed as part of this Initiative: Inward Investment Fund, the Rural Resettlement Fund and the Lochgilphead and Tarbert Regeneration Fund.

The Council agreed to allocate £1m towards the new Inward Investment Fund to promote economic growth in Argyll and Bute through attracting significant inward investment to the area. It is proposed that the fund is focused on a smaller number of larger strategic investments that have real transformational opportunity. Criteria are currently being developed to qualify for this fund e.g. creates jobs, aligned with council objectives etc.

The Council agreed to allocate £500,000 toward the new Rural Resettlement Fund which is intended to be focused on people. This fund will seek to either incentivise people to settle in Argyll and Bute or create/promote opportunities to do so. This may include businesses where individuals are prepared to move to Argyll and Bute to start up or relocate their business. The specific objective of this fund is growing our population with the benefits of creating economic activity and increasing the Council’s Grant Aided Expenditure.

The Council agreed to award £3m towards the Lochgilphead and Tarbert Regeneration Fund that will build on the regeneration work in Campbeltown and it is deemed that the main objective of this fund is to promote the regeneration and/or economic development of the **Mid Argyll and North Kintyre areas.**  
**Check – is this what was agreed?**

### Transformation Work

In order to deliver high quality services and to work towards achieving its aims, the council is committed to driving forward change through innovation. The Council has previously demonstrated that it is able to work in innovate ways in order to improve service delivery, make savings or generate income and examples include, workforce deployment project, customer management project, empty homes policy, children and families redesign, investment in hub co sub debt amongst others.

However, the council has recognised that it is required to further develop and implement innovative ways to deliver services and generate income.

On the 8 October 2015, the Council agreed to create a £100,000 innovation fund to provide support to services in developing business cases in regard to innovative ideas that are considered to be feasible for development as projects to deliver innovation, income generation, efficiencies and wider benefit to the communities of Argyll and Bute and growth in the economy and population. A number of ideas have already been generated from staff and as part of the budget consultation we received a positive response from the public with their ideas to improve services.

On the 11 February 2016, the Council created a £2m Asset Management and Investment Fund which will generate income for the Council by seeking out investment opportunities that will provide the Council with a commercially advantageous financial return on investment.

### **Tax Incremental Finance (TIF) Scheme**

The Council entered into an agreement with the Scottish Government in May 2014 in respect of the Lorn Arc 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 and the project is over the next 25 years. During the TIF project period, the Council is entitled to retain the TIF revenue from its NDR revenue, a pro-rata amount of NDR equal to the amount (if any) by which the collected amount exceeds the collectable amount. The Council is required to apply 100% of the TIF revenue towards repayment of the TIF debt. 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 TIF project achieved material start in September 2015 with work commencing on the enabling works for the Oban Airport Business Park.

The original business case covered nine projects totalling £18.89m. This included two projects at Barcaldine (£4.15m) which were removed by agreement with Policy and Resources Committee 17 March 2016 and TIF Executive 19 April 2016. The right to explore replacement projects has been retained subject to presentation of a business case to TIF executive, approval of Scottish Government and overall affordability within the programme financial model.

The remaining seven projects which total £14.74m are covered by the following four key areas:

- Dunbeg Corridor (£4.95m) - partnership arrangements are being explored.
- Oban South (£3.00m) – a scoping exercise is ongoing for potential projects.
- North Pier (£6.20m) – is at concept design stage with geotechnical survey work undertaken to inform the concepts.
- Oban Airport Business Park (£0.59m) – masterplan exercise is ongoing and provision of utilities being explored.

### **Business Improvement District (BID)**

A Business Improvement District (BID) is a partnership between a local authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area, where businesses have voted to invest collectively in local improvements which will benefit the local economy. BIDs should not be seen as a substitute for central and local government investment, but rather an additional investment to strengthen an area's economic outlook with the aim of increasing returns to those businesses that are paying for the improvements on a basis agreed by them. BIDs are developed, managed and paid for by the business sector through an additional levy calculated on the non-domestic rates valuation. The

Council has two BIDS in Oban and Dunoon. Further information can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/council-and-government/business-improvement-districts>

### 7. CONCLUSION

The Council has continued to demonstrate sound financial management in 2015-16 by delivering services within the resources available. The operating environment going forward remains very challenging from the combined effect of reduced resources and increasing demand and expectation for our services. The council, despite these challenges, remains financially sound and are well placed to deliver services to the people of Argyll and Bute in the future.

### 8. ACKNOWLEDGEMENTS

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

Cllr Dick Walsh  
**Leader**

Cleland Sneddon  
**Chief Executive**

Kirsty Flanagan  
**Head of Strategic Finance**



## THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

## THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

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

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Local Authority Accounting Code of Practice 2015-16 (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 2016.*

**Kirsty Flanagan**  
**Head of Strategic Finance**  
**30 June 2016**

## 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 2015-16 the salary for the Leader of Argyll and Bute Council is £33,454. The Regulations permit the council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The Council's Civic Head is The Provost and their remuneration is set at £25,090 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 £23,697 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 £19,757.

In 2015-16 Argyll and Bute Council had 10 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors during 2015-16 was £0.231m. 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 2015-16.

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>2015-16 Actual £'000</b>	<b>2014-15 Actual £'000</b>
Basic Councillor Salaries	392	351
Leader and Provost's Salary	58	58
Senior Councillor Salaries	231	272
Other Expenses and Allowances paid to Members	135	139
<b>Total Allowances</b>	<b>816</b>	<b>820</b>

The annual return of councillors' salaries and expenses for 2015-16 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	2015-16				2014-15
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Len Scoullar	Provost and Lead Councillor for Island Affairs	25,069	550		25,619	24,834
Councillor Dick Walsh	Leader, Lead Councillor for Strategic Finance, (IT Services, Improvement, HR and Customer Support, Facility Services, Governance and Law)	33,426	2,161	-	35,587	32,960
Councillor David Kinniburgh	Depute Provost from 21/01/16, Chair of Planning, Protective Services and Licensing Committee, additional responsibility for Planning Services, Historic and sustainable Environment from 23/04/15.	23,677	-	-	23,677	23,623
Councillor Ellen Morton	Depute Leader, Lead Councillor for Roads, Amenity Services, Infrastructure, Asset Management and Special Projects	23,677	-	-	23,677	23,623
Councillor Aileen Morton	Lead Councillor for Sustainable Economic Growth from 23/04/15, Lead Councillor for Education, Lifelong Learning and Strategic IT Services to 23/04/15	23,677	294	-	23,971	23,623
Councillor Robin Currie	Lead Councillor for Community & Culture and Strategic Housing (responsible for Gaelic from 23/04/15)	23,677	289	-	23,966	24,162
Councillor Alistair MacDougall	Lead Councillor for Strategic Transportation from 23/04/15, Lead Councillor for Gaelic (from 28/09/14 to 23/04/15)	23,687	-	-	23,687	21,539

Senior Members	Responsibility	2015-16				2014-15
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Rory Colville	Lead Councillor for Education and Lifelong Learning (From 23/04/16), Chair of Mid Argyll, Kintyre and the Islands Area Committee	23,250	14	-	23,264	19,711
Councillor Mary Jean Devon	Lead Councillor for Health and Social Care Integration (from 23/04/15 to 05/01/16), Lead Councillor for Children and Families to 23/04/15	19,555	-	-	19,555	23,662
Councillor Maurice Corry	Lead Councillor for Health and Social Care Integration from 21/01/16	3,892			3,892	-
Councillor Roddy McCuish	Chair of Oban, Lorn and the Isles Area Committee	19,741	-	-	19,741	6,924
Councillor Robert E MacIntyre	Chair of Bute and Cowal Area Committee	19,741	-	-	19,741	19,735
Councillor Gary Mulvaney	Chair of Helensburgh and Lomond Area Committee	19,741	-	-	19,741	19,711
Councillor Douglas Philand	Depute Provost to 21/01/16, Lead Councillor for Adult Care to 23/04/15	3,464	-	-	3,464	23,646
Councillor Duncan MacIntyre	Lead Councillor for European Affairs, Sustainable Economic Growth and Strategic Transportation to 23/04/15	3,464	-	-	3,464	23,605
Councillor Vivien Dance	Lead Councillor for Sustainable Environment, Renewables and Strategic Tourism to 08/01/15	-	-	-	-	19,271

## 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 £	2015-16 Number of Officers	2014-15 Number of Officers
£50,000 - £54,999	68	46
£55,000 - £59,999	12	14
£60,000 - £64,999	8	4
£65,000 - £69,999	2	4
£70,000 - £74,999	13	9
£75,000 - £79,999	-	1
£80,000 - £84,999	2	3
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	2	2
£100,000 - £104,999	1	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
<b>Total</b>	<b>109</b>	<b>85</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 2015-16 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2015-16 for senior officers:

Post Holder	Salary (Including Fees and Allowances) £	Compensation for Loss of Office £	Taxable Expenses £	Total Remuneration 2015-16 £	Total Remuneration 2014-15 £
<b>Chief Executive</b> - Sally Loudon	121,339	-	2,191	<b>123,530</b>	<b>123,583</b>
<b>Executive Director of Community Services</b> - Cleland Sneddon	95,989	-	4,270	<b>100,259</b>	<b>98,607</b>
<b>Executive Director of Customer Services</b> - Douglas Hendry	96,986	-	718	<b>97,704</b>	<b>96,000</b>
<b>Executive Director of Development and Infrastructure Services</b> - Pippa Milne	96,666	-	259	<b>96,925</b>	<b>92,907</b>
<b>Head of Strategic Finance (Section 95 Financial Officer)</b> - Kirsty Flanagan (from 1-10-15)) <i>(Full year equivalent)</i>	32,884 71,012	- -	262 -	<b>33,146</b> <b>71,012</b>	- -
<b>Head of Strategic Finance (Section 95 Financial Officer)</b> - Bruce West (to 15-2-15) <i>(Full year equivalent)</i>	- -	- -	- -	- -	<b>65,742</b> <b>(71,011)</b>
<b>Head of Children and Families (Section 3 Social Work Officer)</b> - Louise Long (from 15-7-15) <i>(Full year equivalent)</i>	48,468 71,012	- -	424 -	<b>48,892</b> <b>71,012</b>	- -
<b>Head of Adult Care (Section 3 Social Work Officer)</b> - James Robb (to 14-7-15) <i>(Full year equivalent)</i>	23,368 71,012	40,228 -	- -	<b>63,596</b> <b>71,012</b>	<b>71,011</b> -

The Chief Executive's salary of £121,339 in 2015-16 included £4,189 of remuneration for acting as Returning Officer during 2015-16.

