

# Dumfries and Galloway Council

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# Annual Accounts 2013/2014

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## Explanatory Foreword

### Introduction

The Financial Statements following this Foreword present the Council's financial position for the year ended 31 March 2014. These statements have been prepared in accordance with proper accounting practice as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

The purpose of these Accounts is to provide clear information about the Council's financial position and this Explanatory Foreword is intended to give the reader an easily understandable guide to the most significant matters reported in the Accounts.

### The Statements in the Annual Accounts

The principal financial statements in the Annual Accounts are:

- **Movement in Reserves Statement** - this shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves (e.g. reserves reflecting unrealised gains on the revaluation of assets).
- **Comprehensive Income & Expenditure Statement** – this statement is a summary of the resources generated and consumed by the Council in the year.
- **Balance Sheet** - this shows the value of the Council's assets and liabilities and reflects the overall financial position of the Council at the end of the financial year.
- **Cash Flow Statement** - this statement summarises the inflows and outflows of cash arising from transactions with external third parties.
- **Notes to the Financial Statements** – this provides further information on the Council's financial statements.

The supplementary financial statements are:

- **Council Tax Income Account** – this shows the gross and net income received from Council Tax, the number of properties on which Council Tax is levied and the charge per property.
- **Non Domestic Rates Account** – this shows the gross and net income from non domestic rates (NDR) and details the amount payable to or by the national NDR pool, and the resulting redistribution of NDR income to the Council.
- **Trust Funds** – this details the income and expenditure in respect of Trust Funds which are administered by the Council in its capacity as a trustee. All trusts are registered Scottish charities.
- **Common Good Funds** – this details the income and expenditure in respect of Common Good Funds which are held by the Council for the benefit of residents of former Burghs in the region.

### Police & Fire Reform

On 1 April 2013 the Police and Fire Services were transferred to the Scottish Police Authority (SPA) and the Scottish Fire & Rescue Service (SFRS), as a result of the Police & Fire Reform (Scotland) Act. All balances relating to these functions have been removed from the Council's 2012/13 Balance Sheet and adjusted figures for the Council at 1 April 2013 have been provided. All notes relating to the 2012/13 Balance Sheet figures have also been adjusted to show the amended balances at 1 April 2013.

### Financial Review

Council spending was contained within budget in 2013/14 and the amount held in unallocated General Fund Balances at the end of the year is in line with the Council's agreed policy to seek to retain balances at a minimum of 2% of annual planned expenditure (£6.8 Million for 2013/14). This reflects a positive financial performance for the Council in 2013/14 given that Service budgets were reduced by £7.226 Million from 2012/13 levels in respect of agreed savings.

While the Comprehensive Income & Expenditure Statement on page 29 reflects a deficit for the year of £10 Million, it is important to recognise that this largely reflects the impact of accounting adjustments (particularly pensions accounting entries) and a more informative indication of the Council's financial performance for the year is reflected in the movement in General Fund Balances shown in the Movement in Reserves Statement on page 28. The split of expenditure and income shown in the Comprehensive Income & Expenditure Statement is that required by the Service Reporting Code of Practice (SeRCoP) and doesn't represent the Council's management structure. Note 12 details the same information but in the Council's management structure.

The Council's total General Fund Balances decreased from £63.75 Million to £58.42 Million in 2013/14. This decrease is primarily due to the agreed funding strategy required for investment to meet the treatment, recycling and recovery requirements of the Waste (Scotland) Regulations 2012 (agreed by the Planning, Housing & Environment Committee in November 2012) which required funding of £5.9 Million from the Waste PFI Sinking Fund. Within this decrease, Unallocated General Fund Balances (i.e. amounts available to address unexpected spending requirements, to assist cash flow management and to support medium term financial planning) decreased by £800k in 2013/14 from £7.6 Million to £6.8 Million (as reflected at Note 34 to the accounts) due to the minimum required level (of 2% of annual planned expenditure) reducing after the transfer of Police and Fire Services to the Scottish Police Authority and Scottish Fire and Rescue Authority.

The allocated/committed elements of General Fund Balances are detailed at Note 34 to these accounts and include the following amounts:-

- £15.31 Million is being held in a Sinking Fund to be used on the Smarter Schools PPP project,
- Strategic Waste Funding of £10.51 Million which is being held in a Sinking Fund to be used to meet future payments on the Waste Management/ Recycling PFI project,
- £3.4 Million is being held in a Corporate Change Fund to support the delivery of change, savings and efficiencies over the upcoming financial year, and
- £2.91 Million is being held to fund affordable housing projects.

As indicated above, Services faced a significant challenge in 2013/14, in terms of containing spending within reduced budgets and Service Management Teams continued their approach of active budget management and tight spending controls to seek to ensure the avoidance of overspending and also to identify further efficiencies during the course of the year.

The table below provides a summary outturn statement which outlines net expenditure against budget for each of the Council's Services:-

Service	Outturn Budget	Final Outturn	Variance
	2013/14	2013/14	
	£000	£000	£000
Education Services	130,484	130,484	0
Social Work Services	78,922	78,971	49
Planning & Environment Services	26,259	26,237	(22)
DGFirst	34,068	33,813	(255)
Community & Customer Services	30,709	30,737	28
Chief Executive Service	21,609	21,609	0
<b>Total Operational Budgets</b>	<b>322,051</b>	<b>321,851</b>	<b>(200)</b>

The risk of potential overspending against the Social Work budget, primarily in relation to increased service needs and client numbers, was identified early in the financial year. The Social Work Service Management Team addressed these cost pressures through controlling expenditure and generating additional income through a review of high client balances, which limited the Social Work overspend to £49k, which was accommodated within the overall budget for the Council.

The positive financial performance reflected against DGFirst is primarily due to the increased uptake of the School Meals service and Building Services returning a trading surplus.

As reflected at Note 11 to these accounts, the main source of funding for the Council is through Central Government grants and a total of £290.82 Million was received in 2013/14 through the Revenue Support Grant and through distributions from the National Non-Domestic Rates pool. In addition, the net Council Tax yield for the year was £54.50 Million.

### **Capital Programme and Borrowing Facilities**

Note 21 to these accounts provides summary information on capital expenditure incurred in 2013/14. Of the Council's capital expenditure of £46.95 Million, £23.44 Million was funded through capital grants, receipts from the sale of assets and other contributions leaving £23.51 Million to be funded through borrowing.

The Council's capital plans are determined on a prudential basis with the level of expenditure based on an assessment of the level of investment that is considered to be prudent, affordable and sustainable. The development of the Capital Investment Strategy and the active management of the programme in 2013/14 resulted in the acceleration of works to a value of £526k from the 2014/15 capital programme. The strategic direction for the ongoing development of the Capital Investment Strategy, agreed by the Policy & Resources Committee in March 2014, will result in further improvements to project planning, and to date has resulted in the agreement of high level funding allocations to asset classes and corporate priority projects for 2014/15 and the subsequent two financial years.

When the Council borrows money to fund capital expenditure the principal lending source is the Public Works Loans Board (PWLB), although UK banks, other financial institutions and other local authorities can be used if required. During the year £5 Million long term borrowing was undertaken and loans to the value of £0.11 Million were repaid.

At the end of 2013/14 the Council had a total of £2.34 Million held in a Capital Fund, of which amounts have been allocated to support Theatrical Provision in Dumfries (£0.4 Million), DGOne Remedial Works (£0.8 Million) and Roads Maintenance Operations (£0.2 Million). Additionally, the Council holds £1.21 Million in a Repairs & Renewals Fund to contribute towards addressing the pressing need to repair, maintain, replace and renew the Council's non-current assets.

### **Going Concern**

The Council's balance sheet (page 30) summarises the assets and liabilities of the Council. In recent financial years the Council's Balance Sheet has reflected a net liability due mainly to the inclusion of pension liabilities falling due in future years, in relation to the Local Government Pension Scheme (LGPS) and "unfunded" Police and Firefighters Pension Schemes. Due to the Police and Fire Services pension liabilities transferring to the Scottish Police Authority and Scottish Fire and Rescue Authority on 1 April 2013 the Council's Balance Sheet now reflects a net asset of £85.75 Million.

In common with other similar public bodies, the future financing of the Council's liabilities will be met by future grants and the application of future income. The approval of amounts for 2014/15 has already been given and there is no reason to believe that future approvals will not be forthcoming. We have accordingly considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

### **Significant Trading Operations**

Note 13 to these accounts provides details of the performance of the Roads Maintenance Statutory Trading Operation. The statutory financial requirement for significant trading operations is to at least break even over a rolling 3 year period. As reflected at Note 13, the Roads Maintenance Statutory Trading Operation recorded a deficit of £95k in 2013/14 which, when added to the surplus for the previous 2 years, provides a total surplus over the 3 year period of £337k.

**Pension Fund Annual Report & Accounts**

Dumfries & Galloway Council is the administering authority for the Dumfries & Galloway Council Pension Fund. There is a requirement to produce a separate Pension Fund Annual Report & Accounts. These are available on the Council's website.

**Future Outlook**

The Council has agreed savings of £7.5 Million for 2014/15 and is in a sound financial position from which to address the significant challenges which lie ahead over the forthcoming years. Further savings of £10 Million per annum are required in each of the upcoming 3 financial years (i.e. a required £30 Million of recurring savings) and it is likely that further reductions will be required beyond that period.

It is therefore readily apparent that the effective budget management approaches undertaken at both a Service Committee and Corporate level in 2013/14 will require to be continued and reinforced over the upcoming period to ensure that these further challenges are addressed in an effective manner. The further development and improvement of the Council's budget process has been approved by elected Members on 6 February 2014.

**Acknowledgement**

I would like to thank elected Members and colleagues for their assistance and support throughout the year in maintaining and promoting a sound financial management and control framework. I would also like to thank those staff whose efforts have contributed to the preparation of these Accounts.

**Paul Garrett**  
**Head of Finance**  
**26 June 2014**



## **Statement of Responsibilities for the Statement of Accounts**

### **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance,
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- approve the Statement of Accounts.

### **The Chief Financial Officer's Responsibilities**

The Head of Finance is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this statement of accounts, the Head of Finance has:

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the local authority Code.

The Head of Finance has also:

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

The Statement of Accounts provides a 'true and fair view' of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2014.

**Paul Garrett**  
**Head of Finance**  
**26 June 2014**

## Annual Governance Statement

### 1. Scope of Responsibility

- 1.1 Dumfries & Galloway Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for properly. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in performance, while maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness and equalities and to contribute to the achievement of sustainable development.
- 1.2 In discharging this overall responsibility, Dumfries & Galloway Council is responsible for putting in place proper arrangements for the governance of the Council's affairs and facilitating the effective exercise of its functions. Good governance is about exercising strategic leadership by developing and clearly communicating the authority's purpose, vision and its intended outcomes for citizens and service users.
- 1.3 This includes setting the strategic direction, vision, culture and values of the Council; the effective operation of corporate systems, processes and internal controls; engaging with and leading the community, monitoring whether strategic priorities and outcomes have been achieved; ensuring that services are delivered cost-effectively; maintaining appropriate arrangements for the management of risk and ensuring that the Council complies with the requirements on the Role of the Chief Financial Officer in Local Government, contained in the Chartered Institute of Public Finance and Accountancy's (CIPFA's) 2010 Statement.

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values which direct and control Dumfries & Galloway Council's activities and through which the Council accounts to, engages with and leads the community. It enables the Council to monitor achievement of the vision and principles set out in the Single Outcome Agreement and the Council's 7 priorities and related commitments.
- 2.2 The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE (Society of Local Authority Chief Executives) Framework "Delivering Good Governance in Local Government" and the supporting Guidance Note for Scottish Authorities. A copy of the Code can be downloaded at [www.dumgal.gov.uk](http://www.dumgal.gov.uk).
- 2.3 The Code evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. Policy and Resources Committee on 21 May 2013 agreed to reaffirm the Council's continuing work on the Code of Corporate Governance including work with Political Groups and Officers to update the Council's self-assessment against the Code.

### 3. The Governance Framework

The governance framework has been in place at Dumfries & Galloway Council for the year ended 31 March 2014 and up to the date of approval of the Annual Accounts. The Council's governance arrangements are consistent with the CIPFA/SOLACE good practice guidance and are detailed below:

#### 3.1 Identifying and Communicating the Authority's Vision of its Purpose and Intended Outcomes for Citizens and Service Users

- Dumfries & Galloway Council agreed on 1 October 2013 to adopt the Council Priorities as set out in the Administration's Partnership Agreement which specify the Council's 7 priorities and its commitments to delivering these. This agreement underpins the Council's work and has been used to develop the business plan for each Service.

- The Dumfries & Galloway Strategic Partnership (the community planning partnership) agreed the region's new Dumfries & Galloway Single Outcome Agreement (SOA) from 2012-15. The SOA reflects the same six priorities as originally determined by the Council, and there is a clear and consistent thread from the SOA, into the Council's Priorities, through to Business Plans.
- The SOA has been promoted to partners and staff. Six-monthly reports on the indicators and targets in the SOA are submitted to the Strategic Partnership based on a new performance framework. In addition to the SOA being on the Council's website, an annual progress report is detailed in the Council publication 'Broadcast' which is delivered to every household in Dumfries & Galloway annually.

### 3.2 **Reviewing the Authority's Vision and its Implications for the Authority's Governance Arrangements**

- The Corporate Management Team (CMT) provides the strategic leadership to deliver Council priorities and assure service and organisation improvement across the Council. It meets fortnightly and is chaired by the Chief Executive.
- The Corporate Business Support Group (CBSG) has clear direction from and accountability to CMT. The Group ensures oversight of the Council's business management and implements corporate solutions. It meets fortnightly and is chaired by the Head of Corporate Support.

### 3.3 **Translating the Vision into Objectives for the Authority and its Partnerships**

The Council progresses its business through the Scheme of Delegation to Corporate, Strategic Service and Area Committees with key roles provided by the following Committees:

#### Policy and Resources Committee

- develops and approves corporate policy and strategies to further the Council's Corporate Priorities and the Single Outcome Agreement in partnership with other public bodies, voluntary and private organisations, communities and the public,
- ensures the effective use, including shared services development, of the Council's financial and non financial resources, including people, property (asset management planning) and technology, to further the Council's Priorities.

#### Community and Customer Services Committee

- develops and oversees the strategic development and management of Community and Customer services including Cultural Services; Leisure and Sport; Community Learning and Development; Revenues and Benefits and the Contact Centre.
- receives reports on Environmental and Trading Standards and Community Safety issues including strategic oversight of the Council's priorities in relation to maintaining the safety and security of the region including the development of policy, strategy and priorities in Civil Contingency and Emergency Planning and management of the Council's role in major emergencies.

#### Scrutiny and Performance Committee

- scrutinises the performance of the Council in relation to its policy objectives, priorities and performance targets on individual service areas
- ensures that Best Value is achieved in the decision making process, through the impact of decisions on policy and in service delivery
- considers external inspections and value for money reports and their application, including value for money audits on funding of external bodies
- makes recommendations to the Council arising from the outcome of the Scrutiny process.

#### Audit and Risk Management Committee

- independent assurance of the adequacy of the risk management framework and the associated control environment within the Council to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.
- to review the activities of the Internal Audit function, including its annual work programme and progress against the programme and the outcome of major findings of Internal Audit investigations.

- to review all matters relating to external audit, including audit plan, action points and reports, and to monitor implementation of external audit recommendations.

In the community context, the Council also progresses its business through both daytime Committees and themed evening Community Area Committees.

The Council facilitates the Community Planning arrangements and there is a clear remit for the Strategic Partnership which involves a range of stakeholders.

#### **3.4 Measuring the Quality of Services for Users, Ensuring they are Delivered in Accordance with the Authority's Objectives and Ensuring that they Represent the Best Use of Resources and Value for Money**

- A key function of the Scrutiny & Performance Committee is to scrutinise the performance of the Council to ensure Services secure value for money and the best use of resources. The Council agreed a new Scrutiny handbook in 2012 which provides information and guidance on the operating principles and techniques of the Committee. Integral to the Scrutiny & Performance Committee work programme is a series of reviews which the Committee determined and are conducting, focusing on the effective and efficient arrangements and to identify areas of good practice.
- The Council has developed a Planning and Performance Framework that enables managers, staff, members of the public, Elected Members and all stakeholders to see how it is performing, and make comparisons with its historic performance and that of other councils. This framework also allows for a consistent approach to the way service performance and quality is managed, monitored, reviewed and reported ensuring the Council is honest in evaluation of its performance, ensuring that it learns from its results and improves what it does.
- This Framework together with the Business Planning guidance allows the Council to focus consistently on performance across all Services and acts as a tool to strengthen the culture of the organisation.
- A range of benchmarking and qualitative comparison is carried out in individual Services, through professional organisations, national groups and dedicated quality and benchmarking organisations. This activity is encouraged and Services use this information to assess their performance, in terms of both cost and quality. This information is used to inform action on Service improvement.
- The Council's commitment to continuous improvement including the adoption of the Public Service Improvement Framework (PSIF) demonstrates the belief that it needs to be more self aware of its strengths and weaknesses and more proactive about identifying improvement opportunities. The Council uses PSIF, benchmarking and service review with peers to ensure objectivity in evaluation of its performance.

#### **3.5 Defining and Documenting the Roles and Responsibilities of the Executive, Non-Executive, Scrutiny and Officer Functions, with Clear Delegation Arrangements and Protocols for Effective Communication in respect of the Authority and Partnership Arrangements**

- The Council has in place comprehensive Schemes of Delegations for Officers and Members which clearly define their respective roles. The Council's Member Officer Protocol (MOP) serves to guide relationships between Members and Officers and lays out the arrangements for Member involvement in a range of activities including local issues. The MOP incorporates a Media Protocol which embraces the Code of Recommended Practice on Local Authority publicity.
- The Media Protocol serves to increase public awareness of the Council and to improve accountability to local people. Service Committees and the Scrutiny and Performance Committee have a clear remit to scrutinise the performance of the Council in relation to its policy objectives, priorities and performance targets on individual service areas and also to ensure that Best Value is achieved in the decision making process, through the impact of decisions on policy and in service delivery.
- The Council is committed to partnership working and has in place relevant joint strategies and action plans which are agreed by appropriate Committees.

- 3.6 Developing, Communicating and Embedding Codes of Conduct, Defining the Standards of Behaviour for Members and Staff**
- Dumfries & Galloway Council has adopted the National Code of Conduct for Employees (with amendments) as its Local Code. The Code sets out the minimum standards of conduct expected of Council employees. It incorporates 'The seven Principles of Public Life' identified by the Nolan Committee on Standards in Public Life and adapted for a local government context.
  - The Council has adopted the Standards Commission's Code of Conduct for Elected Members. Each Member undertook to meet the requirements of this Code as part of their declaration of acceptance of office.
  - The Member Officer Protocol serves to guide Members and Officers of the Council in their relations with one another and reflects the principles underlying the respective Codes of Conduct which apply to Members and Officers.
- 3.7 Reviewing the Effectiveness of the Authority's Decision-Making Framework, including Delegation Arrangements, Decision Making in Partnerships and Robustness of Data Quality**
- The Council has continued to enhance and strengthen its decision-making framework by setting up an Ad Hoc Sub Committee in November 2012 to consider the various aspects of the Scheme of Administration and Delegation to Committees, the Scheme of Delegation to Officers and the Scheme of Appointment to Outside Bodies with its recommendations reported to the Full Council in November 2013.
  - Refocusing activity in the corporate centre has established a clearer focus on legal and regulatory services which places greater emphasis on providing advice and ensuring compliance and robustness of data quality and specifically has resulted in closer working between legal services, internal audit and governance.
- 3.8 Reviewing the Effectiveness of the Framework for Identifying and Managing Risks and Demonstrating Clear Accountability**
- The Audit and Risk Management Committee has a remit for the independent assurance of the adequacy of the risk management framework and the associated control environment within the Council to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.
  - The Council's corporate risk register sets out the strategic-level risks identified by the Council's most senior managers and is formally updated annually. Reviewing the register allows the Audit and Risk Management Committee to become better informed about how and why priority has been given to these risks. This ensures that the Committee fulfils a key part of the Council's risk management arrangements.
  - The Information Commissioner's Office (ICO) undertook a consensual audit of Dumfries & Galloway Council's Data Protection arrangements and procedures during June 2012. The ICO's Overall Conclusion in their Follow-Up Audit Report as submitted to Audit and Risk Management Committee on 18 June 2013 was that the Council's data protection compliance had progressed from an initial 'Limited Assurance' rating to a 'Reasonable Assurance' rating, based on the implementation of actions to that date and evidence supplied to the ICO at the end of March 2013.
  - The Council has a legal duty under the terms of the Civil Contingencies Act 2004 to have Business Continuity (BC) Management arrangements in place. Each Service across the Council has its own BC Plan, as well as a designated BC Coordinator with responsibility to maintain those arrangements and to ensure those within the service have a suitable level of awareness and understanding.
  - At a Corporate level, the Essential Services Continuity Group has a key role in managing widespread Continuity issues which affect a number of Services, and require Strategic direction in terms of prioritisation of resources. A regime of maintenance, testing and exercising is in place to ensure these arrangements are fit for purpose, and continue to be so.
- 3.9 Ensuring Effective Counter-Fraud and Anti-Corruption Arrangements are Developed and Maintained**
- The Council has Financial Regulations and Procurement Standing Orders in place which were reviewed in 2012. The Financial Regulations were most recently revised in January 2013.
  - The Council's financial control framework is considered adequate to meet daily transactional risks and there are specific controls in place regarding high value banking transactions.

- Financial Code 2 addresses the personal interests of staff and the Code of Conduct for local authority employees identifies the behaviours expected of all staff.
- Financial Code 5 covering financial irregularities and the prevention and detection of fraud is updated annually. There is also a dedicated fraud team for Housing and Council Tax benefit.
- The Audit & Risk Management Committee considers all reports by the Council's external auditors including their observations on the Council's arrangements for identifying and responding to frauds and other financial irregularities.
- Where appropriate, the S95 Officer will draw the attention of the Corporate Management Team to any significant issues relating to fraud.
- In the ordinary course of work, internal auditors consider the adequacy and effectiveness of controls which assist management to prevent and detect fraud.
- The Council's whistle-blowing policy includes access to a confidential help-line (Expolink) which allows staff to report any concerns.

### 3.10 **Ensuring Effective Management of Change and Transformation**

- The Council supports the delivery of change, improvement, and transformation across the organisation by focusing on Council priorities and deploying a range of approaches to support the identification and delivery of opportunities to improve quality and transform services to meet these. These include using self evaluation through PSIF; system and business process reviews, using lean approaches; service review programmes; implementing major business change projects; and benchmarking for improvement.
- The Council has a robust budget development process in place through which the Corporate Management Team addresses the main financial challenges of the Council. The process recognises the pivotal role of Members in setting the policy direction relative to achieving efficiencies and budget savings and is reviewed annually by the Full Council.
- A Leadership Development Programme was delivered to 48 Senior Managers leading to a Professional Development Award in Strategic Leadership. The programme was recognised as good practice through the national COSLA excellence awards scheme.
- The Council continues to develop its Workforce Planning arrangements including giving greater focus to requirements for succession planning.

### 3.11 **Ensuring the Authority's Financial Management Arrangements Conform with the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, Where They do not, Explain Why and How They Deliver the Same Impact**

- The Head of Finance is authorised as Proper Officer (S.95 Local Government (Scotland) Act 1973) for the administration of the Council's financial affairs and his role is outlined in the Council's Scheme of Delegation to Officers. He is a member of the Corporate Management Team.
- The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a scheme of delegation and accountability. The system is maintained and developed by officers within the Council and includes:
  - comprehensive budgeting systems
  - regular reviews of periodic financial reports that measure financial performance against forecasts
  - targets against which financial and operational plans can be assessed
  - preparation of regular financial reports which compare expenditure with plans and forecasts
  - clearly defined capital expenditure guidelines
  - formal project management disciplines
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- 3.12 **Ensuring the Authority's Assurance Arrangements Conform with the Governance Requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, Where They Do Not, Explain Why and How They Deliver the Same Impact**
- The Council's Internal Audit Service operates in compliance with the CIPFA Code of Practice for Internal Audit in Local Government. A revised internal audit charter was approved by the Audit & Risk Management Committee in December 2013 following the new public sector internal audit standards (PSIAS) which came into use from 1 April 2013. The internal audit charter provides the necessary authorities for internal audit to have access to all records and assets of the Council, for it to operate independently in accordance with professional standards, and to have all necessary access to report its findings to the appropriate level of management as it determines. These arrangements conform with the governance requirements in the CIPFA Statement on the Role of the Head of Internal Audit.
- 3.13 **Ensuring Effective Arrangements Are in Place for the Discharge of the Monitoring Officer Function**
- The Chief Executive and the Monitoring Officer (Director Chief Executive Service) meet regularly to consider and recommend action in connection with current governance issues and other matters of concern regarding probity.
  - In carrying out any enquiries, the Monitoring Officer has unqualified access to any information held by the Council and to any employee who can assist in the discharge of his/her functions.
  - Following consultation, in particular with the Chief Executive, the Monitoring Officer reports to the Council from time to time on such matters of corporate governance or relating to the ethical standards framework as, in his opinion, require review.
- 3.14 **Ensuring Effective Arrangements Are in Place for the Discharge of the Head of Paid Service Function**
- Delegations to the Chief Executive were reviewed in 2012 and are set out in the Council's Scheme of Delegation to Officers.
- 3.15 **Undertaking the Core Functions of an Audit Committee, as Identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities**
- The Audit & Risk Management Committee was established on the basis of the principles contained in CIPFA's "Audit Committees - Guidance for Local Authorities". The Audit Committee Handbook, approved by Audit & Risk Management Committee in June 2012, requires the Committee to seek to operate in accordance with these principles. The handbook also commits the Audit and Risk Management Committee to review its own effectiveness against best practice guidance on a biennial basis and this will take place in Autumn 2014. These arrangements ensure the Audit and Risk Management Committee is delivering the core functions of an audit committee as identified in the CIPFA publication.
  - Late in 2013, CIPFA published a new Position Statement on Audit Committees in Local Authorities along with associated Guidance and arrangements have been made to report the new requirements to the Audit & Risk Management Committee in June 2014.
- 3.16 **Ensuring Compliance with Relevant Laws and Regulations, Internal Policies and Procedures, and that Expenditure is Lawful**
- The Council's decision-making structure includes Schemes of Delegation, Standing Orders, Financial Regulations and Procurement Standing Orders.
  - The Monitoring Officer for Dumfries & Galloway Council is currently the Director Chief Executive Service and the Monitoring Officer has a duty to report on any proposal, decision or omission by the authority or any committee, joint committee or employee of the authority which has caused or would be likely to cause a contravention of the law or a code of practice.
  - The Internal Audit charter in the Audit Committee handbook includes in its remit that Internal Audit will review management's achievement of the following business objectives:
    - Effective and efficient operations
    - Reliable internal and external reporting
    - Compliance with laws, regulations and internal policies.
  - The Council's Financial Regulations state that financial transactions are not permitted unless they fall within the legal powers of the Council and are within the limits set by the Council.

**3.17 Whistleblowing and for Receiving and Investigating Complaints from the Public**

- The Council has an Expolink Hotline in place where employees wish to flag up serious issues anonymously. This service offers free telephone contact and unrecorded calls, as a means of confidential communication with the Chief Executive and Head of Organisational Development & Human Resources. Issues raised are investigated and a reply is left with Expolink for the callers, who can take the matter further if they are dissatisfied with the initial response. This service is not a substitute for raising matters covered by other procedures, and where necessary, callers will be referred to the appropriate procedure. The policy on raising concerns within the Council is currently being updated to be put on the public website.
- The Council has implemented the new national 2-Stage Complaints Handling Procedure for Council's services. Customer-facing leaflets on this process are widely available in customer access points and are published on the Council's website.
- The Council publishes an annual report online on comments, compliments and complaints. As at 10 December 2013, of 15 complaints reviewed by the Ombudsman's office, apart from specific corrective actions and identified learning the result was:
  - No maladministration in 5 complaints, 6 complaints were out of the Ombudsman's jurisdiction and 4 complaints still await the SPSO's decision.

**3.18 Identifying the Development Needs of Members and Senior Officers in Relation to their Strategic Roles, Supported by Appropriate Training**

- Following elections in May 2012, Full Council agreed the Members' Training and Development Programme 2012/13. This Programme was delivered in full. Additionally, Members have open access to a range of training and Continuing Professional Development (CPD) events on an individual basis. Members are supported in identifying their training and CPD needs by a dedicated Workforce Development Officer based in Human Resources.
- The Council embraces the Improvement Service CPD programme for Elected Members. Members have the opportunity to self and peer group assess themselves against the skills profile of their role using 360o appraisals. From the results of this assessment, and following feedback, Members can then opt to follow an online based development plan.
- All Senior Officers participate in the Council's annual performance development review programme. Arising from this, the outputs are collated and used to create a corporate learning plan for senior managers linked to the Council's business needs and priorities.

**3.19 Establishing Clear Channels of Communication with all Sections of the Community and Other Stakeholders, Ensuring Accountability and Encouraging Open Consultation**

- Policy and Resources Committee in December 2012 agreed the implementation of Corporate Guidance for Community Engagement and to measure the effectiveness of how the National Standards for Community Engagement were applied by the Council.
- A Community and Customer Services Committee was established by the Council in November 2013 with a lead role in Customer Service development and development and implementation of the Council's Joint working with the Third Sector.
- The fulfilment of the remit for Area Committees and the role of Members to monitor performance at a local level is discharged through daytime business meetings and a planned programme of Themed Meetings founded on community and stakeholder engagement in accordance with National Standards of Community Engagement and good governance principles.