During 2015-16 James Robb, Head of Adult Care and the Council's Section 3 Social Work Officer, left the organisation and the responsibility of Section 3 Social Work Officer was transferred to Louise Long, Head of Children and Families.

During 2015-16, Kirsty Flanagan was appointed to the role of Head of Strategic Finance (effective 1 October 2015).

From 1 April 2014, Pippa Milne was appointed to the role of Executive Director of Development and Infrastructure Services. During 2014-15, Bruce West, Head of Strategic Finance and Section 95 Financial Officer left the organisation.

Steve Barrett acted as Interim Head of Strategic Finance from 16 February 2015 to 30 September 2015; he was employed by CIPFA Business Ltd and PENNA PLC. In 2015-16 the Council paid £65,360 (2014-15 - £18,240) to CIPFA Business Ltd and PENNA PLC 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 2015-16 are as follows:

Whole time pay	Contribution Rate 2015-16
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 2016 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 2016 £	For year to 31 March 2015 £		As at 31 March 2016 £	Difference from 31 March 2015 £
Councillor Roddy McCuish	3,811	3,508	Pension	2,960	(142)
			<i>Lump Sum</i>	1,480	(168)
Councillor Maurice Corry	3,440	-	Pension	1,258	466
			<i>Lump Sum</i>	-	-
Councillor Mary Jean Devon	4,314	4,567	Pension	2,933	534
			<i>Lump Sum</i>	1,434	45
Councillor David Kinniburgh	4,572	4,559	Pension	2,918	586
			<i>Lump Sum</i>	1,409	59
Councillor Ellen Morton	4,572	4,559	Pension	3,183	557
			<i>Lump Sum</i>	1,563	43
Councillor Rory Colville	4,489	3,804	Pension	3,007	566
			<i>Lump Sum</i>	1,465	52
Councillor Robin Currie	4,572	4,561	Pension	2,879	559
			<i>Lump Sum</i>	769	24
Councillor Aileen Morton	4,572	4,559	Pension	1,497	545
			<i>Lump Sum</i>	-	-
Councillor Gary Mulvaney	3,811	3,804	Pension	2,707	459
			<i>Lump Sum</i>	1,334	33
Councillor Vivien Dance	3,227	4,390	Pension	2,745	339
			<i>Lump Sum</i>	1,393	-

Councillors Len Scouller, 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 2016 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 2016 £	For year to 31 March 2015 £		As at 31 March 2016 £	Difference from 31 March 2015 £
<b>Chief Executive - Sally Loudon</b>	23,233	23,038	Pension	38,777	2,025
			<i>Lump Sum</i>	74,049	(735)
<b>Executive Director of Community Services - Cleland Sneddon</b>	18,498	18,257	Pension	34,410	2,396
			<i>Lump Sum</i>	68,593	930
<b>Executive Director of Customer Services - Douglas Hendry</b>	18,498	18,257	Pension	43,600	2,521
			<i>Lump Sum</i>	96,167	1,310
<b>Executive Director of Development and Infrastructure Services - Pippa Milne</b>	18,498	17,679	Pension	37,695	2,482
			<i>Lump Sum</i>	78,451	1,159
<b>Head of Strategic Finance (Section 95 Financial Officer) - Kirsty Flanagan (from 1-10-15)</b>	11,512	-	Pension	15,161	-
			<i>Lump Sum</i>	20,530	-
<b>Head of Children and Families (Section 3 Social Work Officer) - Louise Long (from 15-7-15)</b>	13,697	-	Pension	5,062	-
			<i>Lump Sum</i>	-	-

## 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	2014/15				Exit Package Cost Band	No	2015/16			
	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	
£	£	£	£	£	£	£	£	£		
13	23,389	28,160	51,549	4,271	£0 - £20,000	57	306,493	87,436	393,929	-
4	53,068	67,240	120,308	-	£20,001 - £40,000	7	88,677	99,844	188,521	-
3	59,596	109,344	168,940	13,189	£40,001 - £60,000	8	207,961	178,207	386,168	-
-	-	-	-	-	£60,001 - £80,000	1	60,480	-	-	-
2	98,399	84,827	183,226	19,829	£80,001 - £100,000	1	82,076	-	82,076	-
2	101,744	122,032	223,776	23,439	£100,001 - £150,000	1	103,865	-	103,865	-
-	-	-	-	-	£150,001 - £200,000	-	-	-	-	-
<b>24</b>	<b>336,196</b>	<b>411,603</b>	<b>747,799</b>	<b>60,728</b>		<b>75</b>	<b>849,552</b>	<b>365,487</b>	<b>1,154,559</b>	<b>0</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 £1.155m 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 2016 of £1.018m, 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 x](#) provides more information on the exit packages agreed in the last two financial years.

**Leader**

**Chief Executive**

## Statement of Movement in Reserves

Movements in 2015-16	Usable Reserves (Note 30)				Unusable Reserves (Note 29)						Total Reserves £'000
	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Funds £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instrument Adjustment Account £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000	
<b>Balance at 31 March 2015</b>	(46,067)	(669)	(3,742)	(50,478)	(55,224)	(209,599)	144,738	4,516	5,090	(110,479)	(160,957)
(Surplus)/Deficit on Provision of Services	19,653			19,653						-	19,653
Other Comprehensive Income and Expenditure					(578)		(61,209)			(61,787)	(61,787)
<b>Total Comprehensive Income and Expenditure</b>	<b>19,653</b>	<b>-</b>	<b>-</b>	<b>19,653</b>	<b>(578)</b>	<b>-</b>	<b>(61,209)</b>	<b>-</b>	<b>-</b>	<b>(61,787)</b>	<b>(42,134)</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				-	955	(955)				-	-
Amortisation of Intangible Assets	(118)			(118)		118				118	-
Depreciation of Non-current Assets	(20,700)			(20,700)		20,700				20,700	-
Impairment of Non-current Assets	(25,006)			(25,006)		25,006				25,006	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	16,922			16,922		(16,922)				(16,922)	-
Capital Expenditure Charged to the General Fund	743			743		(743)				(743)	-
Net Gain or Loss on Sale of Non-current Assets	(323)		(652)	(975)		975				975	-
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	351			351				(351)		(351)	-
Employee Benefits	561			561					(561)	(561)	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(10,912)			(10,912)			10,912			10,912	-

## Statement of Movement in Reserves

Statutory Repayment of Debt - Loans Fund Advances	10,792			<b>10,792</b>		(10,792)				<b>(10,792)</b>	-
Statutory Repayment of Debt - NPDO Finance	1,877			<b>1,877</b>		(1,877)				<b>(1,877)</b>	-
<b>Total Statutory Adjustments</b>	<b>(25,813)</b>	-	(652)	<b>(26,465)</b>	<b>955</b>	<b>15,510</b>	<b>10,912</b>	<b>(351)</b>	<b>(561)</b>	<b>26,465</b>	-
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(6,160)</b>	-	(652)	<b>(6,812)</b>	<b>377</b>	<b>15,510</b>	<b>(50,297)</b>	<b>(351)</b>	<b>(561)</b>	<b>(35,322)</b>	<b>(42,134)</b>
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	38	(2)	367	403		(403)				(403)	-
<b>(Increase)/Decrease in Year</b>	<b>(6,122)</b>	<b>(2)</b>	<b>(285)</b>	<b>(6,409)</b>	<b>377</b>	<b>15,107</b>	<b>(50,297)</b>	<b>(351)</b>	<b>(561)</b>	<b>(35,725)</b>	<b>(42,134)</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(52,189)</b>	<b>(671)</b>	<b>(4,027)</b>	<b>(56,887)</b>	<b>(54,847)</b>	<b>(194,492)</b>	<b>94,441</b>	<b>4,165</b>	<b>4,529</b>	<b>(146,204)</b>	<b>(203,091)</b>

This Statement shows the movement in the 2015-16 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 2014-15	Usable Reserves (Note 30)				Unusable Reserves (Note 29)						Total Reserves £'000
	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Funds £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instrument Adjustment Account £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000	
<b>Balance at 31 March 2014</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>
(Surplus)/Deficit on Provision of Services	(4,581)			(4,581)						-	(4,581)
Other Comprehensive Expenditure and Income					774		17,675			18,449	18,449
<b>Total Comprehensive Expenditure and Income</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 and 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	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	<b>159</b>		(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 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.