**3.20 Enhancing the Accountability for Service Delivery and Effectiveness of Other Public Service Providers**

- The Single Outcome Agreement identifies the relevant partner organisations and partnerships that are responsible for the specific actions to deliver the SOA Ambitions and Priorities. Partners are then required to provide performance monitoring data and narrative about challenges and achievements on at least an annual basis.
- The Community Planning Performance Management Framework provides for the Strategic Partnership to agree the End of Year Report for the Single Outcome Agreement in September each year; and throughout the year the Executive Group undertakes scrutiny sessions on each of the six Priorities, with the appropriate lead officers for the Priority, and provides a summary on progress and improvement action being taken on any areas not on target for the Strategic Partnership.



- The End of Year Progress Report is submitted to the Scottish Government and publicised through the Community Planning newsletter and the Council's performance magazine 'Broadcast' delivered to all households in the region.

**3.21 Incorporating Good Governance Arrangements in respect of Partnerships and Other Joint Working as identified by Audit Scotland's Report on the Governance of Partnerships, and Reflecting These in the Authority's Overall Governance Arrangements**

- Partnership arrangements, particularly their governance arrangements, are agreed by the relevant Service Committee. The Partnership arrangements are drawn up following Scottish Government or professional association guidance and/or using best practice from other Councils and partnerships.
- There is a Dumfries & Galloway Good Partnership Guide promoted to local partnerships which draws on Audit Scotland and PSIF checklists. The Strategic Partnership has an Improvement Plan in place which draws good practice identified nationally and the recommendations arising from the Peer Review of the SOA in June 2013. The development of the Improvement Plan included a facilitated session with the Improvement Service and a workshop for the Strategic Partnership looking at its role, membership and operating arrangements. The work of the National Community Planning Group and ongoing liaison with other CPPs will inform further developments and the implementation of the Plan's agreed actions.

**4. Review of Effectiveness**

- 4.1 The Council continuously reviews the effectiveness of its governance arrangements. During the last year, Senior Management arrangements have been strengthened with the strategic focus placed on the Corporate Management Team (CMT) and corporate business devolved to the Corporate Business Support Group (CBSG). These arrangements ensure that all aspects of the Council's governance arrangements are considered by an appropriate management group through their respective work programmes. Elected Members are central to the Council's governance arrangements and fulfil a pivotal role in reviewing the Council's Local Code of Corporate Governance.
- 4.2 The Council's External Auditors (PwC) have assessed the Council's overall governance arrangements including a review of Council and key Committee structures and minutes, financial reporting to committees, and the risk management framework. They consider that appropriately structured arrangements and reporting are in place.
- 4.3 The Internal Audit function within Dumfries & Galloway Council is responsible for independent appraisal of the Council's systems of internal control (including risk management). The work undertaken by Internal Audit during 2013/14 was based on the Chief Internal Auditor's assessment of risks and was communicated to those charged with governance through the annual plan. No significant alterations to the audit plan were required during the year and progress was reported at six, nine and twelve months. The level of staffing resources available to complete the plan remained as expected and there were no impairments on Internal Audit during the year.
- 4.4 Internal Audit communicates its findings through reports to operational management. These reports are also reviewed by the Audit & Risk Management Committee, particularly in respect of the effectiveness of Internal Audit's work and the adequacy of management's response. The recommendations in Internal Audit's reports are tracked and reported through to completion to provide assurance that necessary control improvements have been implemented by management.
- 4.5 The priority work for the Internal Audit section is a 3-year programme of assurance testing on the main financial systems of the Council. For 2013/14, reviews were undertaken on payroll and pensions administration and a joint audit with the Council's external auditors was undertaken on creditor payment systems. A follow-up audit was also done in respect of the main financial systems reviewed in 2012/13. In addition, a number of audits were completed on Service-based arrangements for internal control and on the management of risks associated with data protection. This work further contributed to the assurance that an adequate overall control environment was maintained by the Council's management during 2013/14.

- 4.6 The Council's E-GENDA committee management system continues to provide Members with a forward plan of the Council business anticipated at strategic, service and area committees and its decision-tracking facility provides Members with the associated audit trail.
- 4.7 Over the last year, the Council received reports on 117 business plan projects and on 231 indicators. Reporting this information to Committees has enabled Elected Members to play a more active part in the Council's performance management arrangements and to be assured about the Council's effectiveness.
- 4.8 To ensure the component parts of the Council's governance documents are fit for purpose and reflecting good practice, an Ad Hoc Sub Committee has been established to review these documents. The recommendations from the Sub Committee were reported to the Full Council in November 2013.
- 5. Significant governance issues**
- 5.1 The Council is operating within a context of significant change as a result of the challenging financial environment and the public service reform agenda, including the review of community planning, health and social care integration, police and fire reform and welfare reform. The Council recognises these significant challenges and demonstrates a good corporate approach to planning for and managing the risks associated with them and at the same time as taking forward its improvement and modernisation agenda.
- 5.2 The Council's Assurance and Improvement Plan for the period 2013 - 2016 is the result of a Shared Risk Assessment (SRA) undertaken by a local area network (LAN) made up of representatives of all the main local government audit and inspection agencies. The aim of the SRA process is to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period.
- 5.3 The only significant scrutiny risks identified by the LAN for 2013/14 related to Social Work business planning and management. Previous review work by the Council's External Auditors (PwC) identified management arrangements and financial controls within social work services requiring improvement in the design and operation of SWS processes concerning:
- Business planning and management
  - Budget setting and monitoring
  - Information Management
- 5.4 Social Work Services management prepared an action plan to address the weaknesses identified and the plan has identified 5 areas for improvement:
1. Financial Recovery
  2. Leadership, Accountability & Capacity
  3. Effective Engagement
  4. Improving Business Systems
  5. Intelligence for Planning and Resources Allocation
- 5.5 The plan has been regularly reported on and scrutinised by the Service Committee and will be subject to formal follow-up work by the external auditors during 2014. The scope and nature of any follow-up work will be subject to discussion and agreement with the Council.
- 5.6 The LAN also determined that further information was required on housing and homelessness. In particular, the Scottish Housing Regulator (SHR) plans to liaise with the Council to develop a better understanding of the reasons for recent falls in the number of presentations and assessments and the types of placements which are being provided to presenting homeless people.

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5.7 The Corporate Business Support Group has been tasked with oversight of the governance framework and will generate improvement actions based on the results of the baseline assessment of the Code of Corporate Governance and build these into the Council's forward work programmes.

**6. Conclusion**

On the basis of the review of governance arrangements for 2013/14, it is confirmed that the Council has identified and communicated its vision for the area; it has put processes in place to implement this vision; it has worked with its partners to achieve a common purpose in delivering outcomes for its citizens and service users; it has sought to demonstrate the principles of good governance in the behaviours of its Elected Members and Officers; in consultation with local people it has made informed and transparent decisions which are subject to effective scrutiny; it has managed its risks effectively; and it has ensured Elected Members and Officers have the capacity and capability to deliver its purpose effectively.

Signed:

Ronnie Nicholson, Leader,  
Dumfries & Galloway Council

Gavin Stevenson, Chief Executive,  
Dumfries & Galloway Council

27 May 2014

## Remuneration Report

### Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(6) of the Code for the totals of elected members' salaries, allowances and expenses, and those under 3.4.4.1(7) of the Code for the number of officers whose remuneration in the year was greater or equal to £50,000 grouped in bands of £5,000 and the number of exit packages agreed have been included in separate tables within this report.

All information disclosed in the tables in this Remuneration Report has been audited by the Council's appointed auditors, PricewaterhouseCoopers LLP (PWC). The other sections of the Remuneration Report will be reviewed by PWC to ensure that they are consistent with the financial statements.

### Arrangements for Remuneration

#### **Leader, Depute Leader & Senior Councillors**

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007. The regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Convenor, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Convenor 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 salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2013/14 the salary for the Leader of Dumfries & Galloway Council is £32,795. The Regulations permit the Council to remunerate one Civic Head (Depute Leader). The Regulations set out the maximum salary that may be paid to that Civic Head. The Council policy is in accordance with Band B Councils as set out in Councillors' Remuneration, Allowances and Expenses Guidance from recommendations made by the Scottish Local Authorities Remuneration Committee (SLARC) in its 2009 Report "Annual Review of Remuneration for Local Authority Councillors".

The regulations set out the remuneration that may be paid to senior councillors and the total number of senior councillors that 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 of its senior councillors, excluding the Leader and the Depute Leader, shall not exceed £287k. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits.

In 2013/14 Dumfries & Galloway Council had 13 senior councillors, excluding the Leader and the Depute Leader, and the remuneration paid to these councillors totalled £285k. 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. The Dumfries & Galloway Council Members' Salaries and Expenses Scheme which encompasses the salaries of all elected members including the Leader, the Depute Leader and Senior Councillors was agreed at a meeting of the Full Council on 22 May 2012.

### Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. The Personnel Services Circular - Industrial Relations 1/10 set the salary for the Chief Executive for 2013/14. The rate of pay for Directors and other Chief Officials are set out in SJNC Circular CO/144.

The Full Council sets the remuneration levels for senior officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services, and the funds available to the Council.

Pay bonuses or performance related pay are not applicable to any senior employees.

### Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

### Remuneration of Senior Councillors

There were a number of changes to the senior councillors' responsibilities following a change in administration of the Council on 1 October 2013. The following table shows the remuneration paid to senior councillors, with the responsibilities before and after the change listed.

Senior Councillors	Responsibility after 1/10/13	Responsibility prior to 1/10/13	Salary & allowances £	2013/14 Taxable expenses £	Total remuneration £	2012/13 Total remuneration £
Ronnie Nicholson	Leader	Opposition Group Leader	25,426	0	25,426	17,732
Brian Collins	Depute Leader	Depute Leader	24,603	7,643	32,246	27,773
Jim Dempster	Chairman of Planning Applications Committee		11,668	1,997	13,665	
Ian Dick	Vice Chairman of Planning Applications Committee		9,462	4,241	13,703	
Andy Ferguson	Chairman of Social Work Services Committee	Chairman of Social Work Services Committee	22,623	1,021	23,644	20,994
Alistair Geddes	Chairman of Audit & Risk Management Committee	Chairman of Scrutiny Committee	22,821	6,590	29,411	27,740
Ivor Hyslop	Chairman of Scrutiny & Performance Committee	Leader	27,812	0	27,812	31,579
Jeff Leaver	Chairman of Education Committee		11,668	0	11,668	
John Martin	Vice Chairman of DGFirst Management Committee		9,290	0	9,290	
Tom McAughtrie	Chairman of Community & Customer Services Committee (see note 1)		7,658	50	7,708	
Jim McClung	Vice Chairman of Planning, Housing & Environment Committee	Vice Chairman of Planning, Housing & Environment Committee	18,045	6,723	24,768	21,397

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Ronnie Ogilvie	Chairman of Annandale & Eskdale Area Committee	9,462	2,157	11,619	
Colin Smyth	Chairman of Economy, Environment & Infrastructure Committee	11,668	0	11,668	
Stephen Thompson	Chairman of DGFirst Management Committee (see note 2)	11,669	2,528	14,197	22,457
Ted Thompson	Vice Chairman of Social Work Services Committee	9,361	148	9,509	
Ian Blake	(see note 2)				19,610
Ian Carruthers	Chairman of Planning, Housing & Environment Committee	11,382	2,608	13,990	26,410
Rob Davidson	Vice Chairman of Education Committee	9,006	19	9,025	18,327
Gill Dykes	Chairman of Audit & Risk Management Committee	11,382	1,330	12,712	22,654
Patsy Gilroy	Chairman of DGFirst Management Committee	11,382	1,764	13,146	25,691
Jack Groom	Vice Chairman of Audit & Risk Management Committee (see note 3)	9,006	0	9,006	17,732
Gail MacGregor	Chairman of Education Committee	11,382	1,461	12,843	23,593
Denis Male	Vice Chairman of Planning Applications Committee	9,006	2,389	11,395	22,002
Graham Nicol	Chairman of Planning Applications Committee	11,382	3,319	14,701	28,190
Roberta Tuckfield	Vice Chairman of Social Work Services Committee	9,006	3,766	12,772	24,788
Andrew Wood	Vice Chairman of DGFirst Management Committee	9,006	1,484	10,490	19,313
<b>Total</b>		<b>335,176</b>	<b>51,238</b>	<b>386,414</b>	<b>417,982</b>

**Notes:**

1. Councillor McAughtrie held this post from 28/11/13.
2. Councillors Thompson and Blake received remuneration as Chairman and Vice Chairman respectively of the Police, Fire & Rescue Committee in 2012/13. This committee ceased with the transfer of Police and Fire & Rescue Services on 1 April 2013.
3. Councillor Groom resigned from this post on 19/9/13.
4. There were an additional 6 Councillors who were Senior Councillors in the period before the election on 3 May 2012. They received remuneration totalling £11,776 in 2012/13.
5. No senior councillor received any remuneration from a subsidiary body as a representative of the Council as the Council has no subsidiary entities.

**Members' Remuneration**

The Council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

	2012/13 £000	2013/14 £000
Salaries	758	770
Allowances	82	83
Expenses	129	135
<b>Totals</b>	<b>969</b>	<b>988</b>

The annual return of Councillors' salaries and expenses for 2013/14 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at [dumgal.gov.uk](http://dumgal.gov.uk).

### Remuneration of Senior Employees

The following table shows the remuneration paid to the Council's senior employees. The term senior employee includes any local authority employee:

- who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
- whose annual remuneration is £150,000 or more.

Senior Employee	Post	Salary, fees & allowances	Expenses	Compensation for loss of office	Total remuneration excluding pension contributions 2013/14	Note	Total remuneration excluding pension contributions 2012/13
		£	£	£	£		£
Gavin Stevenson	Chief Executive	134,099	873	0	134,972		133,902
Lorna Meahan	Assistant Chief Executive (Perf. & Quality)	84,905	0	0	84,905		84,149
Alex Haswell	Director Chief Executive Service	93,863	0	0	93,863	1	92,087
Justin Tracy	Director Community & Customer Services	38,063	0	0	38,063	2	90,918
Colin Grant	Director Education Services	98,782	1,414	0	100,196		98,791
John Alexander	Director Social Work Services	24,251	137	14,667	39,055	3	98,604
Sean McGleenan	Interim Chief Social Work Officer	80,103	139	0	80,242	4	
Alistair Speedie	Director Planning & Environment Services	98,748	1,186	0	99,934		97,104
Bill Barker	Director DG First	91,813	0	0	91,813		89,191
Paul Garrett	Head of Finance	76,203	0	0	76,203		73,732
Colin Scott	Chief Fire Officer					5	74,629
Hamish McGhie	Assistant Chief Fire Officer					5	80,470
Patrick Shearer	Chief Constable					5	136,358
Mike McCormick	Deputy Chief Constable					5	113,436
<b>Total</b>		<b>820,830</b>	<b>3,749</b>	<b>14,667</b>	<b>839,246</b>		<b>1,263,371</b>

#### Note:

1. The Director Chief Executive Service received an additional payment as the Returning Officer for Local Government elections & a by-election in 2012/13.
2. The Director Community & Customer Services left the Council on 30 August 2013.
3. The Director Social Work Services left the Council on 30 June 2013.
4. The Interim Chief Social Worker was in post from 1 July 2013.
5. These employees transferred to Scottish Police Authority and Scottish Fire & Rescue Service on 1 April 2013.



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**Remuneration of Employees receiving more than £50,000**

The Council's employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Code, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

	Police	Fire	Teachers		Council		2012/13	Total	
	2012/13	2012/13	2012/13	2013/14	2012/13	2013/14		2012/13 excluding Police & Fire	2013/14
£130,000 to £134,999	1	0	0	0	1	1	2	1	1
£125,000 to £129,999	0	0	0	0	0	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0	0	0	0
£115,000 to £119,999	0	0	0	0	0	0	0	0	0
£110,000 to £114,999	1	0	0	0	0	1	1	0	1
£105,000 to £109,999	1	0	0	0	0	0	1	0	0
£100,000 to £104,999	0	0	0	1	0	1	0	0	2
£95,000 to £99,999	0	0	0	0	3	1	3	3	1
£90,000 to £94,999	0	0	0	1	1	2	1	1	3
£85,000 to £89,999	0	0	0	0	2	0	2	2	0
£80,000 to £84,999	2	0	0	0	3	3	5	3	3
£75,000 to £79,999	0	4	1	1	1	6	6	2	7
£70,000 to £74,999	1	0	3	1	10	15	14	13	16
£65,000 to £69,999	2	1	2	4	12	3	17	14	7
£60,000 to £64,999	2	1	10	5	4	0	17	14	5
£55,000 to £59,999	14	4	16	19	1	13	35	17	32
£50,000 to £54,999	36	1	42	50	22	20	101	64	70
<b>Total</b>	<b>60</b>	<b>11</b>	<b>74</b>	<b>82</b>	<b>60</b>	<b>66</b>	<b>205</b>	<b>134</b>	<b>148</b>

All staff in Police & Fire above transferred to Scottish Police Authority and Scottish Fire & Rescue Service on 1 April 2013.

The above table includes adjustments made for fifteen employees whose early retirement packages moved them into different bandings than they should have been in. These adjustments were:

- one employee in Teachers moving from the £50,000 to £54,999 band to the £100,000 to £104,999 band,
- one employee in Teachers showing in the £90,000 to £94,999 band who would otherwise not be included in the table,
- four employees in Teachers showing in the £50,000 to £54,999 band who would otherwise not be included in the table,
- one employee in the Council moving from the £65,000 to £69,999 band to the £100,000 to £104,999 band,
- one employee in the Council showing in the £75,000 to £79,999 band who would otherwise not be included in the table,
- four employees in the Council showing in the £70,000 to £74,999 band who would otherwise not be included in the table,
- one employee in the Council showing in the £55,000 to £59,999 band who would otherwise not be included in the table,
- two employees in the Council showing in the £50,000 to £54,999 band who would otherwise not be included in the table.

### Exit Packages

A number of employees left the Council in the year to 31 March 2014 under the Early Retirement/ Voluntary Severance Scheme. The table below details the exit packages for these staff. It includes payments made to staff and the accrued pension cost of added years.

Range	Total amount paid		Number of people in range	
	2012/13 £	2013/14 £	2012/13	2013/14
£0 - £20,000	183,432	222,754	23	32
£20,000 - £40,000	215,248	764,319	8	28
£40,000 - £60,000	218,347	720,102	4	14
£60,000 - £80,000	149,517	232,471	2	3
£80,000 - £100,000	0	84,715	0	1
£100,000 - £150,000	117,335	245,552	1	2
	<b>883,879</b>	<b>2,269,913</b>	<b>38</b>	<b>80</b>

### Pension Benefits

#### Local Government Pension Scheme

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 the membership to calculate the career average pay. This is the value used to calculate 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 the 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 contribution rates were set at 6% for all non-manual employees. Some manual workers had a protected 5% rate.

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The tiers and members contribution rates for 2013/14 are as follows:

<b>Whole time pay</b>	<b>Contribution rate 2012/13</b>	<b>Whole time pay</b>	<b>Contribution rate 2013/14</b>
On earnings up to and including £19,400	5.50%	On earnings up to and including £19,800	5.50%
On earnings above £19,400 and up to £23,700	7.25%	On earnings above £19,800 and up to £24,200	7.25%
On earnings above £23,700 and up to £32,500	8.50%	On earnings above £24,200 and up to £33,200	8.50%
On earnings above £32,500 and up to £43,300	9.50%	On earnings above £33,200 and up to £44,200	9.50%
On earnings above £43,300	12.00%	On earnings above £44,200	12.00%

If a person works part time, their contribution rate is calculated on the whole time pay rate for the job, with actual contributions on actual pay earned reducing the amount paid. Membership in the scheme is also accrued on a pro rata basis based on the amount of hours worked.

The employer's contribution rates for 2012/13 and 2013/14 were 21.5% and 21.5% respectively.

There is no automatic right to a lump sum. Members may opt to give up (commute) pension for 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 pay and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a guaranteed 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 total local government membership and not just their current appointment.

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**Pension Benefits of Senior Councillors**

The pension benefits for senior councillors who are members of the Dumfries & Galloway Council Pension Fund are shown in the following table, together with the contribution made by the Council to each senior councillor's pension.

Senior Councillors	Responsibility after 1/10/13	Responsibility prior to 1/10/13	In year pension contributions			Accrued Pension Benefits		Difference from 31 March 2013
			For year to 31 March 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £000	As at 31 March 2013 £000	
Ronnie Nicholson	Leader	Opposition Group Leader	5,467	3,652	Pension	2	1	1
					Lump sum	1	1	0
Brian Collins	Depute Leader	Depute Leader	5,290	4,670	Pension	2	1	1
					Lump sum	1	1	0
Jim Dempster	Chairman of Planning Applications Committee		2,528		Pension	2		
					Lump sum	1		
Ian Dick	Vice Chairman of Planning Applications Committee		2,052		Pension	4		
					Lump sum	8		
Andy Ferguson	Chairman of Social Work Services Committee	Chairman of Social Work Services Committee	4,907	4,334	Pension	1	0	1
					Lump sum	0	0	0
Alistair Geddes	Chairman of Audit & Risk Management Committee	Chairman of Scrutiny Committee	4,907	4,573	Pension	3	2	1
					Lump sum	2	2	0
Ivor Hyslop	Chairman of Scrutiny & Performance Committee	Leader	5,980	6,169	Pension	1	0	1
					Lump sum	0	0	0
Jeff Leaver	Chairman of Education Committee		2,528		Pension	2		
					Lump sum	1		
John Martin	Vice Chairman of DGFirst Management Committee		2,015		Pension	1		
					Lump sum	0		
Tom McAughtrie	Chairman of Community & Customer Services Committee (see note 1)		1,671		Pension	1		
					Lump sum	0		
Jim McClung	Vice Chairman of Planning, Housing & Environment Committee	Vice Chairman of Planning, Housing & Environment Committee	3,880	3,460	Pension	1	0	1
					Lump sum	0	0	0
Ronnie Ogilvie	Chairman of Annandale & Eskdale Area Committee		2,052		Pension	2		
					Lump sum	1		
Colin Smyth	Chairman of Planning, Economy, Environment & Infrastructure Committee		2,528		Pension	1		
					Lump sum	0		
Stephen Thompson	Chairman of DGFirst Management Committee	See note 2	2,528	4,304	Pension	1	0	1
					Lump sum	0	0	0
Ted Thompson	Vice Chairman of Social Work Services Committee		2,030		Pension	1		
					Lump sum	0		

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Ian Blake	See note 2		3,527	Pension		2	
				Lump sum		2	
Ian Carruthers	Chairman of Planning, Housing & Environment Committee	2,428	4,344	Pension	1	0	1
				Lump sum	0	0	0
Rob Davidson	Vice Chairman of Education Committee	1,920	3,471	Pension	0	0	0
				Lump sum	0	0	0
Patsy Gilroy	Chairman of DGFirst Management Committee	2,428	4,591	Pension	3	2	1
				Lump sum	2	2	0
Jack Groom	Vice Chairman of Audit & Risk Management Committee (see note 3)	1,920	3,652	Pension	2	2	0
				Lump sum	1	1	0
Gail MacGregor	Chairman of Education Committee	2,428	4,344	Pension	1	0	1
				Lump sum	0	0	0
Denis Male	Vice Chairman of Planning Applications Committee	1,920	3,652	Pension	3	2	1
				Lump sum	2	2	0
Graham Nicol	Chairman of Planning Applications Committee	2,428	4,344	Pension	1	0	1
				Lump sum	0	0	0
Andrew Wood	Vice Chairman of DGFirst Management Committee	1,920	3,471	Pension	2	1	1
				Lump sum	1	0	1
<b>Total</b>		<b>67,755</b>			<b>59</b>		

1. Councillor McAughtrie held this post from 28/11/13.
2. Councillors Thompson and Blake received remuneration as Chairman and Vice Chairman respectively of the Police, Fire & Rescue Committee in 2012/13. This committee ceased with the transfer of Police and Fire & Rescue Services on 1 April 2013.
3. Councillor Groom resigned from this post on 19/9/13.
4. There were an additional 6 Councillors who were Senior Councillors in the period before the election on 3 May 2012. Pension contributions totalling £1,128 were paid in 2012/13 to 5 of these Councillors.

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**Pension Benefits of Senior Employees**

The pension benefits for senior employees are shown in the table below, together with the contribution made by the Council to each senior employee's pension.

Senior Employees	Post	In year pension contributions			Accrued Pension Benefits		
		For year to 31 March 2014	For year to 31 March 2013		As at 31 March 2014	As at 31 March 2013	Difference from 31 March 2013
		£	£		£000	£000	£000
Gavin Stevenson	Chief Executive	28,831	28,539	Pension	45	42	3
				Lump sum	101	100	1
Lorna Meahan	Assistant Chief Executive (Perf. & Quality)	18,255	18,062	Pension	21	19	2
				Lump sum	41	40	1
Alex Haswell	Director Chief Executive Service	20,181	19,176	Pension	45	41	4
				Lump sum	111	106	5
Justin Tracy	Director Community & Customer Services	8,184	19,547	Pension	31	30	1
				Lump sum	72	72	0
		11,887		Strain on Fund			
Colin Grant	Director Education Services	21,238	21,023	Pension	44	42	2
				Lump sum	106	105	1
John Alexander	Director Social Work Services	5,214	21,023	Pension	50	45	5
				Lump sum	115	115	0
		39,660		Strain on Fund			
Sean McGleenan	Interim Chief Social Worker	13,572		Pension	33		
				Lump sum	80		
Alistair Speedie	Director Planning & Environment Services	21,231	20,655	Pension	36	33	3
				Lump sum	84	81	3
Bill Barker	Director DG First	19,740	19,176	Pension	43	40	3
				Lump sum	105	102	3
Paul Garrett	Head of Finance	16,384	15,852	Pension	22	20	2
				Lump sum	47	46	1
Colin Scott	Chief/ Deputy Chief Fire Officer	see note	15,954	Pension		65	
Hamish McGhie	Assistant Chief Fire Officer	see note	17,107	Pension		34	
Patrick Shearer	Chief Constable	see note	31,273	Pension		83	
Mike McCormick	Deputy Chief Constable	see note	26,806	Pension		65	
<b>Total</b>		<b>224,377</b>			<b>1,232</b>		

Note: These employees transferred to Scottish Police Authority and Scottish Fire & Rescue Service on 1 April 2013.

**Gavin Stevenson**  
Chief Executive

**Ronnie Nicholson**  
Leader of the Council

**26 June 2014**

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves – i.e. those that can be applied to fund expenditure or reduce local taxation – and unusable reserves. The (Surplus) or 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 the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The Net (Increase)/ Decrease before Transfers to/ (from) Other Statutory Reserves line shows the statutory General Fund Balance before any discretionary transfers to/(from) earmarked reserves undertaken by the Council.

	Usable Reserves					Total Usable Reserves	Total Unusable Reserves	Total Reserves	Note
	General Fund Balance	Capital Reserve	Other Reserves Capital Fund	Other Reserves Repairs & Renewals Fund	Other Reserves Insurance Fund				
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 31 March 2012</b>	<b>(59,958)</b>	<b>(700)</b>	<b>(4,412)</b>	<b>(1,674)</b>	<b>(2,849)</b>	<b>(69,593)</b>	<b>242,287</b>	<b>172,694</b>	
<b>Movements in Reserves during 2012/13- restated</b>									
(Surplus) or Deficit on provision of services	30,370	0	0	0	0	30,370	0	30,370	
Other Comprehensive Income & Expenditure	0	0	0	0	(254)	(254)	85,432	85,178	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>30,370</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(254)</b>	<b>30,116</b>	<b>85,432</b>	<b>115,548</b>	
Adjustments between accounting basis & funding basis under regulations	(32,520)	(70)	0	0	0	(32,590)	32,590	0	7
<b>Net (increase)/ decrease before transfers to/(from) other statutory reserves</b>	<b>(2,150)</b>	<b>(70)</b>	<b>0</b>	<b>0</b>	<b>(254)</b>	<b>(2,474)</b>	<b>118,022</b>	<b>115,548</b>	
Transfers to/ (from) Other Statutory Reserves	(1,644)	70	1,275	310	(11)	0	0	0	8
<b>(Increase)/ decrease in year</b>	<b>(3,794)</b>	<b>0</b>	<b>1,275</b>	<b>310</b>	<b>(265)</b>	<b>(2,474)</b>	<b>118,022</b>	<b>115,548</b>	
<b>Balance at 31 March 2013 carried forward</b>	<b>(63,752)</b>	<b>(700)</b>	<b>(3,137)</b>	<b>(1,364)</b>	<b>(3,114)</b>	<b>(72,067)</b>	<b>360,309</b>	<b>288,242</b>	
Transfer to SPA & SFRS	1,449	0	0	0	484	1,933	(385,496)	(383,563)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(62,303)</b>	<b>(700)</b>	<b>(3,137)</b>	<b>(1,364)</b>	<b>(2,630)</b>	<b>(70,134)</b>	<b>(25,187)</b>	<b>(95,321)</b>	
<b>Movements in Reserves during 2013/14</b>									
(Surplus) or Deficit on provision of services	14,083	0	0	0	0	14,083	0	14,083	
Other Comprehensive Income & Expenditure	0	0	0	0	43	43	(4,553)	(4,510)	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>14,083</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>14,126</b>	<b>(4,553)</b>	<b>9,573</b>	
Adjustments between accounting basis & funding basis under regulations	(10,092)	0	824	0	0	(9,268)	9,268	0	7
<b>Net (increase)/ decrease before transfers to/(from) other statutory reserves</b>	<b>3,991</b>	<b>0</b>	<b>824</b>	<b>0</b>	<b>43</b>	<b>4,858</b>	<b>4,715</b>	<b>9,573</b>	
Transfers to/ (from) Other Statutory Reserves	(112)	0	(30)	154	(12)	0	0	0	8
<b>(Increase)/ decrease in year</b>	<b>3,879</b>	<b>0</b>	<b>794</b>	<b>154</b>	<b>31</b>	<b>4,858</b>	<b>4,715</b>	<b>9,573</b>	
<b>Balance at 31 March 2014 carried forward</b>	<b>(58,424)</b>	<b>(700)</b>	<b>(2,343)</b>	<b>(1,210)</b>	<b>(2,599)</b>	<b>(65,276)</b>	<b>(20,472)</b>	<b>(85,748)</b>	