2014-15			Note	2015-16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Service</b>			
111,565	6,921	104,644	Education Services	130,339	7,198	123,141
34,810	28,601	6,209	Housing Services (Non-HRA)	36,436	28,612	7,824
12,676	2,263	10,413	Cultural and Related Services	13,111	2,189	10,922
26,022	4,281	21,741	Environmental Services	22,618	4,375	18,243
25,517	6,980	18,537	Roads and Transport Services	24,726	6,712	18,014
7,903	4,852	3,051	Trading Services	8,092	4,691	3,401
10,735	5,660	5,075	Planning and Development Services	11,626	5,288	6,338
72,584	10,645	61,939	Social Work	77,788	11,660	66,128
			Central Services:			
4,537	95	4,442	- Corporate and Democratic Core	150,319	145,266	5,053
1,758	-	1,758	- Non Distributed Costs	2,478	28	2,450
2,859	1,280	1,579	- Central Services to the Public	2,987	1,249	1,738
<b>310,966</b>	<b>71,578</b>	<b>239,388</b>	<b>Net Cost of Services</b>	<b>480,520</b>	<b>217,268</b>	<b>263,252</b>

## Statement of Comprehensive Income and Expenditure

		<b>Other Operating Income and Expenditure:</b>	
	(142)	Net (Gain)/loss on Disposal of Long Term Assets	323
	1,016	Other Operating Income and Expenditure	1,338
	<b>874</b>	<b>Total Other Operating Income and Expenditure</b>	<b>1,661</b>
		<b>Financing and Investment Income and Expenditure:</b>	
	18,116	Interest Payable and Similar charges	17,257
	(2,432)	Interest and Investment Income	(2,639)
	5,161	Net Pension Interest Expense	4,730
	<b>20,845</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>19,348</b>
		<b>Taxation and Non-Specific Grant Income:</b>	
	(174,877)	General Government Grants	(176,473)
	(16,438)	Government Capital Grants and Other Capital Contributions	(16,922)
	(31,002)	Non-domestic Rates Redistribution	(27,840)
	(43,371)	Council Tax Income	(43,373)
	<b>(265,688)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(264,608)</b>
	<b>(4,581)</b>	<b>Deficit/(Surplus) on Provision of Services</b>	<b>19,653</b>
	774	(Surplus)/Deficit on revaluation of Long Term Assets	(578)
	17,675	Other Post Employment Benefits (Pensions)	(61,209)
	<b>18,449</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(61,787)</b>
	<b>13,868</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(42,134)</b>

31 March 2015		Note	31 March 2016	
£'000	£'000		£'000	£'000
		<b>Long Term Assets</b>		
		<b>Property Plant &amp; Equipment</b>	14	
281,317		- Other Land and Buildings		258,485
11,088		- Vehicles, Plant, Furniture and Equipment		10,687
183,985		- Infrastructure Assets		201,164
1,669		- Community Assets		1,868
3,992		- Surplus Assets		2,817
30,223		- Assets Under Construction		15,486
	<b>512,274</b>	<b>Total Property Plant &amp; Equipment</b>		<b>490,507</b>
	1,371	Heritage Assets	15	1,539
	647	Intangible Assets	16	577
	7,919	Investment Property	17	8,094
	-	Long Term Investments	25	491
	4,849	Long-Term Debtors	20	4,897
	<b>527,060</b>	<b>Total Long Term Assets</b>		<b>506,105</b>
		<b>Current Assets</b>		
334		Inventories		555
16,914		Short Term Debtors (Net of Impairment)	21	18,141
25		Assets Held for Sale	22	2,381
30,000		Short Term Investments		35,019
23,846		Cash and Cash Equivalents	23	7,940
	<b>71,119</b>	<b>Total Current Assets</b>		<b>64,036</b>
		<b>Current Liabilities</b>		
(33,729)		Short-term Borrowing	25	(18,571)
(35,577)		Short-term Creditors	24	(31,915)
(146)		Capital Grant Receipts in Advance		-
(1,410)		Provisions	27	(2,675)
(1,878)		Other Short Term Liabilities	26	(1,935)
	<b>(72,740)</b>	<b>Total Current Liabilities</b>		<b>(55,096)</b>
		<b>Long-term Liabilities</b>		
(141,435)		Borrowing Repayable within a Period in Excess of 12 Months	25	(141,514)
(76,743)		Other Long-term liabilities	26	(74,809)
(1,566)		Provisions	27	(1,190)
(144,738)		Other Long-term liabilities (Pensions)	28	(94,441)
	<b>(364,482)</b>	<b>Total Long-term Liabilities</b>		<b>(311,954)</b>
	<b>160,957</b>	<b>Total Assets less Liabilities</b>		<b>203,091</b>

31 March 2015		Note	31 March 2016	
£'000	£'000		£'000	£'000
		<b>Unusable Reserves</b>		
55,224		- Revaluation Reserve	54,847	
209,599		- Capital Adjustment Account	194,492	
(4,516)		- Financial Instruments Adjustment Account	(4,165)	
(144,738)		- Pensions Reserve	(94,441)	
(5,090)		- Accumulated Absences Account	(4,529)	
	<b>110,479</b>			<b>146,204</b>
		<b>Usable Reserves</b>		
3,742		- Capital Funds	4,027	
669		- Repairs and Renewals Funds	671	
46,067		- General Fund Balance	52,189	
	<b>50,478</b>			<b>56,887</b>
	<b>160,957</b>	<b>Total Reserves</b>		<b>203,091</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 Unaudited Annual Accounts were authorised for issue on 30 June 2016.

**Kirsty Flanagan**  
**Head of Strategic Finance**  
**30 June 2016**

## Cash Flow Statement

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

2014-15 £'000		Note	2015-16 £'000
<b>(4,581)</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>19,653</b>
(17,220)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(36,095)
8,260	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,640
<b>(13,541)</b>	<b>Net Cash Flows from Operating Activities</b>	35	<b>(11,802)</b>
8,227	Investing Activities	36	9,799
(12,457)	Financing Activities	37	17,909
<b>(17,771)</b>	<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>15,906</b>
(6,075)	Cash and Cash Equivalents at the beginning of the Reporting Period		(23,846)
<b>(23,846)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	23	<b>(7,940)</b>

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2015-16 financial year and its position at the year-end of 31 March 2016. The Council must ensure that its Annual Accounts are prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and the Service Reporting Code of Practice for Local Authorities 2015-16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### 1.2 Accruals of Income and Expenditure

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

- Revenue from 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 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

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

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

### 1.5 Charges to Revenue for Non-Current Assets

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

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

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with loans fund principal charges.

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

### 1.6 Employee Benefits

#### 1.6.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual 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. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### 1.6.2 Termination Benefits

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

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

### 1.6.3 Post-Employment Benefits

The Council participates in two 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 3.5% (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 to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### 1.6.4 Post Employment Discretionary Benefits

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

### 1.7 Events after the Reporting Period

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

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

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

### 1.8 Financial Liabilities

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

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

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

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

### 1.9 Financial Assets

#### Loans and Receivables

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

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

### 1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure 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.

### 1.11 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).

### **1.12 Intangible Assets**

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

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

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

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

### **1.13 Interests in Companies and Other Entities**

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

### **1.14 Inventories**

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

### 1.15 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, 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.

### 1.16 Leases

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

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

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

#### 1.16.1 The Council as Lessee

##### a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property – 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).

#### 1.16.2 The Council as Lessor

### a) Finance Leases

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

#### 1.17 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 2015-16 – 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.

### 1.18 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*.

### 1.19 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*.

#### 1.19.1 Recognition

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

#### 1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred 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, community assets and assets under construction – depreciated historical cost
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- School buildings – current value, but because of their specialist nature, are measured at depreciated cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

### 1.19.3 Impairment

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

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

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

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



### 1.19.4 Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an *Asset Held for Sale*. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the 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.

### 1.19.5 Depreciation

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

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

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

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

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

### **1.21 Provisions, Contingent Liabilities and Contingent Assets**

#### **1.21.1 Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the 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.

#### **1.21.2 Contingent Liabilities**

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

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

#### **1.21.3 Contingent Assets**

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

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

### 1.22 Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies above and Note 29 to the accounts.

### 1.23 VAT

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

### 1.23 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 2016 for 2016/17).

For this disclosure the standards introduced by the 2016/17 Code include:

- a) Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- b) *Annual Improvements to IFRS 2010-2012 Cycle*
- c) Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- d) Amendment to IAS 16 Property, Plant and Equipment and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- e) *Annual Improvements to IFRSs 2012-2014 Cycle*
- f) Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative )
- g) The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- h) The changes to the format of the Fund Account and Net Assets Statement.

It is anticipated that the above amendments will not have a material impact on the information provided in the financial statements.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below:

**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 2016 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 2015-16 financial statements in respect of the holiday pay accrual is £4.529m.

### 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 2016 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 £1.1m 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 2130 1406"> <thead> <tr> <th data-bbox="1223 895 1641 1066">Sensitivities at 31 March 2016</th> <th data-bbox="1641 895 1906 1066">Approximate % Increase to Employer Obligation</th> <th data-bbox="1906 895 2130 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">10%</td> <td data-bbox="1906 1066 2130 1150">59,923</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 2130 1235">18,366</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">3%</td> <td data-bbox="1906 1235 2130 1319">20,092</td> </tr> <tr> <td data-bbox="1223 1319 1641 1406">0.5% increase in pension increase rate</td> <td data-bbox="1641 1319 1906 1406">6%</td> <td data-bbox="1906 1319 2130 1406">38,700</td> </tr> </tbody> </table>	Sensitivities at 31 March 2016	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000	0.5% decrease in real discount rate	10%	59,923	1 year increase in member life expectancy	3%	18,366	0.5% increase in salary increase rate	3%	20,092	0.5% increase in pension increase rate	6%	38,700
Sensitivities at 31 March 2016	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000															
0.5% decrease in real discount rate	10%	59,923															
1 year increase in member life expectancy	3%	18,366															
0.5% increase in salary increase rate	3%	20,092															
0.5% increase in pension increase rate	6%	38,700															

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2016, the Council had a balance of sundry debtors of £2.875m. A review of significant balances suggested an allowance of 23.8% (£0.684m) 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 £0.288m.