## Comprehensive Income & Expenditure Statement

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

2012/13				2013/14			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	Note
152,921	(7,007)	145,914	Education Services	158,684	(6,358)	152,326	
57,832	(47,453)	10,379	Housing Services	58,990	(48,835)	10,155	
33,291	(7,842)	25,449	Culture & Related Services	34,007	(8,028)	25,979	
26,055	(4,225)	21,830	Environmental Services	26,056	(3,867)	22,189	
13,643	(2,489)	11,154	Fire Services	0	0	0	
25,652	(1,022)	24,630	Roads & Transport Services	22,907	(793)	22,114	
43,045	(27,708)	15,337	Police Services	0	0	0	
11,761	(2,968)	8,793	Planning & Development Services	11,038	(3,290)	7,748	
112,456	(22,953)	89,503	Social Work	112,355	(20,702)	91,653	
8,859	(4,012)	4,847	Central Services to the Public	5,797	(2,543)	3,254	
6,779	(1)	6,778	Corporate & Democratic Core	6,085	0	6,085	
3,681	(57)	3,624	Non Distributable Costs	4,050	(326)	3,724	
<b>495,975</b>	<b>(127,737)</b>	<b>368,238</b>	<b>Net Cost of Services</b>	<b>439,969</b>	<b>(94,742)</b>	<b>345,227</b>	12
		611	Other Operating Expenditure			32	9
		45,380	Financing and Investment Income & Expenditure			31,437	10
		(383,859)	Taxation & Non Specific Grant Income			(362,613)	11
		<b>30,370</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>14,083</b>	
		(15,784)	(Surplus) or deficit on revaluation of non-current assets			(12,816)	
		2,347	Impairment losses on non-current assets charged to Revaluation Reserve			145	
		98,869	Remeasurement of net defined liability/ (asset)			8,118	
		(254)	Other unrealised (gains)/ losses			43	
		<b>85,178</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(4,510)</b>	
		<b>115,548</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>9,573</b>	

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets/ ( liabilities) of the Council (assets less liabilities) are matched by 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 any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses where the amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between the accounting basis and funding basis under regulations”.

Audited at 31 March 2013 £000	Transfer to SPA & SFRS £000	Adjusted balance at 1 April 2013 £000		31 March 2014 £000	Note
684,791	34,683	650,108	Property, Plant & Equipment	674,359	17
2,137	0	2,137	Heritage Assets	2,196	18
2,115	94	2,021	Intangible Assets	1,688	19
213	(11,818)	12,031	Long Term Debtors	13,473	23
<b>689,256</b>	<b>22,959</b>	<b>666,297</b>	<b>Long Term Assets</b>	<b>691,716</b>	
670	0	670	Assets Held For Sale	257	20
1,210	230	980	Inventories	1,111	22
18,130	1,721	16,409	Short Term Debtors	27,072	24
13,434	2,848	10,586	Cash & Cash Equivalents	13,469	25
<b>33,444</b>	<b>4,799</b>	<b>28,645</b>	<b>Current Assets</b>	<b>41,909</b>	
(28,028)	0	(28,028)	Short Term Borrowing	(47,295)	37
(41,540)	(3,566)	(37,974)	Short Term Creditors	(43,786)	26
(4,489)	0	(4,489)	Short Term Liabilities	(12,668)	27
(678)	(11)	(667)	Short Term Provisions	(1,109)	28
<b>(74,735)</b>	<b>(3,577)</b>	<b>(71,158)</b>	<b>Current Liabilities</b>	<b>(104,858)</b>	
(7,985)	0	(7,985)	Long Term Provisions	(7,985)	28
(136,918)	0	(136,918)	Long Term Borrowing	(132,766)	37
(114,235)	0	(114,235)	Other Long Term Liabilities	(111,978)	37
(659,569)	(390,244)	(269,325)	Other Long Term Liabilities (Pensions)	(290,290)	31
(17,500)	(17,500)	0	Other Long Term Liabilities (Injury Benefits)	0	
<b>(936,207)</b>	<b>(407,744)</b>	<b>(528,463)</b>	<b>Long Term Liabilities</b>	<b>(543,019)</b>	
<b>(288,242)</b>	<b>(383,563)</b>	<b>95,321</b>	<b>Net Assets/ (Liabilities)</b>	<b>85,748</b>	
72,067	1,933	70,134	Usable Reserves	65,276	34
(360,309)	(385,496)	25,187	Unusable Reserves	20,472	35
<b>(288,242)</b>	<b>(383,563)</b>	<b>95,321</b>	<b>Total Reserves</b>	<b>85,748</b>	

The unaudited accounts were issued on 26 June 2014 and the audited accounts were issued on 23 September 2014.

**Paul Garrett**  
**Head of Finance**

## 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 amount of net cash flows 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 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.

2012/13 £000		2013/14 £000	2013/14 £000	Note
30,370	Net (surplus) or deficit on the provision of services	14,083		
(71,167)	Adjustments to net (surplus) or deficit on the provision of services for non- cash movements	<u>(49,172)</u>		
<b>(40,797)</b>	<b>Net cash flow from operating activities</b>		(35,089)	
	Investing activities			
38,316	- purchase of property, plant, equipment, heritage assets & intangible assets	45,327		
(1,203)	- proceeds from the sale of property, plant, equipment	<u>(263)</u>		
37,113			45,064	
	Financing activities			
(156,783)	- cash receipts from short & long term borrowing	(165,157)		
(42)	- other receipts from financing activities	(69)		
1,781	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	2,238		
160,985	- repayments of short & long term borrowing	<u>150,130</u>		
5,941			<u>(12,858)</u>	
<b>2,257</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,883)</b>	
15,691	Cash and cash equivalents at the beginning of the period		10,586	
<b>13,434</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b><u>13,469</u></b>	25
2,848	Transfer to SPA & SFSR			
<b>10,586</b>	<b>Adjusted opening balance at 1 April 2013</b>			

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

#### a) General Principles

The Annual Accounts summarise the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, and which are required under section 12 of the Local Government in Scotland Act 2003 to be prepared in accordance with proper accounting practice. These practices are the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS). They are designed to provide a 'true and fair view' of the financial performance and position of the Council.

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

#### b) Accruals of Income & Expenditure

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

- suppliers' invoices paid in the two weeks following the year-end have been analysed and included together with specific accruals in respect of further material items provided the goods and services were received in 2013/14,
- all known specific and material sums payable to the Council have been included. Revenue for the sale of goods or the provision of services is recognised when it is determined that the service has been provided,
- supplies are recorded as expenditure when they are consumed. When there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet,
- where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income which will not be collected,
- interest receivable on investments and payable on borrowings 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.

#### c) Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on 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 an insignificant risk of changes in value. In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which are repayable on demand and form an integral part of the Council's cash management.

#### d) Changes in Accounting Policies and Prior Period Adjustments

Changes in accounting policies are only made when required by proper accounting practice or where the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior periods 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.

### **e) Charges to Revenue for Non-Current Assets**

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real 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 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 provision for the annual cost of the repayment of previous borrowing. Depreciation, revaluation, impairment losses and amortisations are therefore replaced by loans fund principal repayments in the Movement in Reserves Statement to recognise the difference between the two.

### **f) Employee Benefits**

#### Benefits Payable During Employment

All employment costs relating to the period to 31 March 2014 have been accounted for in Net Cost of Services in the Comprehensive Income & Expenditure Statement. An accrual is made for the cost of leave entitlement earned by employees but not taken at 31 March. This is charged to services in the Comprehensive Income & Expenditure Statement and reversed out in the Movement in Reserves Statement.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate employment before the normal retirement date or a decision to accept voluntary redundancy. These costs are charged to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council can no longer withdraw the offer of these benefits. 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 the 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 notional debits and credits for pension enhancement termination benefits and replace them with the debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

#### Post Employment Benefits

The Council participates in the following separate pension schemes:

- The Local Government Pension Scheme (LGPS) administered by Dumfries & Galloway Council,
- The Teachers Pension Scheme.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However the arrangements for the Teachers Scheme mean that liabilities for these benefits can not ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for the future payments of benefits is recognised in the Balance Sheet, and the Education service line in the Comprehensive Income & Expenditure Statement is charged with the employers' contributions payable to teachers' pensions in the year.

#### *The Local Government Pension Scheme (LGPS)*

The LGPS is accounted for as a defined benefit scheme:

- the liabilities of the Dumfries & Galloway Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit basis – 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, etc. and projections of earnings for current employees.

- liabilities are discounted to their value at current prices, using a discount rate of 4.3%, based on market yields at the end of the financial year on AA-rated corporate bonds,
- the assets of the Dumfries & Galloway Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value of current bid prices for securities,
- the change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year, allocated to the Comprehensive Income & Expenditure Statement to the services for which the employee worked,
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is charged to Non Distributable Costs in the Comprehensive Income & Expenditure Statement,
    - net interest on the net defined benefit liability/ (asset) – the change during the period in the net defined liability/ (asset) that arises from the passage of time charged to the Financing and Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.
  - Remeasurements comprising:
    - return on plan assets - excluding amounts included in the net interest on the net defined liability/ (asset). This is charged to the Remeasurements of the Net Defined Benefit Liability/ (Asset) in the Comprehensive Income & Expenditure Statement.
    - actuarial gains and losses – changes in the net pension liability/ (asset) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Remeasurements of the Net Defined Benefit Liability/ (Asset) in the Comprehensive Income & Expenditure Statement,
  - contributions paid to the Dumfries & Galloway Council Pension Fund – cash paid as employers contributions to the Pension Fund in settlement of liabilities. This is not accounted for as an expense under accounting conventions but is replaced by the current service cost above.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. 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 LGPS.

#### **g) Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is adjusted for events which provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is not adjusted for events which are indicative of conditions which arose after the end of the reporting period. However where such events would have a material effect, a disclosure is made in the Notes to the Financial Statements of the nature of the event and the estimated financial effect.

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

#### **h) Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income & Expenditure Statement or in the Notes to the Financial Statements, depending on how significant the items are to an understanding of the Council's financial performance.

#### **i) Financial Instruments**

##### Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount which was originally recognised. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses incurred as a result of the rescheduling of borrowing are charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement. Regulations allow the spreading of the gain or loss over the period of the replacement loans. The reconciliation between the amounts charged to the Comprehensive Income & Expenditure Statement and the amount required to be charged against the General Fund Balance is managed via the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

##### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but which are not quoted in an active market,
- available for sale assets – assets that have a quoted market price and/ or do not have fixed or determinable payments.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income & Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

#### **j) Grants & 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.

Monies advanced as grants and contributions for which contributions have not been satisfied are carried in the Balance Sheet as grants in advance. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (revenue grants) or Taxation & Non Specific Grant Income (capital grants) in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & 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. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

#### **k) Heritage Assets**

Heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture. The Council's heritage assets are held in the Council's museums across the region and in some other Council buildings.

Heritage assets are recognised and measured in accordance with the Council's policies on property, plant & equipment. Valuations have been made by a combination of professional valuations and estimates by curators based on current market values of similar items. In line with these policies only assets valued at over £5,000 have been included in the Balance Sheet. Due to the indeterminate lives and high residual value of heritage assets, it is not deemed appropriate to charge depreciation on these assets. The carrying amount of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised in accordance with the Council's impairment policy. The Council's policy for the acquisition, preservation, management and disposal of heritage assets is included in "A Museums Forward Plan for Dumfries & Galloway".

#### **l) Intangible Assets**

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

#### **m) Interests in Companies and Other Entities**

Where the Council has a material interest in subsidiaries, associates or joint ventures the Council will prepare Group Accounts in compliance with the Code. An interest is where the Council has either ownership of share capital or has rights to benefit from the capital of the entity. An interest also covers situations where the Council has the right to benefit from surpluses, a liability to contribute to losses, or an obligation to contribute to debts or expenses in the winding up of an entity. In assessing whether the interest is material or not an assessment will be made as to the influence and control which the Council exerts over the entity, not solely the financial interest or ownership.

#### **n) Inventories**

Inventories include consumable stock. Consumable stock is included in the Balance Sheet at the lower of cost and net realisable value. Inventory quantities are either based on physical stock at the end of the year or on a perpetual inventory throughout the year.

#### **o) 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 asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the two elements are considered separately for classification.



The Council as Lessee

*Operating leases*

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the service benefitting from the leased asset. Charges are made on a straight line basis over the term of the lease.

The Council as Lessor

*Operating leases*

Where the Council grants an operating lease over a property the asset is retained on the Balance Sheet. Rental income received from operating leases is credited to Net Cost of Service in the Comprehensive Income & Expenditure Statement on a straight line basis over the term of the lease.

**p) Overheads and Support Services**

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

- Corporate & Democratic Core – costs relating to the Council's status as a multifunctional democratic organisation,
- Non Distributable Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

The two categories are defined in SeRCoP and accounted for as separate headings in the Comprehensive Income & Expenditure Statement, as part of the Net Cost of Services.

**q) Private Finance Initiatives (PFI), Public Private Partnerships (PPP) and similar contracts**

PFI, PPP and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the service passes to the PFI/PPP contractor. As the Council is deemed to control the services provided under the PFI/PPP schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under these contracts on its Balance Sheet as part of Property, Plant & Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the contractor to pay for the capital investment. Non-current assets recognised in the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable each year are analysed into:

- the service charge and lifecycle replacement costs, charged to services in the Comprehensive Income & Expenditure Statement,
- the interest, charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement,
- contingent rent (increases in the amount to be paid for the property arising during the contract), charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement,
- the repayment of the liability, applied to reduce the Balance Sheet liability owed to the operator over the remaining term of the contract.

**r) Property, Plant & Equipment**

Assets which have a physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant & equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant & equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the asset will flow to the Council and the cost of the item can be reliably measured. Expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price and
- 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 Council does not capitalise borrowing costs incurred while assets are under construction.

Assets are carried on the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the assets in its existing use. Where there is no market based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives, low value or both, depreciated historical cost basis is used as a proxy for fair value.

### Revaluation

All assets are formally revalued at least once every five years and the revised amount is then included in the Balance Sheet. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in the value are identified these are accounted for by:

- writing down any balances on the Revaluation Reserve for that asset up to the accumulated gain or,
- where there is no or insufficient balance on the Revaluation Reserve, the loss is charged against the relevant service line in the Comprehensive Income & Expenditure Statement.

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

### Impairment

Assets are reviewed at each year end to determine whether there is an indication that an asset may be impaired. Where indications exist, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised. Impairment losses are accounted for by:

- writing down any balances on the Revaluation Reserve for that asset up to the accumulated gain or,
- where there is no or insufficient balance on the Revaluation Reserve, the impairment loss is charged against the relevant service line in the Comprehensive Income & Expenditure Statement.

### Depreciation

Depreciation is provided on all property, plant & equipment, other than land, assets under construction and assets held for sale, on a straight line basis over the expected life of the asset. Where an item of property, plant & equipment has major components whose lives are different and whose costs are 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 on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Disposals & Non-Current Assets Held for Sale

When an asset is reclassified as surplus and meets the appropriate criteria (i.e. the asset is available for immediate sale, the sale is highly probable, the asset is being actively marketed and the sale will be complete within a year of reclassification) then it is classified as an asset held for sale. The asset is revalued before classification and carried at the lower of this value and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised up to the amount of any previous losses recognised in the (Surplus)/ Deficit on the Provision of Services. Assets which are to be abandoned or scrapped are not reclassified as assets held for sale.

If assets no longer meet the criteria of assets held for sale, they are reclassified back to operational assets and valued at the lower of their carrying amount before they were classified as assets held for sale, adjusted for depreciation, amortisation and revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income & Expenditure Statement 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are required to be credited to the Capital Receipts Reserve, 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 in the Movement in Reserves Statement.

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

#### **s) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are created 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation, and are 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 carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

A contingent liability or asset arises where an event has taken place which gives the Council a possible obligation or benefit 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 or assets 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 or assets are not recognised in the Balance Sheet but are disclosed in a Note to the Accounts.

#### **t) 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 included in the appropriate service in that year so as to be included in the Comprehensive Income & 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 the Council Tax for the expenditure.

Reserves are categorised under accounting regulations into two broad categories:

- usable reserves, which are available to support services,
- unusable reserves, which are required to facilitate accounting requirements.

#### **u) VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs (HMRC) and all VAT paid is recoverable from it.

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### **2. Adjustments to 2012/13 Audited Annual Accounts**

On 1 April 2013 the Police and Fire Services were transferred to the Scottish Police Authority (SPA) and the Scottish Fire & Rescue Service (SFRS), as a result of the Police & Fire Reform (Scotland) Act. All balances relating to these functions have been removed from the Council's 2012/13 Balance Sheet and adjusted figures for the Council at 1 April 2013 have been provided. All notes relating to the 2012/13 Balance Sheet figures have also been adjusted to show the amended balances at 1 April 2013.

Amendments were made to IAS19 Employee Benefits which applied from 1 April 2013. The key change relates to the expected return on scheme assets. The figures in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement have been adjusted as if this charge had applied during 2012/13 to allow comparators to be made. Overall the impact on the bottom line of both statements is neutral.

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### **3. Accounting Standards Issued and Not Yet Adopted**

The Code requires the disclosure of 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 applies to the adoption of the following new or amended standards whose implementation is required from 1 April 2014, so there is no impact on the 2013/14 Annual Accounts:

- IFRS 10 Consolidated Financial Statements,
- IFRS 11 Joint Arrangements,
- IFRS 12 Disclosure of Interests in Other Entities,
- IAS 27 Separate Financial Statements,
- IAS 28 Investments in Associates and Joint Ventures,
- IAS 32 Financial Instruments.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 relate specifically to the group accounts. These changes amend the definition of control for accounting purposes in group accounts. These revisions may impact upon the current accounting treatment of the Council's interest in other entities. The Council is currently considering the entities within its group.

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#### **4. Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council's Balance Sheet shows an asset of £86 Million, which includes a pension deficit of £290 Million which has been produced specifically for meeting the purposes of IAS 19 accounting requirements. This does not affect the Council's ability to continue as a going concern,
  - all leases involving the Council as lessee or lessor have been reviewed and it has been determined that the Council is not party to any finance leases,
  - the Council has disclosed both provisions and contingent liabilities in the following notes. Judgements have been made in relation to the categorisation of different events and the possibility of their occurrence,
  - there is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets of the Council which might be impaired as a result of the need to review service provision.
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**5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant & Equipment	Estimation of the fair values and useful lives of assets are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require the Council to review current spending levels on asset repairs and maintenance, bringing into doubt fair values and useful lives assigned to assets.	Any significant change in repairs and maintenance spend would require a review of asset lives, thereby impacting directly on asset valuations and depreciation charges to Services.
Equal Pay	The Council has a provision of £7.985 Million for potential compensation claims to be made under the Equal Pay Act 1970 (as amended).	An increase of 10% on the average settlement would have the effect of adding £0.8 Million to the provision required.
LGPS Pensions Liability	Estimations 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 pensions fund assets. External actuaries provide expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £84.103 Million. However the assumptions interact in complex ways.
Debtor provisions	The Council has made provision of £4.139 Million in relation to outstanding debtor balances (notes 23 and 24). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future.	If debtor collection rates were to deteriorate, consideration would need to be given to further reviewing the criteria for calculating provisions and the provision levels held.

The above list does not include uncertainties in relation to the valuation of assets and liabilities that are carried at fair value based on a recently observed market price.

**6. Events After the Balance Sheet Date**

The unaudited Statement of Accounts were issued by the Head of Finance on 26 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 7. Adjustments between Accounting Basis & Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income & Expenditure in the Comprehensive Income & Expenditure Statement (CIES) recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future revenue and capital expenditure.

	Adjustments to Comprehensive Income & Expenditure Statement		Unusable Reserves				
	General Fund balance	Capital Receipts Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Employee Statutory Adjustment Account	Net movement in Unusable Reserves
	£000		£000	£000	£000	£000	£000
<b>Adjustments during 2012/13</b>							
• Charges for depreciation and impairment of non-current assets	(40,477)		40,477				40,477
• Amortisation of intangible assets	(349)		349				349
• Capital grants and contributions applied	17,289	(1,282)	(16,007)				(16,007)
• Net (gain)/loss on disposal of non-current assets	(611)		611				611
• Statutory repayment of debt (Loans Fund advances)	13,187		(13,187)				(13,187)
• Statutory repayment of debt (PFI/PPP)	2,066		(2,066)				(2,066)
• Capital expenditure charged in year to General Fund balance	3,452		(3,452)				(3,452)
• Use of the Capital Receipts Reserve to finance new capital expenditure		1,212	(1,212)				(1,212)
• Amount by which finance costs charged to the CIES are different to the amount of finance costs chargeable in the year in accordance with statutory requirements	146			(146)			(146)
• Reversal of items relating to retirement benefits debited or credited to the CIES	(57,372)				55,872	1,500	57,372
• Employers' pension contributions and direct payments to pensioners payable in the year	29,436				(29,262)	(174)	(29,436)
• Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	713					(713)	(713)
<b>Total Adjustments</b>	<b>(32,520)</b>	<b>(70)</b>	<b>5,513</b>	<b>(146)</b>	<b>26,610</b>	<b>613</b>	<b>32,590</b>

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	Adjustments to Comprehensive Income & Expenditure Statement			Unusable Reserves				
	General Fund balance	Capital Receipts Reserve	Capital Fund	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Employee Statutory Adjustment Account	Net movement in Unusable Reserves
Adjustments during 2013/14	£000	£000	£000	£000	£000	£000	£000	£000
• Charges for depreciation and impairment of non-current assets	(34,018)			34,018				34,018
• Amortisation of intangible assets	(336)			336				336
• Capital grants and contributions applied	15,840	(218)		(15,622)				(15,622)
• Net gain/(loss) on disposal of non-current assets	(32)			32				32
• Statutory repayment of debt (Loans Fund advances)	13,204			(13,204)				(13,204)
• Statutory repayment of debt (PFI/PPP)	2,238			(2,238)				(2,238)
• Capital expenditure charged in year to General Fund balance	6,834			(6,834)				(6,834)
• Use of the Capital Reserves to finance new capital expenditure		218	824	(1,042)				(1,042)
• Amount by which finance costs charged to the CIES are different to the amount of finance costs chargeable in the year in accordance with statutory requirements	146				(146)			(146)
• Reversal of items relating to retirement benefits debited or credited to the CIES	(34,944)					34,944		34,944
• Employers' pension contributions and direct payments to pensioners payable in the year	22,097					(22,097)		(22,097)
• Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	(1,121)						1,121	1,121
<b>Total Adjustments</b>	<b>(10,092)</b>	<b>0</b>	<b>824</b>	<b>(4,554)</b>	<b>(146)</b>	<b>12,847</b>	<b>1,121</b>	<b>9,268</b>



### 8. Transfers to/ (from) Other Statutory Reserves

This note sets out the amounts set aside from the General Fund balances in statutory reserves, established under Schedule 3 of the Local Government (Scotland) Act 1975, to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in the year.

<b>Movements in 2012/13</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Fund</b>	<b>Repairs &amp; Renewals Fund</b>	<b>Insurance Fund</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Transfers between reserves	0	70	(70)	0	0
Amount applied to finance capital expenditure	(1,971)	0	1,369	602	0
Contribution to Repairs & Renewals from General Fund	285	0	0	(285)	0
Interest on balances	42	0	(24)	(7)	(11)
	<b>(1,644)</b>	<b>70</b>	<b>1,275</b>	<b>310</b>	<b>(11)</b>

<b>Movements in 2013/14</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Fund</b>	<b>Repairs &amp; Renewals Fund</b>	<b>Insurance Fund</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Amount applied to finance capital expenditure	14	0	(14)	0	0
Contribution to Repairs & Renewals from General Fund	(159)	0	0	159	0
Interest on balances	33	0	(16)	(5)	(12)
	<b>(112)</b>	<b>0</b>	<b>(30)</b>	<b>154</b>	<b>(12)</b>

### 9. Other Operating Expenditure

The Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement comprises the following elements:

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
(Gains)/ losses on the disposal of non-current assets	611	32
	<b>611</b>	<b>32</b>

**10. Financing and Investment Income & Expenditure**

The Financing and Investment Income & Expenditure in the Comprehensive Income & Expenditure Statement comprises the following elements:

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
(Surplus)/ Deficit on trading accounts	(16)	13
Interest payable & similar charges	19,171	19,534
Net interest on the net defined benefit liability/ (asset)	26,473	12,144
Interest receivable & similar income	(248)	(254)
	<b>45,380</b>	<b>31,437</b>

**11. Taxation and Non-Specific Grant Income**

The Taxation and Non-Specific Grant Income in the Comprehensive Income & Expenditure Statement comprises the following elements:

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Council Tax income	(63,015)	(54,502)
Non domestic rates redistribution	(41,403)	(44,549)
Non ring fenced government grants	(262,152)	(246,273)
Capital grants & contributions	(17,289)	(17,289)
	<b>(383,859)</b>	<b>(362,613)</b>

## 12. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income & Expenditure Statement is that specified by the Service Reporting Code of Practice. These groups do not reflect the operational service structure within the Council. The monitoring reports to Service Committees exclude year end accounting transactions.

The income & expenditure of the Council reported in the Service outturn reports for the year is as follows:

Service Income & Expenditure 2012/13	Education £000	Social Work £000	Planning, Housing & Environment £000	DG First General Fund £000	Chief Executive Service £000	Community & Customer Services £000	Police £000	Fire £000	Total £000
Fees, charges & other service income	(1,094)	(16,220)	(5,292)	(8,826)	(2,458)	(6,750)	(8,982)	(1,481)	(51,103)
Grants	(2,614)	(15,284)	(3,195)	(98)	(2,236)	(44,277)	(24,875)	(2,791)	(95,370)
<b>Total Income</b>	<b>(3,708)</b>	<b>(31,504)</b>	<b>(8,487)</b>	<b>(8,924)</b>	<b>(4,694)</b>	<b>(51,027)</b>	<b>(33,857)</b>	<b>(4,272)</b>	<b>(146,473)</b>
Employee expenses	92,959	23,217	9,018	19,826	13,976	17,285	44,871	11,002	232,154
Other service expenses	56,398	86,586	40,037	27,329	12,708	62,447	5,937	2,554	293,996
Support service recharges	3,640	4,090	1,898	1,761	8,083	6,254	173	182	26,081
<b>Total expenditure</b>	<b>152,997</b>	<b>113,893</b>	<b>50,953</b>	<b>48,916</b>	<b>34,767</b>	<b>85,986</b>	<b>50,981</b>	<b>13,738</b>	<b>552,231</b>
<b>Net Expenditure</b>	<b>149,289</b>	<b>82,389</b>	<b>42,466</b>	<b>39,992</b>	<b>30,073</b>	<b>34,959</b>	<b>17,124</b>	<b>9,466</b>	<b>405,758</b>

Service Income & Expenditure 2013/14	Education £000	Social Work £000	Planning, Housing & Environment £000	DG First General Fund £000	Chief Executive Service £000	Community & Customer Services £000	Total £000
Fees, charges & other service income	(2,020)	(16,040)	(5,144)	(8,741)	(4,869)	(8,305)	(45,119)
Grants	(1,818)	(13,843)	(955)	(85)	(251)	(47,146)	(64,098)
<b>Total Income</b>	<b>(3,838)</b>	<b>(29,883)</b>	<b>(6,099)</b>	<b>(8,826)</b>	<b>(5,120)</b>	<b>(55,451)</b>	<b>(109,217)</b>
Employee expenses	93,672	24,266	9,050	20,202	16,409	18,932	182,531
Other service expenses	40,853	84,588	23,285	22,363	10,321	67,255	248,665
<b>Total expenditure</b>	<b>134,525</b>	<b>108,854</b>	<b>32,335</b>	<b>42,565</b>	<b>26,730</b>	<b>86,187</b>	<b>431,196</b>
<b>Net Expenditure</b>	<b>130,687</b>	<b>78,971</b>	<b>26,236</b>	<b>33,739</b>	<b>21,610</b>	<b>30,736</b>	<b>321,979</b>

**Reconciliation of Service Income & Expenditure to Cost of Service in the Comprehensive Income & Expenditure Statement**

This reconciliation shows how the figures in the analysis of Service income & expenditure relates to the amounts included in the Comprehensive Income & Expenditure Statement.

	2012/13 £000	2013/14 £000
Net expenditure in the Service Analysis	405,758	321,979
Net expenditure of services & support services not included in the Analysis	(23,450)	36,157
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(14,070)	(12,909)
<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>368,238</b>	<b>345,227</b>

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the Service Analysis of income and expenditure relate to the subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income & Expenditure Statement.