**5. TRANSFERS TO/FROM EARMARKED RESERVES**

The Council has ring-fenced £42.522m of the balance on the General Fund as follows:

Ring-fenced Balances	Balance 1 April 2015 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed during 2015-16 £'000	New Earmarking at end of 2015-16 £'000	Balance 31 March 2016 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	7,672	(3,083)	-	-	1,992	6,581
Unspent Grants	801	(398)	-	-	471	874
Contributions Carried Forward	203	(51)	-	-	125	277
Unspent Budget Carried Forward	8,039	(2,248)	(1,393)	-	1,931	6,329
School Budget Carry Forwards	737	(737)	-	-	1,209	1,209
Unspent Budget Required for Existing Legal Commitments	145	(1)	-	-	1,042	1,186
CHORD	96	-	-	-	-	96
Revenue Contribution to Capital (Dunoon and Campbeltown Schools)	3,000	-	(2,885)	-	2,690	2,805
Investment in Affordable Housing	9,500	-	(4,500)	-	-	5,000
Severance Costs	-	-	-	3,500	-	3,500
Helensburgh Waterfront	-	-	-	5,579	-	5,579
Argyll, Lomond and the Islands Regeneration Initiative	-	-	-	4,500	-	4,500
Asset Management	-	-	(14)	2,506	-	2,492
Energy Efficiency Fund	-	-	-	-	175	175
Transformation	-	-	-	100	-	100
Other	-	-	(250)	1,313	756	1,819
<b>Total Ring-fenced</b>	<b>30,193</b>	<b>(6,518)</b>	<b>(9,042)</b>	<b>17,498</b>	<b>10,391</b>	<b>42,522</b>
Contingency	3,658	-	1,085	-	-	4,743
Unallocated	12,216	-	(7,292)	-	-	4,924
<b>Total General Fund Balance</b>	<b>46,067</b>	<b>(6,518)</b>	<b>(15,249)</b>		<b>10,391</b>	<b>52,189</b>

## Notes to the Financial Statements

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The unallocated balance of £4.924m is 2% of the Council's budgeted net expenditure for 2016-17.



## 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 2016

The income and expenditure of the Council’s principal departments recorded in the budget reports for the 2015-16 year is as follows:

Departmental Income and Expenditure 2015-16	Community Services £'000	Development and Infrastructure Services £'000	Customer Services £'000	Chief Executive's Unit £'000	Total £'000
Fees, Charges and Other Service Income	(20,254)	(39,813)	(39,607)	(116)	(99,790)
Government Grants	(1,781)	(767)	(625)	-	(3,173)
<b>Total Income</b>	<b>(22,035)</b>	<b>(40,580)</b>	<b>(40,232)</b>	<b>(116)</b>	<b>(102,963)</b>
Employee Expenses	88,593	22,404	18,451	2,089	131,537
Other Operating Expenses	75,457	47,870	59,507	115	182,949
<b>Total Operating Expenses</b>	<b>164,050</b>	<b>70,274</b>	<b>77,958</b>	<b>2,204</b>	<b>314,486</b>
<b>Net Cost of Services</b>	<b>142,015</b>	<b>29,694</b>	<b>37,726</b>	<b>2,088</b>	<b>211,523</b>

<b>Departmental Income and Expenditure 2014-15 Comparative Figures</b>	<b>Community Services £'000</b>	<b>Development and Infrastructure Services £'000</b>	<b>Customer Services £'000</b>	<b>Chief Executive's Unit £'000</b>	<b>Total £'000</b>
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>

## 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>2015-16 £'000</b>	<b>2014-15 £'000</b>
<b>Cost of Services in Service Analysis</b>	<b>211,523</b>	<b>209,469</b>
Add Services not included in Main Analysis	5,371	4,790
Add Amounts not Reported to Management	47,506	26,336
Remove Amounts Reported to Management not Included in Comprehensive Income and Expenditure Statement	(1,148)	(1,207)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>263,252</b>	<b>239,388</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.

2015-16	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Total Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	(99,755)	(21)	-	190	(99,586)	-	(99,586)
Surplus or Deficit on Associated and Joint Ventures	-	-	-	-	-	-	-
Interest and Investment Income	(35)	-	-	35	-	(2,639)	(2,639)
Income from Council Tax	-	-	-	-	-	(43,373)	(43,373)
Government Grants and Contributions	(3,173)	(210)	-	-	(3,383)	(221,235)	(224,618)
<b>Total Income</b>	<b>(102,963)</b>	<b>(231)</b>	<b>-</b>	<b>225</b>	<b>(102,969)</b>	<b>(267,247)</b>	<b>(370,216)</b>
Employee Expenses	131,537	2,712	7,656	(14)	141,891	-	141,891
Other Service Expenses	182,949	1,544	4,237	(68)	188,662	47	188,709
Depreciation, Amortisation and Impairment	-	-	35,613	-	35,613	-	35,613
Interest Payments, Net Pension Interest Expense	-	-	-	-	-	21,987	21,987
Precepts, Levies and Requisitions	-	1,346	-	(1,291)	55	1,291	1,346
Gain or Loss on Disposal of Assets	-	-	-	-	-	323	323
<b>Total Operating Expenses</b>	<b>314,486</b>	<b>5,602</b>	<b>47,506</b>	<b>(1,373)</b>	<b>366,221</b>	<b>23,648</b>	<b>389,869</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>211,523</b>	<b>5,371</b>	<b>47,506</b>	<b>(1,148)</b>	<b>263,252</b>	<b>(243,599)</b>	<b>19,653</b>

<b>2014-15 Comparative Figures</b>	<b>Service Analysis £'000</b>	<b>Services not in Analysis £'000</b>	<b>Not Reported to Management £'000</b>	<b>Not Included in I&amp;E £'000</b>	<b>Total Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
Fees, Charges and Other Service Income	(100,090)	(109)	-	157	<b>(100,042)</b>	-	<b>(100,042)</b>
Surplus or Deficit on Associated and Joint Ventures	-	-	-	-	-	-	-
Interest and Investment Income	(35)	-	-	35	-	(2,432)	<b>(2,432)</b>
Income from Council Tax	-	-	-	-	-	(43,371)	<b>(43,371)</b>
Government Grants and Contributions	(3,020)	-	-	-	<b>(3,020)</b>	(222,317)	<b>(225,337)</b>
<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)	<b>138,111</b>	-	<b>138,111</b>
Other Service Expenses	182,726	1,369	3,882	(60)	<b>187,917</b>	(271)	<b>187,646</b>
Depreciation, Amortisation and Impairment	-	-	16,362	-	<b>16,362</b>	-	<b>16,362</b>
Interest Payments, Net Pension Interest Expense	-	-	-	-	-	23,277	<b>23,277</b>
Precepts, Levies and Requisitions	-	1,347	-	(1,287)	<b>60</b>	1,287	<b>1,347</b>
Gain or Loss on Disposal of Assets	-	-	-	-	-	(142)	<b>(142)</b>
<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>

## Notes to the Financial Statements

### 7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.338m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

<b>Other Operating Income and Expenditure</b>	<b>2015-16 Actual £'000</b>	<b>2014-15 Actual £'000</b>
Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,282	1,282
Equal Pay Settlements and Legal Costs	52	(219)
Other Operating Income and Expenditure not attributable to Services	4	(47)
<b>Total</b>	<b>1,338</b>	<b>1,016</b>

### 8. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2015-16 income from this agreement amounted to £0.309m.

<b>Agency Income</b>	<b>2015-16 Actual £'000</b>	<b>2014-15 Actual £'000</b>
Scottish Water	309	318
<b>Total</b>	<b>309</b>	<b>318</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 [x to y](#).

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

During 2015-16, 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 2015-16 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 2015-16 income received by the Council from this source amounted to £6.479m and the related expenditure was £8.728m. This can be analysed as follows:

<b>Purpose of Services</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>
Care of the Elderly	2,839	4,174
Provision of Services for People with Learning Disabilities	2,397	3,055
Provision of Services for People with Mental Health Needs	1,243	1,499
<b>Total</b>	<b>6,479</b>	<b>8,728</b>

## Notes to the Financial Statements

### 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.

The Council has paid a service charge of £4.890 (2014-15 £4.954m) which represents the value of the service provided from 1 April 2015 to 31 March 2016. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2016 - 2017	5,596
2018 - 2020	18,052
2020 - 2025	32,460
2025 - 2027	9,444
<b>Total</b>	<b>65,552</b>

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

### 11. FEES PAYABLE TO AUDIT SCOTLAND

In 2015-16 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2015-16 £'000	2014-15 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	262	285
<b>Total Remuneration</b>	<b>262</b>	<b>285</b>

The fee for 2015-16 includes £3,300 for the audit of the Council's charitable trusts.

## Notes to the Financial Statements

### 12. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2015-16:

Grant Income	2015-16 £'000	2014-15 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	176,473	174,877
Non Domestic Rates	27,840	31,002
Specific Capital Grant	113	140
General Capital Grant	13,623	13,948
European Regional Development Fund (ERDF)	-	716
SUSTRANS	-	864
Scottish Government - Regeneration Capital Grant Fund	675	-
Strathclyde Partnership for Transport (SPT)	537	-
Other Grants	1,828	744
Other Government Capital Grants	146	26
<b>Total</b>	<b>221,235</b>	<b>222,317</b>
<b>Credited to Services</b>		
Scottish Government Specific Grants	410	373
General Capital Grant - Private Sector Housing Improvement Grants	1,977	1,516
Housing Benefit Subsidy	21,508	23,619
Other Revenue Government Grants	1,332	1,196
<b>Total</b>	<b>25,227</b>	<b>26,704</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 2015-16 is shown in the Remuneration Report on page X.