2012/13	Service Analysis £000	Service & Support Services not included in Analysis £000	Amounts not reported to management £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fee, charges & other service income	(67,106)	18,849	(56)	(48,313)	0	(48,313)
Interest & investment income	0	0	0	0	(23,579)	(23,579)
Income from Council Tax	0	0	0	0	(63,015)	(63,015)
Government grants & contributions	(79,367)	(57)	0	(79,424)	(320,844)	(400,268)
<b>Total Income</b>	<b>(146,473)</b>	<b>18,792</b>	<b>(56)</b>	<b>(127,737)</b>	<b>(407,438)</b>	<b>(535,175)</b>
Employee expenses	232,154	1,865	(714)	233,305	0	233,305
Other service expenses	254,982	(18,143)	(13,300)	223,539	(16)	223,523
Support service recharges	26,081	(27,408)	0	(1,327)	0	(1,327)
Depreciation, amortisation & impairment	39,014	1,444	0	40,458	0	40,458
Interest payments	0	0	0	0	68,975	68,975
(Gain) or loss on disposal of non-current assets	0	0	0	0	611	611
<b>Total Expenditure</b>	<b>552,231</b>	<b>(42,242)</b>	<b>(14,014)</b>	<b>495,975</b>	<b>69,570</b>	<b>565,545</b>
<b>(Surplus) or deficit on the Provision of Services</b>	<b>405,758</b>	<b>(23,450)</b>	<b>(14,070)</b>	<b>368,238</b>	<b>(337,868)</b>	<b>30,370</b>

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2013/14	Service Analysis £000	Service & Support Services not included in Analysis £000	Amounts not reported to management £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fee, charges & other service income	(62,747)	14,803	0	(47,944)	0	(47,944)
Interest & investment income	0	0	0	0	(24,411)	(24,411)
Income from Council Tax	0	0	0	0	(54,502)	(54,502)
Government grants & contributions	(46,470)	(328)	0	(46,798)	(308,111)	(354,909)
<b>Total Income</b>	<b>(109,217)</b>	<b>14,475</b>	<b>0</b>	<b>(94,742)</b>	<b>(387,024)</b>	<b>(481,766)</b>
Employee expenses	182,531	2,657	1,122	186,310	0	186,310
Other service expenses	248,665	(13,663)	(14,031)	220,971	13	220,984
Support service recharges	0	(845)	0	(845)	0	(845)
Depreciation, amortisation & impairment	0	33,533	0	33,533	0	33,533
Interest payments	0	0	0	0	55,835	55,835
(Gain) or loss on disposal of non-current assets	0	0	0	0	32	32
<b>Total Expenditure</b>	<b>431,196</b>	<b>21,682</b>	<b>(12,909)</b>	<b>439,969</b>	<b>55,880</b>	<b>495,849</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>321,979</b>	<b>36,157</b>	<b>(12,909)</b>	<b>345,227</b>	<b>(331,144)</b>	<b>14,083</b>

### 13. Trading Operations

The Council has established trading units where service managers are required to operate in a commercial environment and to balance their costs by generating income from other parts of the Council or other external organisations. The relevant policy objective of the Council is to provide quality, best value services to the people of Dumfries & Galloway in the provision of the services delivered by each of these trading units. The main financial risk to the Council through the operation of its trading units is that the turnover generated by each unit from internal and external customers is insufficient to meet the expenditure incurred.

The Council has determined criteria for determining which of these trading units are to be classified as Significant Trading Operations (STOs) to be disclosed in the Annual Accounts. Only the Road Maintenance Service met all of these criteria for 2013/14.

#### Roads Maintenance Service

The Council provides a road maintenance service. The services provided include the maintenance of roads, winter maintenance, lighting maintenance, car park maintenance, harbour maintenance, flood prevention maintenance and bus shelter maintenance. In addition, the Roads unit undertakes trunk road maintenance work as a subcontractor to Scotland Transerv. The unit also undertakes work in respect of Council capital schemes.

The Local Government in Scotland Act 2003 requires each STO to break even on a three year rolling basis. The calculation of the statutory performance is:

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	2011/12 (Surplus)/ Deficit £000	2012/13 (Surplus)/ Deficit £000	2013/14 (Surplus)/ Deficit £000	Cumulative 3 Year (Surplus)/ Deficit £000
Income	(21,437)	(20,540)	(25,507)	(67,484)
Expenditure	21,103	20,442	25,602	67,147
<b>Net (Surplus)/ Deficit</b>	<b>(334)</b>	<b>(98)</b>	<b>95</b>	<b>(337)</b>

The Code requires the removal of all notional interest charges previously made to service revenue accounts and trading accounts. However the work carried out by the STO has been priced to include an element of capital charging in line with the private sector. Therefore notional interest charges in the STO have been substituted by loans fund interest charges for the purposes of determining operating surpluses or deficits.

The 2013/14 Net Deficit shown above can be reconciled to the (Surplus) or Deficit on Trading Accounts included in Financing and Investment Income & Expenditure in the Comprehensive Income & Expenditure Statement as follows:

	£000
Net (Surplus)/ Deficit on STO	95
Allocated to Services in Cost of Services	(70)
Interest on revenue balances charged 2013/14	(8)
Interest on stock charged 2013/14	(5)
Employee benefit adjustment	13
Net Surplus on Non- Statutory Trading Units	(12)
<b>(Surplus)/ Deficit on Trading Accounts</b>	<b>13</b>

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#### 14. Agency Services

The Council bills and collects non domestic rates on behalf of the Scottish Government. During 2013/14 the Council collected £41.504 Million (£42.298 Million in 2012/13) and transferred £3.045 Million from the NDR pool (£0.895 Million was transferred to the NDR pool in 2012/13).

The Council bills and collects domestic water and wastewater charges on behalf of Scottish Water as part of its Council Tax billing and collection arrangements. The Council has received £414k in relation to 2013/14 (£414k in 2012/13) for providing this service.

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#### 15. External Audit Fees

The external audit fee payable for 2013/14 was £390k (£383k in 2012/13). Additional audit fees of £27k were incurred for the audit of the disaggregation of the Council's 2012/13 closing balances following the transfer of Police and Fire services to the Scottish Police Authority and the Scottish Fire & Rescue Service. There were no fees paid in respect of any other services.

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**16. Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income & Expenditure Statement:

	2012/13 £000	2013/14 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax income	(63,015)	(54,502)
Non domestic rates redistribution	(41,403)	(44,549)
Capital grants & contributions	(17,289)	(17,289)
Non ring fenced Government grants	(262,152)	(246,273)
<b>Total</b>	<b>(383,859)</b>	<b>(362,613)</b>
<b>Credited to Services</b>		
DWP Housing Benefits	(40,064)	(40,677)
Criminal Justice Service	(2,673)	(2,134)
DWP Housing Benefit Administration	(1,357)	(1,261)
Police Specific Grant	(14,044)	0
<b>Total</b>	<b>(58,138)</b>	<b>(44,072)</b>

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**17. Property, Plant & Equipment**

The movements on balances for Property, Plant & Equipment are shown in the following tables. Figures for 2012/13 are provided for comparison.

Movements in 2012/13	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2012</b>	<b>597,205</b>	<b>33,187</b>	<b>112,971</b>	<b>1,307</b>	<b>904</b>	<b>2,538</b>	<b>748,112</b>
Reclassification of assets	(2,005)	0	0	0	(431)	2,005	(431)
Assets reclassified (to)/ from Held for Sale	(587)	0	0	0	0	1,470	883
Additions	16,493	9,381	9,297	334	2,401	20	37,926
Disposals	0	(1,251)	0	0	0	0	(1,251)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	4,151	(2,499)	0	0	20	(215)	1,457
Revaluation increase/ (decrease) recognised in the (Surplus)/ Deficit on the Provision of Services	(1,662)	218	0	(459)	(4)	(387)	(2,294)
Impairment losses recognised in the Revaluation Reserve	(3,604)	0	0	0	0	0	(3,604)
Impairment losses recognised in the (Surplus)/ Deficit on the Provision of Services	(3,458)	0	0	0	0	0	(3,458)
<b>At 31 March 2013</b>	<b>606,533</b>	<b>39,036</b>	<b>122,268</b>	<b>1,182</b>	<b>2,890</b>	<b>5,431</b>	<b>777,340</b>
Transfer to SPA & SFRS	(33,269)	(7,465)	0	0	0	0	(40,734)
<b>Adjusted opening balance at 1 April 2013</b>	<b>573,264</b>	<b>31,571</b>	<b>122,268</b>	<b>1,182</b>	<b>2,890</b>	<b>5,431</b>	<b>736,606</b>
<b>Accumulated Depreciation at 1 April 2012</b>	<b>(38,353)</b>	<b>(15,427)</b>	<b>(21,418)</b>	<b>(39)</b>	<b>(3)</b>	<b>(69)</b>	<b>(75,309)</b>
Depreciation on reclassifications	86	0	0	0	0	(86)	0
Depreciation on reclassifications (to)/ from Held for Sale	112	0	0	0	0	(22)	90
Depreciation charge	(24,962)	(5,143)	(4,491)	(29)	0	(33)	(34,658)
Depreciation written back on disposals	0	909	0	0	0	0	909
Depreciation written out to the Revaluation Reserve on revaluations	11,723	3,326	0	0	0	115	15,164
Depreciation written out on revaluation increase/ (decrease) recognised in the (Surplus)/ Deficit on the Provision of Services	(56)	0	0	19	0	35	(2)
Depreciation written out to the Revaluation Reserve on impairment losses recognised in the Revaluation Reserve	1,257	0	0	0	0	0	1,257
<b>Accumulated Depreciation at 31 March 2013</b>	<b>(50,193)</b>	<b>(16,335)</b>	<b>(25,909)</b>	<b>(49)</b>	<b>(3)</b>	<b>(60)</b>	<b>(92,549)</b>
Transfer to SPA & SFRS	2,601	3,450	0	0	0	0	6,051
<b>Adjusted opening balance at 1 April 2013</b>	<b>(47,592)</b>	<b>(12,885)</b>	<b>(25,909)</b>	<b>(49)</b>	<b>(3)</b>	<b>(60)</b>	<b>(86,498)</b>
<b>Net Book Value at 31 March 2013</b>	<b>556,340</b>	<b>22,701</b>	<b>96,359</b>	<b>1,133</b>	<b>2,887</b>	<b>5,371</b>	<b>684,791</b>
<b>Adjusted Net Book Value at 1 April 2013</b>	<b>525,672</b>	<b>18,686</b>	<b>96,359</b>	<b>1,133</b>	<b>2,887</b>	<b>5,371</b>	<b>650,108</b>
<b>Net Book Value at 31 March 2012</b>	<b>558,852</b>	<b>17,760</b>	<b>91,553</b>	<b>1,268</b>	<b>901</b>	<b>2,469</b>	<b>672,803</b>



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<b>Movements in 2013/14</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>							
<b>At 1 April 2013</b>	<b>573,264</b>	<b>31,571</b>	<b>122,268</b>	<b>1,182</b>	<b>2,890</b>	<b>5,431</b>	<b>736,606</b>
Reclassification of assets	(573)	0	0	0	217	356	0
Assets reclassified (to)/ from Held for Sale	(61)	0	0	0	0	322	261
Additions	15,265	5,671	14,723	872	8,735	0	45,266
Disposals	0	(319)	0	0	0	0	(319)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(3,791)	(188)	0	(8)	(21)	(511)	(4,519)
Revaluation increase/ (decrease) recognised in the (Surplus)/ Deficit on the Provision of Services	(960)	0	0	(36)	(10)	(375)	(1,381)
Impairment losses recognised in the Revaluation Reserve	(124)	0	0	0	0	(115)	(239)
Impairment losses recognised in the (Surplus)/ Deficit on the Provision of Services	(15)	0	0	0	0	(73)	(88)
Other movements	1	1	0	1	1	1	5
<b>At 31 March 2014</b>	<b>583,006</b>	<b>36,736</b>	<b>136,991</b>	<b>2,011</b>	<b>11,812</b>	<b>5,036</b>	<b>775,592</b>
<b>Accumulated Depreciation at 1 April 2013</b>	<b>(47,592)</b>	<b>(12,885)</b>	<b>(25,909)</b>	<b>(49)</b>	<b>(3)</b>	<b>(60)</b>	<b>(86,498)</b>
Depreciation on reclassifications	19	0	0	0	0	(19)	0
Depreciation on reclassifications (to)/ from Held for Sale	0	0	0	0	0	(12)	(12)
Depreciation charge	(24,050)	(3,655)	(5,105)	(48)	0	(130)	(32,988)
Depreciation written back on disposals	0	206	0	0	0	0	206
Depreciation written out to the Revaluation Reserve on revaluations	17,320	230	0	54	0	105	17,709
Depreciation written out on revaluation increase/ (decrease) recognised in the (Surplus)/ Deficit on the Provision of Services	218	0	3	0	0	35	256
Depreciation written out to the Revaluation Reserve on impairment losses recognised in the Revaluation Reserve	55	0	0	0	0	39	94
Depreciation written out on impairment losses recognised in the (Surplus)/ Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>Accumulated Depreciation at 31 March 2014</b>	<b>(54,030)</b>	<b>(16,104)</b>	<b>(31,011)</b>	<b>(43)</b>	<b>(3)</b>	<b>(42)</b>	<b>(101,233)</b>
<b>Net Book Value at 31 March 2014</b>	<b>528,976</b>	<b>20,632</b>	<b>105,980</b>	<b>1,968</b>	<b>11,809</b>	<b>4,994</b>	<b>674,359</b>
<b>Adjusted Net Book Value at 1 April 2013</b>	<b>525,672</b>	<b>18,686</b>	<b>96,359</b>	<b>1,133</b>	<b>2,887</b>	<b>5,371</b>	<b>650,108</b>

### Depreciation

Depreciation has been provided for on non-current assets (other than assets under construction and assets held for sale) with a finite useful life which can be determined at the time of acquisition or revaluation. The depreciation methods and useful lives used within each category of non-current assets have been determined on an individual asset basis by the Council's internal valuers in line with the Royal Institute of Chartered Surveyors (RICS) recommended practice. The Council employed the following depreciation policies for each class of non-current asset held during the year:

Other Land & Buildings	Buildings depreciated on a Straight Line basis over up to 50 years
Vehicles, Plant, Furniture & Equipment	Depreciated on a Straight Line basis over up to 20 years
Infrastructure Assets	Depreciated on a Straight Line basis over up to 50 years
Community Assets	Depreciated on a Straight Line basis over up to 50 years
Surplus Assets	Depreciated on a Straight Line basis over up to 50 years

### Capital Commitments

At 31 March 2014, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2014/15. The major commitments are:

Property	Project Description	Commitment £000
Langholm Primary	New build	1,563
Castle Douglas Waste Transfer Station	Upgrade of facility	1,200
Annan Academy	Curtain walling	935
Stranraer Waste Transfer Station	Upgrade of facility	700

### Valuations

Valuations are undertaken as part of a rolling programme which has been designed to ensure that each of the Council's non-current assets is revalued at least once every 5 years in line with statutory requirements. These valuations are undertaken in line with the professional standards of RICS. The valuations of the Council's non-current assets are undertaken by MRICS qualified valuers within the Council's internal Property Services department. The main bases of valuation can be summarised as follows:

Operational Land & Buildings	Fair value based on existing use value
Vehicles, Plant, Furniture & Equipment	Existing use value or depreciated replacement cost
Infrastructure Assets	Depreciated historic cost
Community Assets	Depreciated historic cost
Surplus Assets	Fair value based on existing use value
Assets Held for Sale	Fair value less costs to sell
Assets Under Construction	Historic cost

The following table outlines the progress of the Council's five year rolling programme.