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 £'000
Trident Taxis	17
MacDougall's Garage	35



## 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 £'000
Transactions with related bodies during the year totalled	4,889
<i>Of these, transactions with the following exceeded £10,000:</i>	
Visit Scotland	117
Scotland Excel	65
Convention of Scottish Local Authorities (COSLA)	61
West Highland Housing Association Ltd	661
Dunbritton Housing Association	528
Argyll Community Housing Association (ACHA)	385
Link Group Ltd	647
Fyne Homes Ltd	731
Helensburgh Addiction Rehabilitation Team	12
Oban Addiction Support and Information Services (OASIS)	10
Argyll and Bute Citizens Advice Bureaux	76
Kintyre Recycling	161
RE-JIG (Recycling)	19
Fyne Futures	125
SEEMIS	86
South Kintyre Development Trust	566
Islay and Jura Community Enterprise	96
Mid Argyll Community Enterprise	74
Oban and Lorn Community Enterprise - Atlantis Leisure	449
<b>Total</b>	<b>4,869</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 2015-16	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2015-16 £'000
<b>Cost or Valuation</b>							
<b>At 1 April 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>
Additions	4,716	3,075	5,017	199	49	14,390	27,446
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,181)	-	-	-	323	274	(7,584)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(27,772)	-	(51)	-	221	-	(27,602)
Derecognition - Disposals	(724)	(636)	(4,983)	-	(312)	(2)	(6,657)
Assets reclassified (to)/from Held for Sale	9,292	-	202	-	(1,688)	(11,143)	(3,337)
Other movements in cost or valuation		254	17,851	-	-	(18,256)	(151)
<b>At 31 March 2016</b>	<b>277,214</b>	<b>31,517</b>	<b>263,226</b>	<b>1,870</b>	<b>2,821</b>	<b>15,486</b>	<b>592,134</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 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>
Depreciation Charge for 2015-16	(11,330)	(3,718)	(5,789)	-	(119)	-	(20,956)
Depreciation written out to the Revaluation Reserve	7,614	-	4,932	-	186	-	12,732
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	3,302	-	-	-	1	-	3,303
Derecognition - Disposals	-	624	-	-	114	-	738
Other movements in depreciation and impairment	251	-	-	-	50	-	301
<b>At 31 March 2016</b>	<b>(18,729)</b>	<b>(20,830)</b>	<b>(62,062)</b>	<b>(2)</b>	<b>(4)</b>	<b>-</b>	<b>(101,627)</b>
<b>Balance Sheet amount at 1 April 2016</b>	<b>258,485</b>	<b>10,687</b>	<b>201,164</b>	<b>1,868</b>	<b>2,817</b>	<b>15,486</b>	<b>490,507</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>

Comparative Movements in 2014-15	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2014-15 £'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)
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>

### 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 2016 in accordance with the Council’s rolling programme of revaluations. The revaluations have been carried out by external valuers, Ryden Real LLP. 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 £'000	Corporate Surplus Assets £'000
31 March 2016	54,330	2,395
31 March 2015	31,806	64
31 March 2014	40,802	334
31 March 2013	120,572	15
31 March 2012	10,975	9
<b>Total Cost or Valuation</b>	<b>258,485</b>	<b>2,817</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 2015-16 total spending on capital projects was £27.748m.

	2015-16 £'000	2014-15 £'000
<b>Opening Capital Financing Requirement</b>	<b>257,556</b>	<b>256,463</b>
<b>Capital Investment:</b>		
Property Plant and Equipment:		
Other Land and Buildings	4,716	8,163
Vehicles, Plant, Furniture and Equipment	3,075	3,778
Infrastructure Assets	5,017	6,292
Community Assets	199	-
Surplus Assets	49	39
Assets Under construction	14,390	19,867
Heritage Assets	25	-
Intangible Assets	277	390
<b>Total Capital Investment</b>	<b>27,748</b>	<b>38,529</b>
<b>Sources of Finance:</b>		
Capital Receipts	(652)	(430)
Government Grants	(16,922)	(16,438)
Capital Financed from Current Revenue	(743)	(1,241)
Repayment of External Loans	(10,792)	(17,843)
Capital Element of Finance Lease Payments	-	-
Capital Element of Schools NPDO Payments	(1,877)	(1,734)
Capital Receipts transferred to Capital Fund	652	430
Capital Receipts Used from Capital Fund	(367)	(148)
Other	(707)	(32)
<b>Total Funding</b>	<b>(31,408)</b>	<b>(37,436)</b>
<b>Closing Capital Financing Requirement</b>	<b>253,896</b>	<b>257,556</b>

## Notes to the Financial Statements

### 14.5 Commitments under Capital Contracts

At 31 March 2016, the Council had commitments on capital contracts of £11.458m. 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 2015 were £12.201m. The major commitments are:

	£'000
Carbon Management Biomass Heating Conversions	1,866
Oban Public Realm	1,113
Rothesay Pavilion	701
Dunoon CHORD	613
Rothesay Enabling Works	489
Campbeltown Office Rationalisation	380
Aqualibrium	211
Eader Glinn	200
Dunoon Hostel	187
Helensburgh Office Rationalisation	180
Corran Halls	288
Helensburgh CHORD	100

### 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 X.

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

Movements in 2015-16	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>Net Book Value at 1 April 2015</b>	<b>1,148</b>	<b>223</b>	<b>1,371</b>
Additions	25	-	25
Disposals	(42)	-	(42)
Revaluations	185	-	185
Depreciation	-	-	-
<b>At 31 March 2016</b>	<b>1,316</b>	<b>223</b>	<b>1,539</b>

## Notes to the Financial Statements

### 16. INTANGIBLE ASSETS

Intangible assets comprise software licences and carbon reduction commitment allowances purchased in advance. Purchased software licences are shown at cost and this cost is charged to the relevant service lines within the Comprehensive Income and Expenditure 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 2015-16	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>At 1 April 2015</b>	234	1,237	1,471
Additions	242	35	277
Disposals	(234)	-	(234)
Reclassifications	-	5	5
<b>At 31 March 2016</b>	<b>242</b>	<b>1,277</b>	<b>1,519</b>
<b>Depreciation and Impairments</b>			
<b>At 1 April 2015</b>	-	(824)	(824)
Charge for 2015-16	-	(118)	(118)
Disposals	-	-	-
<b>At 31 March 2016</b>	<b>-</b>	<b>(942)</b>	<b>(942)</b>
<b>Balance Sheet amount at 1 April 2016</b>	<b>242</b>	<b>335</b>	<b>577</b>
<b>Balance Sheet amount at 1 April 2015</b>	<b>234</b>	<b>413</b>	<b>647</b>

Comparative Movements in 2014-15	Carbon Reduction Commitment Allowance	Purchased Software Licences	Purchased Software Licences 2013-14
	£'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>

## 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 2016. Revaluations of investment properties were carried out at 31 March 2016 by external valuers, Ryden LLP.

### 17.1 Movement in Investment Property

The movement in investment property during 2015-16 was:

Movements in 2015-16	Investment Properties
	£'000
<b>Cost or Valuation</b>	
<b>At 1 April 2015</b>	<b>7,919</b>
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	(128)
Transfers	303
<b>At 31 March 2016</b>	<b>8,094</b>



## Notes to the Financial Statements

### 17.2 Investment Property Income and Expenditure

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

	2015-16 £'000	2014-15 £'000
Rental Income from Investment Property	131	98
Direct operating expenses arising from investment property	-	-
<b>Net gain/(loss)</b>	<b>131</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 2015-16	Land & Buildings £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2015</b>	<b>93,192</b>
Additions	14
Revaluations	-
<b>At 31 March 2016</b>	<b>93,206</b>
<b>Depreciation and Impairments</b>	
<b>At 1 April 2015</b>	<b>(3,405)</b>
Charge for 2015-16	(1,700)
Revaluations	-
<b>At 31 March 2016</b>	<b>(5,105)</b>
<b>Balance Sheet amount at 1 April 2016</b>	<b>88,101</b>
<b>Balance Sheet amount at 1 April 2015</b>	<b>89,787</b>

## Notes to the Financial Statements

### 18.2 Schools NPDO Finance Lease Liability

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

Movements in 2015-16	£'000
Balance at 1 April 2015	(77,871)
Repayments	1,877
<b>Schools NPDO Finance Lease Liability at 31 March 2015</b>	<b>(75,994)</b>
Split:	
Obligations payable within 1 year	(1,935)
Obligations payable after 1 year	(74,059)
<b>Schools NPDO Finance Lease Liability at 31 March 2016</b>	<b>(75,994)</b>

### 18.3 Payments due to Operator under Schools NPDO Contract

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

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2016 - 2020	8,328	-	30,040	19,837	58,205
2020 - 2025	14,888	933	31,916	28,222	75,959
2025 - 2030	22,156	2,853	23,187	32,360	80,556
2030 - 2035	30,622	3,139	9,843	33,353	76,957
<b>Total</b>	<b>75,994</b>	<b>6,925</b>	<b>94,986</b>	<b>113,772</b>	<b>291,677</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 2015-16 were as follows:

	2015-16 £'000	2014-15 £'000
Land and Buildings	198	231
Vehicles	195	227
Plant and Equipment	171	209
<b>Total</b>	<b>564</b>	<b>667</b>

## Notes to the Financial Statements

### 19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2016 to making payments of £0.404m under operating leases comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	9	64
Leases expiring between 1 and 5 years	26	199
Leases expiring after 5 years	106	-
<b>Value at 31 March 2016</b>	<b>141</b>	<b>263</b>

### 20. LONG TERM DEBTORS

	31st March 2016 £'000	31st March 2015 £'000
House Loans	37	43
Waste PPP Historic Contamination Fund	750	750
Charging Orders - Care Home Fees	1,179	1,051
Strategic Housing Fund Loans to Registered Social Landlords	2,831	2,905
Other Long Term Debtors	100	100
<b>Total Long Term Debtors</b>	<b>4,897</b>	<b>4,849</b>

### 21. DEBTORS

	31 March 2016		31 March 2015	
	£'000	£'000	£'000	£'000
Arrears of Local Taxation	13,970		13,299	
Council Tax				
Less: Provision for Bad Debts	(11,383)		(10,764)	
		2,587		2,535
Housing Benefits Overpayments	1,266		1,105	
Less: Provision for Bad Debts	(1,033)		(900)	
		233		205
Debtor Accounts	2,875		2,478	
Less: Provision for Bad Debts	(684)		(690)	
		2,191		1,788
VAT Recoverable from HMRC		2,999		3,033
Strategic Housing Fund Loans due within 1 Year		1,005		1,186
Other Debtors		9,126		8,167
<b>Total Debtors</b>		<b>18,141</b>		<b>16,914</b>

## Notes to the Financial Statements

### 22. ASSETS HELD FOR SALE

The movement in assets held for sale during 2015-16 was:

Movements	2015-16 £'000	2014-15 £'000
<b>Balance outstanding at start of year</b>	<b>25</b>	<b>153</b>
Assets newly classified as held for sale (Property, Plant and Equipment)	2,907	15
Revaluation losses	-	(2)
Revaluation gains	26	-
Impairment losses	(564)	-
Assets declassified as held for sale (Property, Plant and Equipment)	(13)	(3)
Assets Sold	-	(138)
<b>Balance outstanding at year-end</b>	<b>2,381</b>	<b>25</b>

### 23. CASH AND CASH EQUIVALENTS

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

	31 March 2016 £'000	31 March 2015 £'000
Cash held by the Authority	64	64
Cash in transit	254	106
Short term deposits with banks	688	14,408
Short term deposits in Money Market Funds	10,750	12,000
Bank Current Accounts (Overdraft)	(3,816)	(2,732)
<b>Total Cash and Cash Equivalents</b>	<b>7,940</b>	<b>23,846</b>

### 24. CREDITORS

	31 March 2016 £'000	31 March 2015 £'000
Accrued Payrolls and Superannuation	6,421	6,077
Accrued Employer's National Insurance Contributions and PAYE	2,149	2,155
Accrual for Short Term Accumulating Absences	4,529	5,090
Creditors System Liability	4,865	6,297
Accrued Expenditure	4,226	5,566
Other Creditors	9,725	10,392
<b>Total Creditors</b>	<b>31,915</b>	<b>35,577</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 2016		31 March 2015	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000
<b>Investments and Lending</b>				
Loans and Receivables	4,897	88,936	4,849	70,760
<b>Borrowing</b>				
Financial Liabilities at amortised cost	197,067	71,671	218,178	71,183

#### 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 2016 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 2016		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Lending</b>				
Loans and Receivables	93,833	93,901	75,609	75,693
<b>Borrowing</b>				
Financial Liabilities	268,744	326,462	289,361	345,404

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

## Notes to the Financial Statements

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.

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

	Amount at 31 March 2016 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2015 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks and Money Market Funds	11,428	-	-

The information in respect of the Council's debtors can be found in note 20 and 21 on [pages x to y](#). 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

## Notes to the Financial Statements

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:

Maturity analysis of financial liabilities	31 March 2016 £'000	31 March 2015 £'000
Less than one year	71,671	71,184
Between one and two years	31,872	11,316
Between two and five years	30,020	26,997
More than five years	135,181	179,864
	<b>268,744</b>	<b>289,361</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 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 2015, with all other variables held constant:

## Notes to the Financial Statements

	31 March 2016 £'000
<b>Impact on tax-payer</b>	
Increase on interest payable on variable rate borrowings	76
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>76</b>

	31 March 2016 £'000
<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)	30,877

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.

### 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 2016 £'000	31 March 2015 £'000
Banks and Money Market Funds	11,428	26,408

### 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 2016 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 [x to y](#).

	31 March 2016 £'000	31 March 2015 £'000
Common Good	110	107
Trust Funds	695	1,258



## Notes to the Financial Statements

### 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 £76.744m as at 31 March 2016 and comprise the following:

Movements in 2015-16	Opening Balance 31 March 2015 £'000	Movement in Year £'000	Closing Balance 31 March 2016 £'000
Schools NPDO Finance Lease Liability (See note 18.2)	(77,871)	1,877	(75,994)
Land Contamination	(750)	-	(750)
<b>Total Other Liabilities</b>	<b>(78,621)</b>	<b>1,877</b>	<b>(76,744)</b>
Split:			
Short Term Liabilities (due within 1 year)			(1,935)
Long Term Liabilities (due after 1 year)			(74,809)
<b>Total Other Liabilities</b>			<b>(76,744)</b>

### 27. PROVISIONS

	Opening Balance 31 March 2015 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2016 £'000
SRC Insurance Claims	(21)		14	7	-
Equal Pay Claims	(77)	(12)	12		(77)
Income due to Registered Social Landlords	(68)	(80)			(148)
Reorganisation Redundancy Costs	(91)	(50)	60		(81)
Service Choices Redundancy Costs	-	(937)			(937)
Landfill Sites - Restoration and Aftercare Costs	(1,477)			435	(1,042)
Utilities Provision	(599)			89	(510)
Other Provisions	(643)	(768)	218	123	(1,070)
<b>Total Provisions</b>	<b>(2,976)</b>	<b>(1,847)</b>	<b>304</b>	<b>654</b>	<b>(3,865)</b>
Split:					
Short Term Provisions (due within 1 year)					(2,675)
Long Term Provisions (due after 1 year)					(1,190)
<b>Total Other Liabilities</b>					<b>(3,865)</b>

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 2015-16 amounted to £1.892m; 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 £0.148m.

In line with expectations, liabilities have arisen in respect of employees who will be made redundant as a result of operational restructuring and Service Choices. The Council has significant budget savings to make over the next 5 years and there has been a complete service provision review, Service Choices. As a result of Service Choices and other savings agreed as part of the budget process for 2016-17, a number of posts will be removed resulting in increased redundancy costs. In line with normal practice, the Council invited all employees to express an interest in voluntary redundancy and a number of employees have subsequently either taken or have been offered a redundancy package. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2016, a provision of £0.937m has been created during 2015-16. For further information refer to note 32 - Termination Benefits on page x.

A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. The landfill sites were revalued at 31 March 2016 and the provision for restoration and aftercare reduced to £1.042m. 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, £0.089m has been utilised during 2015-16 resulting in a total provision of £0.510m.

The "other" provisions includes 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 2016-17.

## 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.

## Notes to the Financial Statements

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### 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 2016. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2016. The amounts are as follows:

- Local Government Pension Scheme – £1.297m
- Teachers' scheme – £0.724m

### 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 2016 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:

	2015-16 £'000	2014-15 £'000
<b>Comprehensive Income and Expenditure Statement:</b>		
<b>Cost of Services:</b>		
<i>Service cost comprising:</i>		
Current Service Cost	19,689	16,474
Past Service Cost (Including Curtailments)	398	311
<b>Net Cost of Services</b>	<b>20,087</b>	<b>16,785</b>
Net Interest Expense	4,730	5,161
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>24,817</b>	<b>21,946</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on Assets (excluding amounts included in net interest)	3,039	(25,812)
Other Experience	(8,403)	(33,937)
Change in Financial Assumptions	(55,845)	77,424
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(36,392)</b>	<b>39,621</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	(10,912)	(8,726)
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>		
Employer's Contributions Payable to the Scheme	13,905	13,220

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

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

	2015-16 £'000	2014-15 £'000
<b>Defined Benefit Obligation at 1 April</b>	<b>651,859</b>	<b>581,522</b>
Current Service Cost	19,689	16,474
Past Service Costs including Curtailments	398	311
Interest Cost	20,918	25,027
Contributions by Scheme Participants	3,812	3,542
Re-measurement Gains and (Losses)	(64,248)	43,487
Estimated Benefits Paid	(20,214)	(18,504)
<b>Defined Benefit Obligation at 31 March</b>	<b>612,214</b>	<b>651,859</b>

## Notes to the Financial Statements

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

	2015-16 £'000	2014-15 £'000
<b>Fair Value of Employer Assets at 1 April</b>	<b>507,121</b>	<b>463,185</b>
<b>Re-measurement Gains and (Losses):</b>		
Expected Rate of Return on Pension Fund Assets	(3,039)	25,812
Actuarial Gains and Losses	-	-
Interest Income on Plan Assets	16,188	19,866
Employers Contributions	13,905	13,220
Contributions by Scheme Participants	3,812	3,542
Estimated Benefits Paid	(20,214)	(18,504)
<b>Fair Value of Employer Assets at 31 March</b>	<b>517,773</b>	<b>507,121</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

	2015-16 £'000	2014-15 £'000
<b>Local Government Pension Scheme</b>		
Present Value of Funded Liabilities	(585,370)	(622,119)
Present Value of Unfunded Liabilities	(26,844)	(29,740)
Fair Value of Employer Assets	517,773	507,121
<b>(Deficit) in the Scheme</b>	<b>(94,441)</b>	<b>(144,738)</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 2016 comprised:

	2015-16 £'000	2014-15 £'000
Cash and Cash Equivalents	17,842	12,460
Equity Instruments (by industry type)		
Consumer	48,561	47,924
Manufacturing	38,791	38,267
Energy and Utilities	15,256	15,056
Financial Institutions	35,726	35,258
Health and Care	20,888	20,614
Information Technology	29,562	29,173
Sub-total Equity Instruments	188,784	186,292
Bonds (by sector)		
Corporate	1	3
Government	-	-
Sub-total Bonds	1	3
Real Estate		
UK Property	55,624	46,332
Overseas Property	-	-
Sub-total Real Estate	55,624	46,332
Private Equity (All)	50,365	49,347
UK		
Investment Funds and Unit Trusts		
Equities	134,395	145,498
Bonds	63,194	64,207
Commodities	176	192
Infrastructure	-	1,714
Other	7,267	921
Sub-total Investment Funds and Unit Trusts	205,032	212,532
Derivatives		
Forward Foreign Exchange Contracts	-	-
Other	125	155
Sub-total Derivatives	125	155
<b>Total Assets</b>	<b>517,773</b>	<b>507,121</b>

Fair Value of Pension Fund Assets	2015-16 £'000	2014-15 £'000
Equity Securities		
Quoted in an Active Market	188,376	185,910
Not Quoted in an Active Market	408	382
<b>Sub-total Equity Securities</b>	<b>188,784</b>	<b>186,292</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	2015-16 %	2014-15 %
Equity Investments	3.5%	3.2%
Bonds	3.5%	3.2%
Property	3.5%	3.2%
Cash	3.5%	3.2%

Mortality assumptions	2015-16 Years	2014-15 Years
Longevity at 65 for current pensioners:		
Men	22.1	22.1
Women	23.6	23.6
Longevity at 65 for future pensioners:		
Men	24.8	24.8
Women	26.2	26.2

Financial Assumptions	2015-16 %	2014-15 %
Rate of Inflation (CPI)	2.2%	2.4%
Rate of Increase in Salaries	4.2%	4.3%
Rate of Increase in Pensions (CPI)	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

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 2016-2017.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £11.765m. This is based on an assumed pensionable payroll of £60.956m.

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

The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

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

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

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is variable it provides an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2016, the Authority's own contributions equate to 1.53%.

	2015-16	2014-15
Amount Paid Over (£'000)	5,353	5,028
Rate of Contribution (%)	17.20%	14.90%
Amount of Added Years Awarded by the Council (£'000)	526	525

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 £5.675m.



### 29. UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Statement of Movement in Reserves on pages **x to y**.

#### 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:

- 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.

## Notes to the Financial Statements

### 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.

### 30. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Statement of Movement in Reserves on pages **x to y**.

#### 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 2015-16	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
<b>Balance at 1 April 2015</b>	<b>2,766</b>	<b>976</b>	<b>3,742</b>
Proceeds of Disposals	-	652	652
Transfer to Capital Adjustment Account	-	(403)	(403)
Contribution to Capital Fund From Revenue	-	22	22
Contribution to Loans Fund Charges	-	-	-
Interest Earned	10	4	14
<b>Balance at 31 March 2016</b>	<b>2,776</b>	<b>1,251</b>	<b>4,027</b>

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

Movements in 2015-16	Balance at 31 March 2015 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2016 £'000
Education	599	132	2	(62)	671
Vehicles	70	-	-	(70)	-
<b>Total</b>	<b>669</b>	<b>132</b>	<b>2</b>	<b>(132)</b>	<b>671</b>

### 31. CONTINGENT LIABILITIES

The Council settled a number of equal pay claims during 2015-16, 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.

The Council has been subject to a judicial review of various decisions made in respect of Rothesay Harbour when acting as the Harbour Authority. The outcome of the review is unknown at this time but liabilities may arise as a result.

The final contract payments in respect of the new offices in Helensburgh are under dispute and the outstanding amount cannot be quantified at this stage.

### 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 2014-15 was £0.748m for 24 employees and in 2015-16 was £1.155m for 75 employees. These costs are detailed further in the Remuneration Report on pages **x to y**.

Therefore termination costs for all Council employees who have accepted redundancy by 31 March 2015 have been accounted for in 2015-16, or in previous financial years.

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

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

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

Funds for which Argyll and Bute Council act as sole trustee:

	Income £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	8	5	429	429
GM Duncan Trust	-	2	83	83
MacDougall Trust	10	-	610	610
Various Other Trust Funds	5	1	497	497
<b>Total Trust Funds</b>	<b>23</b>	<b>8</b>	<b>1,619</b>	<b>1,619</b>

## Notes to the Financial Statements

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.

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 2016. 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 2016

2014-15 Actual £'000		2015-16 Actual £'000
201	Expenditure	202
(80)	Income	(287)
<b>121</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(85)</b>

#### 34.2 Common Good Balance Sheet at 31 March 2016

2014-15 Actual £'000		2015-16 Actual £'000
4,151	Tangible Fixed Assets	4,017
2,098	Investments	2,006
216	Current Assets	175
(2)	Current Liabilities	(4)
<b>6,463</b>	<b>Total Assets less Liabilities</b>	<b>6,194</b>
4,151	Revaluation Reserve	4,022
2,312	Common Good Fund	2,172
<b>6,463</b>	<b>Total Net Worth</b>	<b>6,194</b>

## Notes to the Financial Statements

### 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:

	2015-16 £'000	2014-15 £'000
<b>Net (Surplus)/Deficit on Provision of Services</b>	<b>19,653</b>	<b>(4,581)</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	(25,813)	2,900
Transfer to/from Other Statutory Reserves	38	(345)
Increase/(Decrease) in Inventories	221	(56)
Increase/(Decrease) in Debtors	640	599
(Increase)/Decrease in Creditors and Provisions	1,174	(1,213)
Other Revenue Adjustments	(12,355)	(19,105)
	<b>(36,095)</b>	<b>(17,220)</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	6,517	9,994
Capital Element of Finance Lease Payments	(1,877)	(1,734)
	<b>4,640</b>	<b>8,260</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(11,802)</b>	<b>(13,541)</b>
<b>The cash flows for Operating Activities include the following items:</b>		
Interest Paid on Borrowings	8,919	9,804
Interest Paid on Finance Leases	7,903	8,071
Interest Received on Bank Deposits	(534)	(514)
<b>Net Cash Outflow from Servicing of Finance</b>	<b>16,288</b>	<b>17,361</b>

### 36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

	2015-16 £'000	2014-15 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	21,082	28,976
Investments made/(disposed of) during year	5,510	(5,000)
Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(652)	(430)
Other Receipts from Investing Activities	(16,141)	(15,319)
<b>Net Cash Outflow from Investing Activities</b>	<b>9,799</b>	<b>8,227</b>

### 37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

	2015-16 £'000	2014-15 £'000
Cash Receipts of Short and Long Term Borrowing	(16,541)	(20,589)
Other Receipts from Financing Activities	744	(1,994)
Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	1,877	1,734
Repayments of Short and Long Term Borrowing	31,829	8,392
Other Payments from Financing Activities	-	-
<b>Net Cash Outflow from Financing Activities</b>	<b>17,909</b>	<b>(12,457)</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.

2014-15 Actual £'000		2015-16 Actual £'000
54,356	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	54,498
	Add Back:	
1,880	RSL Second Home Discount Additional Income	1,892
	Less:	
(12,607)	Other Discounts and Reductions	(12,377)
(926)	Provision for Bad and Doubtful Debts	(934)
<b>42,703</b>	<b>Total</b>	<b>43,079</b>
668	Adjustment to Previous Years' Community Charge and Council Tax	294
<b>43,371</b>	<b>Transfers to General Fund</b>	<b>43,373</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 2015-16 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 2015-16

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,685	9,935	9,406	6,008	7,350	4,091	2,783	242	47,500
<b>Less</b> - Exemptions / Deductions	919	750	1,010	505	571	233	163	49	4,200
- Adjustment for Single Chargepayers	889	1,031	759	435	437	201	112	6	3,870
<b>Effective Number of Properties</b>	<b>5,877</b>	<b>8,154</b>	<b>7,637</b>	<b>5,068</b>	<b>6,342</b>	<b>3,657</b>	<b>2,508</b>	<b>187</b>	<b>39,430</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>3,918</b>	<b>6,342</b>	<b>6,788</b>	<b>5,068</b>	<b>7,751</b>	<b>5,282</b>	<b>4,180</b>	<b>374</b>	<b>39,703</b>
<b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									510
<b>Nominal Tax Yield</b>									<b>40,213</b>
<b>Less</b> Provision for Non-Collection - 2.01%									808
<b>Council Tax Base 2015-16 - Number of Band D equivalents</b>									<b>39,405</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.

2014-15 Actual £'000		2015-16 Actual £'000
39,832	Gross rates levied and Contributions in Lieu	42,309
	Less:	
(9,734)	Reliefs and other deductions	(10,877)
(29)	Payment of Interest	-
(267)	Provision for Bad and Doubtful Debts	(241)
<b>29,802</b>	<b>Net Non-Domestic Rate Income</b>	<b>31,191</b>
1,200	Contribution (to)/from national non-domestic rate pool	(3,351)
<b>31,002</b>	<b>Transfers to General Fund</b>	<b>27,840</b>

## 1. ANALYSIS OF RATEABLE VALUES

	2015-16 £	2014-15 £
Industrial and freight transport subjects	7,677,100	6,650,490
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	58,701,043	55,639,870
Commercial subjects:		
Shops	13,418,530	13,262,165
Offices	5,577,590	4,933,370
Hotels, Boarding Houses etc.	6,599,075	6,618,475
Others	1,993,560	1,986,020
<b>Total Rateable Value</b>	<b>93,966,898</b>	<b>89,090,390</b>

## 2. NON-DOMESTIC RATE CHARGE

	2015-16 Pence	2014-15 Pence
Rate Per Pound	48.0p	47.1p
Supplementary Rate Per Pound for Properties over £35,000	1.3p	1.1p

## 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 2015-16: 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 2015-16	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			
Balance at 31 March 2014	(46,067)	(669)	(3,742)	(50,478)	(110,479)	(160,957)	(314)	(6,463)	(167,734)
Surplus/(Deficit) on Provision of Services	19,653	-	-	19,653	-	19,653	29	(85)	19,597
Other Comprehensive Income and Expenditure	-	-	-	-	(61,787)	(61,787)	(1,304)	354	(62,737)
<b>Total Comprehensive Income and Expenditure</b>	<b>19,653</b>	<b>-</b>	<b>-</b>	<b>19,653</b>	<b>(61,787)</b>	<b>(42,134)</b>	<b>(1,275)</b>	<b>269</b>	<b>(43,140)</b>
<b>Total Statutory Adjustments (See Page 32 to 33)</b>	<b>(25,813)</b>	<b>-</b>	<b>(652)</b>	<b>(26,465)</b>	<b>26,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(6,160)</b>	<b>-</b>	<b>(652)</b>	<b>(6,812)</b>	<b>(35,322)</b>	<b>(42,134)</b>	<b>(1,275)</b>	<b>269</b>	<b>(43,140)</b>
<i>Other Transfers required by Statute</i>									
Transfer to/from Other Statutory Reserves	38	(2)	367	403	(403)	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(6,122)</b>	<b>(2)</b>	<b>(285)</b>	<b>(6,409)</b>	<b>(35,725)</b>	<b>(42,134)</b>	<b>(1,275)</b>	<b>269</b>	<b>(43,140)</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>(52,189)</b>	<b>(671)</b>	<b>(4,027)</b>	<b>(56,887)</b>	<b>(146,204)</b>	<b>(203,091)</b>	<b>(1,589)</b>	<b>(6,194)</b>	<b>(210,874)</b>

The Council's Statement of Movement in Reserves on pages **x to y** gives a more detailed analysis of the movement in the Council's usable and unusable reserves during 2015-16.

## 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 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			
Balance at 31 March 2014	(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 Expenditure and Income	-	-	-	-	18,449	18,449	694	52	19,195
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,581)</b>	<b>0</b>	<b>0</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 34 to 35)</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>

## 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.

2014-15			Service	2015-16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
111,565	6,921	104,644	Education Services	130,339	7,198	123,141
34,810	28,601	6,209	Housing Services (Non-HRA)	36,436	28,612	7,824
12,676	2,263	10,413	Cultural and Related Services	13,111	2,189	10,922
26,022	4,281	21,741	Environmental Services	22,618	4,375	18,243
25,517	6,980	18,537	Roads and Transport Services	24,726	6,712	18,014
7,903	4,852	3,051	Trading Services	8,092	4,691	3,401
10,735	5,660	5,075	Planning and Development Services	11,626	5,288	6,338
72,584	10,645	61,939	Social Work	77,788	11,660	66,128
			Central Services:			
4,537	95	4,442	- Corporate and Democratic Core	150,319	145,266	5,053
1,758	-	1,758	- Non Distributed Costs	2,478	28	2,450
2,922	1,280	1,642	- Central Services to the Public	3,183	1,249	1,934
2,925	2,877	48	Associates Accounted for on an Equity Basis	2,824	2,795	29
<b>313,954</b>	<b>74,455</b>	<b>239,499</b>	<b>Net Cost of Services</b>	<b>483,540</b>	<b>220,063</b>	<b>263,477</b>

## Group Statement of Comprehensive Income and Expenditure

		<b>Other Operating Income and Expenditure:</b>	
	(142)	Net (Gain)/loss on Disposal of Fixed Assets	323
	1,016	Other Operating Income and Expenditure	1,338
	<b>874</b>	<b>Total Other Operating Income and Expenditure</b>	<b>1,661</b>
		<b>Financing and Investment Income and Expenditure:</b>	
	18,125	Interest Payable and Similar charges	17,263
	(2,513)	Interest and Investment Income	(2,926)
	5,161	Net Pension Interest Expense	4,730
	<b>20,773</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>19,067</b>
		<b>Taxation and Non-Specific Grant Income:</b>	
	(174,877)	General Government Grants	(176,473)
	(16,438)	Government Capital Grants and Other Capital Contributions	(16,922)
	(31,002)	Non-domestic Rates Redistribution	(27,840)
	(43,371)	Council Tax Income	(43,373)
	<b>(265,688)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(264,608)</b>
	<b>(4,542)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>19,597</b>
	774	(Surplus)/Deficit on revaluation of Fixed Assets	(578)
	17,675	Other Post Employment Benefits (Pensions)	(61,209)
	746	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds	(950)
	<b>19,195</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(62,737)</b>
	<b>14,653</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(43,140)</b>

31 March 2015			31 March 2016	
£'000	£'000		£'000	£'000
		<b>Long Term Assets</b>		
		<b>Property Plant &amp; Equipment</b>		
281,317		- Other Land and Buildings	258,485	
11,088		- Vehicles, Plant, Furniture and Equipment	10,687	
183,985		- Infrastructure Assets	201,164	
5,820		- Community Assets	5,885	
3,992		- Surplus Assets	2,817	
30,223		- Assets Under Construction	15,486	
	<b>516,425</b>	<b>Total Property Plant &amp; Equipment</b>		<b>494,524</b>
	1,371	Heritage Assets		1,539
	647	Intangible Assets		577
	7,919	Investment Property		8,094
	4,849	Long-Term Debtors		4,897
	2,098	Long-Term Investments		2,497
	2,596	Investment in Associates		2,973
	<b>535,905</b>	<b>Total Long Term Assets</b>		<b>515,101</b>
		<b>Current Assets</b>		
334		Inventories	555	
16,965		Short Term Debtors (Net of Impairment)	18,155	
25		Assets Held for Sale	2,381	
30,000		Short Term Investments	35,019	
23,904		Cash and Cash Equivalents	7,991	
	<b>71,228</b>	<b>Total Current Assets</b>		<b>64,101</b>
		<b>Current Liabilities</b>		
(33,623)		Short-term Borrowing	(18,465)	
(35,578)		Short-term Creditors	(31,915)	
(146)		Capital Grant Receipts in Advance	-	
(1,410)		Provisions	(2,675)	
(1,878)		Other Short Term Liabilities	(1,935)	
	<b>(72,635)</b>	<b>Total Current Liabilities</b>		<b>(54,990)</b>
		<b>Long-term Liabilities</b>		
(141,435)		Borrowing Repayable within a Period in Excess of 12 Months	(141,514)	
(76,743)		Other Long-term liabilities	(74,809)	
(1,566)		Provisions	(1,190)	
(144,738)		Other Long-term liabilities (Pensions)	(94,441)	
(2,282)		Liabilities in Associates	(1,384)	
	<b>(366,764)</b>	<b>Total Long-term Liabilities</b>		<b>(313,338)</b>
	<b>167,734</b>	<b>Total Assets less Liabilities</b>		<b>210,874</b>



31 March 2015			31 March 2016	
£'000	£'000		£'000	£'000
55,224		<b>Unusable Reserves</b>		
209,599		- Revaluation Reserve	54,847	
(4,516)		- Capital Adjustment Account	194,492	
(144,738)		- Financial Instruments Adjustment Account	(4,165)	
(5,090)		- Pensions Reserve	(94,441)	
		- Accumulated Absences Account	(4,529)	
	<b>110,479</b>			146,204
		<b>Usable Reserves</b>		
3,742		- Capital Funds	4,027	
669		- Repairs and Renewals Funds	671	
46,067		- General Fund Balance	52,189	
	<b>50,478</b>			56,887
	<b>314</b>	<b>Group Reserves</b>		1,589
	<b>6,463</b>	<b>Common Good Reserves</b>		6,194
	<b>167,734</b>	<b>Total Reserves</b>		<b>210,874</b>

The Balance sheet is a snapshot of the value at the 31 March 2016 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 Unaudited Annual Accounts were authorised for issue on 30 June 2016.

Kirsty Flanagan  
 Head of Strategic Finance  
**30 June 2016**

## 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 **x to y**.

- 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 2016.

### 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 £0.064m towards Scotland Excel in the 2015-16 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 £7.783m. This gives an overall net asset position for the Group of £210.874m.

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 2015-16 and accounted for £2.904m 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 2015-16 the Council contributed £0.176m or 4.14% of the net annual running costs and accounted for £0.069m 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 2015-16 Argyll and Bute Council contributed £1.282m towards estimated running costs and accounted for £2.876m 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:-

	2015/16 £'m	2014/15 £'m
Argyll and Bute Council has a 48.1% share of:		
Gross Income	2.832	2.931
Net (Surplus)/Deficit	0.416	0.237
Long Term Assets	0.752	0.743
Current Assets	0.727	0.730
Liabilities due within one year	(0.120)	(0.101)
Liabilities due over one year	-	-
Pension Liability	(4.236)	(6.115)
Capital and Revenue Reserves	(2.877)	(4.744)

## 7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages [x to y](#)) 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 X](#) have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £6.194m.

## 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 x](#). 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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