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	2,253	20,632	105,496	0	11,311	10	<b>139,702</b>
Valued at fair value as at:							
31 March 2014	113,048	0	231	473	0	1,719	<b>115,471</b>
31 March 2013	78,124	0	0	1,277	0	414	<b>79,815</b>
31 March 2012	72,394	0	0	91	6	625	<b>73,116</b>
31 March 2011	167,688	0	0	79	0	1,112	<b>168,879</b>
31 March 2010	95,469	0	253	48	492	1,114	<b>97,376</b>
<b>Total cost or valuation</b>	<b>528,976</b>	<b>20,632</b>	<b>105,980</b>	<b>1,968</b>	<b>11,809</b>	<b>4,994</b>	<b>674,359</b>

## 18. Heritage Assets

### Heritage assets held by the Council

The Council has reviewed its heritage assets and has included those which have been valued at more than £5,000 (102 assets in 2013/14 and 96 assets in 2012/13) in its Balance Sheet. The Council owns a number of other heritage assets which have not been included in the Balance Sheet such as war memorials and statues. The Council considers that obtaining valuations on these assets would involve a disproportionate cost and that reliable cost or valuation information cannot be obtained for these assets. This is due to the diverse nature of the assets held, the number of assets held and the lack of comparable market values.

The Council has the following principal subject collections which are held in support of the primary objective of increasing knowledge, understanding and appreciation:

- Archaeology
- Archives
- Applied and decorative art
- Ethnography
- Fine art
- Costume
- Geology
- Natural history
- Numismatics
- Personalia
- Social history

Information on the management of heritage assets including details of records maintained is included in the Dumfries & Galloway Arts & Museums Service Acquisition and Disposal Policy. A copy can be found at <http://egenda.dumgal.gov.uk/aksdumgal/images/att21695.pdf>

**Movement on balances:**

	2012/13	2013/14
	Total Assets	Total Assets
	£000	£000
<b>Valuation</b>		
1 April	2,131	2,137
Additions	6	59
31 March	<u>2,137</u>	<u>2,196</u>

**Valuation information:**

The above assets have been valued by a combination of:

- Scottish Gallery (2008)
- Thomson, Roddick & Metcalf (2004)
- Aitken Dott Ltd (2000)
- internal curators (ongoing)

**Additions and Disposals:**

There were six additions in 2013/14 (one in 2012/13). There were no disposals during 2013/14 or 2012/13.

**19. Intangible Assets**

The Council's intangible assets comprise solely of fifteen purchased software licences with a net value of £1.688 Million at 31 March 2014. The carrying amount of the intangible assets are amortised over the estimated useful life of up to 10 years on a straight line basis. The majority of the amortisation charged to revenue is charged to support services and then absorbed as an overhead across all service headings in the Net Cost of Services in the Comprehensive Income & Expenditure Statement, therefore it is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2012/13 £000	2013/14 £000
<b>Cost or valuation</b>		
<b>At 1 April</b>	<b>2,574</b>	<b>2,805</b>
Reclassification of assets	431	0
Additions – purchases	384	3
Revaluation decreases recognised in the Revaluation Reserve	(291)	0
<b>At 31 March</b>	<b>3,098</b>	<b>2,808</b>
Transfer to SPA & SFRS	(293)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>2,805</b>	
<b>Accumulated Amortisation at 1 April</b>	<b>(1,411)</b>	<b>(784)</b>
Amortisation for year	(349)	(336)
Amortisation written back on revaluation decreases recognised in the Revaluation Reserve	777	0
<b>Accumulated Amortisation at 31 March</b>	<b>(983)</b>	<b>(1,120)</b>
Transfer to SPA & SFRS	199	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(784)</b>	
<b>Net Book Value at 31 March</b>	<b>2,115</b>	<b>1,688</b>
<b>Adjusted Net Book Value at 1 April 2013</b>	<b>2,021</b>	

There have been no changes to accounting estimates which have an effect in the current or subsequent periods. There are no individual intangible assets which are material to the Council's financial statements. There are no contractual commitments for the acquisition of intangible assets. There were no intangible assets initially recognised at fair value.

**20. Assets Held for Sale**

The movements on Assets Held for Sale are shown in the following table. Figures for 2012/13 have been provided for comparison.

	Current		Non-Current	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
<b>Balance outstanding at start of year</b>	<b>2,852</b>	<b>670</b>	<b>449</b>	<b>0</b>
Assets newly qualified as held for sale:				
- Property, Plant & Equipment				
o value	823	61	0	0
o depreciation	(119)	0	0	0
- Surplus Assets				
o value	15	0	0	0
o depreciation	(5)	0	0	0
Revaluation increase/ (decrease) recognised in the Revaluation Reserve				
- value	(120)	(166)	0	0
Revaluation increase/ (decrease) recognised in the (Surplus)/ Deficit on the Provision of Services				
- value	(135)	183	0	0
- depreciation written back on revaluations	68	0	0	0
Assets declassified as held for sale:				
- Property, Plant & Equipment				
o value	(235)	0	0	0
o depreciation	7	0	0	0
- Surplus Assets				
o value	(1,036)	(322)	(449)	0
o depreciation	27	12	0	0
Assets sold				
- value	(1,593)	(186)	0	0
- depreciation written back on disposals	121	4	0	0
Other movements	0	1	0	0
<b>Balance outstanding at year end</b>	<b>670</b>	<b>257</b>	<b>0</b>	<b>0</b>

**21. Capital Expenditure & Financing**

The total amount of capital expenditure incurred in the year and the resources that have been used to finance it are shown below. The Capital Financing Requirement (CFR) reflects the Council's underlying need to borrow to fund capital expenditure.

	2012/13 £000	2013/14 £000
<b>Opening Capital Investment Requirement</b>	<b>361,288</b>	<b>363,965</b>
<b>Capital Investment</b>		
Property, Plant & Equipment – non PFI/ PPP assets	37,857	45,210
Property, Plant & Equipment – PFI/ PPP assets	69	56
Intangible assets	384	3
National Housing Trust Initiative	0	1,681
	<b>38,310</b>	<b>46,950</b>
<b>Financed as follows:</b>		
Capital receipts	847	1,042
Government grants & other contributions	16,077	14,774
Loans Fund principal	13,187	13,204
Direct revenue contributions	5,522	9,860
	<b>35,633</b>	<b>38,880</b>
<b>Closing Capital Requirement</b>	<b>363,965</b>	<b>372,035</b>
<b>Explanation of movements in the year:</b>		
Increase/ (decrease) in underlying need to borrow	4,458	10,309
Increase/ (decrease) in relation to PFI/PPP contracts	(1,781)	(2,239)
<b>Increase/ (decrease) in Capital Financing Requirement</b>	<b>2,677</b>	<b>8,070</b>

## 22. Inventories

The Inventories identified in the Balance Sheet comprise of the following elements:

	Raw Materials & Consumables		Finished Goods		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
<b>Balance outstanding at start of year</b>	<b>1,074</b>	<b>661</b>	<b>495</b>	<b>319</b>	<b>1,569</b>	<b>980</b>
Purchases	661	754	549	357	1,210	1,111
Recognised as an expense in the year	(1,074)	(661)	(495)	(319)	(1,569)	(980)
<b>Balance outstanding at the year end</b>	<b>661</b>	<b>754</b>	<b>549</b>	<b>357</b>	<b>1,210</b>	<b>1,111</b>
Transfer to SPA & SFRS	0		(230)		(230)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>661</b>		<b>319</b>		<b>980</b>	

## 23. Long Term Debtors

The Long Term Debtors identified in the Balance Sheet comprise of the following elements:

	2012/13			2013/14		
	Gross Debtors £000	Provision for debt impairment £000	Net Debtors £000	Gross Debtors £000	Provision for debt impairment £000	Net Debtors £000
Scottish Police Authority				8,489	0	8,489
Scottish Fire & Rescue Service				3,135	0	3,135
National Housing Trust				1,680	0	1,680
Other entities & individuals	439	(226)	213	391	(222)	169
<b>Total Long Term Debtors</b>	<b>439</b>	<b>(226)</b>	<b>213</b>	<b>13,695</b>	<b>(222)</b>	<b>13,473</b>
Transfer to SPA & SFRS	11,818	0	11,818			
<b>Adjusted opening balance at 1 April 2013</b>	<b>12,257</b>	<b>(226)</b>	<b>12,031</b>			



#### 24. Short Term Debtors

The Short Term Debtors identified in the Balance Sheet comprise of the following elements:

	2012/13			2013/14		
	Gross Debtors £000	Provision for debt impairment £000	Net Debtors £000	Gross Debtors £000	Provision for debt impairment £000	Net Debtors £000
Scottish Government bodies	1,893	0	1,893	4,742	0	4,742
Central Government bodies	4,636	0	4,636	5,213	0	5,213
Other local authorities	0	0	0	6	0	6
NHS bodies	0	0	0	12	0	12
Other entities and individuals	13,132	(3,277)	9,855	16,719	(3,917)	12,802
	<b>19,661</b>	<b>(3,277)</b>	<b>16,384</b>	<b>26,692</b>	<b>(3,917)</b>	<b>22,775</b>
Council Tax	12,398	(11,707)	691	12,577	(11,932)	645
Non Domestic Rates	1,055	0	1,055	3,652	0	3,652
<b>Total Short Term Debtors</b>	<b>33,114</b>	<b>(14,984)</b>	<b>18,130</b>	<b>42,921</b>	<b>(15,849)</b>	<b>27,072</b>
Transfer to SPA & SFRS	(1,726)	5	(1,721)			
<b>Adjusted opening balance at 1 April 2013</b>	<b>31,388</b>	<b>(14,979)</b>	<b>16,409</b>			

#### 25. Cash & Cash Equivalents

The balance of Cash & Cash Equivalents identified in the Balance Sheet comprises of the following elements:

	2012/13 £000	2013/14 £000
Cash held by the Council	99	44
Bank current accounts	71	4,115
Short-term deposits with financial institutions	13,264	9,310
<b>Total Cash &amp; Cash Equivalents</b>	<b>13,434</b>	<b>13,469</b>
Transfer to SPA & SFRS	(2,848)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>10,586</b>	

## 26. Short Term Creditors

The Short Term Creditors identified in the Balance Sheet comprise of the following elements:

	2012/13				2013/14			
	Trade creditors £000	Receipts in advance £000	Other creditors £000	Total Creditors £000	Trade creditors £000	Receipts in advance £000	Other creditors £000	Total Creditors £000
Scottish Government bodies	0	(85)	(1,180)	(1,265)	0	(221)	(106)	(327)
Central Government bodies	0	(126)	(5,584)	(5,710)	0	(280)	(5,304)	(5,584)
Other Local Authorities	0	0	(20)	(20)	0	0	(61)	(61)
NHS bodies	0	0	(98)	(98)	0	(1)	(6)	(7)
Payroll	0	0	(10,546)	(10,546)	0	0	(10,168)	(10,168)
Other entities & individuals	(13,253)	(1,628)	(9,020)	(23,901)	(16,851)	(1,553)	(9,235)	(27,639)
<b>Total Short Term Creditors</b>	<b>(13,253)</b>	<b>(1,839)</b>	<b>(26,448)</b>	<b>(41,540)</b>	<b>(16,851)</b>	<b>(2,055)</b>	<b>(24,880)</b>	<b>(43,786)</b>
Transfer to SPA & SFRS	452	50	3,064	3,566				
<b>Adjusted opening balance at 1 April 2013</b>	<b>(12,801)</b>	<b>(1,789)</b>	<b>(23,384)</b>	<b>(37,974)</b>				

## 27. Short Term Liabilities

The Short Term Liabilities identified in the Balance Sheet comprise of the following elements:

	2012/13 £000	2013/14 £000
PFI/ PPP liabilities	(4,489)	(4,508)
Grants received in advance	0	(8,160)
	<b>(4,489)</b>	<b>(12,668)</b>

The grants received in advance in 2013/14 relates to a planning permission bond for reinstatement of Glenmuckloch open cast mine which was called in by the Council on the liquidation of the operators. This funding will be used during the course of 2014/15 for this specific purpose.

**28. Provisions**

Short and long term provisions are identified in the Balance Sheet. This note provides more detailed information on the provisions made by the Council.

	Balance at 31 March 2013	Transfer to PS & SFRS	Balance at 1 April 2013	Amount used in year	Additional provision made in year	Balance at 31 March 2014
<u>Long term provisions</u>						
Equal Pay	(7,985)	0	(7,985)	0	0	<b>(7,985)</b>
<u>Short term provisions</u>						
ERVS	(267)	0	(267)	267	(709)	<b>(709)</b>
Firefighters PT Workers Regulations	(11)	11	0	0	0	<b>0</b>
Ordinary Residence	(400)	0	(400)	0	0	<b>(400)</b>
	(678)	11	(667)	<b>267</b>	<b>(709)</b>	<b>(1,109)</b>
<b>Total Provisions</b>	<b>(8,663)</b>	<b>11</b>	<b>(8,652)</b>	<b>267</b>	<b>(709)</b>	<b>(9,094)</b>

**Equal Pay**

At the end of financial year 2013/14 the Council has a provision of £7.985 Million in respect of the estimated further compensation payments to be made to groups of workers under the Equal Pay Act 1970 (As Amended).

**Early Retirement/Voluntary Severance Scheme**

In 2012/13 the Council agreed to a number of early retirements/voluntary severances (ERVS) in relation to savings agreed as part of the 2013/14 budget, and created a provision of £267k in relation to these payments. All payments in respect of this provision were paid during 2013/14.

In 2013/14 the Council agreed to a number of early retirements/voluntary severances (ERVS) in relation to savings agreed as part of the 2014/15 budget. A number of individuals agreed as part of this process had a leaving date subsequent to 31 March 2014, and are anticipated to leave part way through 2014/15. A provision of £709k has been therefore been created in respect of the estimated payments due to these individuals and strain on the Pension Fund payments.

**Firefighters Part-Time Workers Regulations**

The provision in respect of estimated compensation payments still due to be made to Firefighters under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 was transferred to Scottish Fire & Rescue Service on 1 April 2013.

**Ordinary Residence**

At the end of 2013/14 the Council has retained a provision of £400k in respect of potential backdated payments due to English Local Authorities seeking repayment of care costs for people who have been cared for within Dumfries & Galloway (referred to as Ordinary Residence). This provision has been based on a review of known cases and the potential settlement costs are estimated at £400k.

**29. Private Finance Initiatives & Similar Contracts**

**Waste Management/Recycling PFI Contract**

In November 2004 the Council signed a 25 year Waste Management/Recycling PFI contract with Shanks Group plc. The key elements of the contract are:

- the treatment, separation and disposal of household and commercial municipal solid waste,
- the provision and operation of recycling facilities,
- the closure and aftercare of existing waste sites.

Service payments are based on the tonnage of waste being delivered for treatment and/ or disposal.

Property, Plant & Equipment

The assets used to provide services under the contract are recognised in the Council's Balance Sheet. Movements in their value are detailed below and are included under "Other Land & Buildings" in Note 17.

	2012/13 £000	2013/14 £000
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>26,084</b>	<b>26,136</b>
Additions	0	9
Revaluations	61	(1)
Impairments	(9)	0
<b>At 31 March</b>	<b>26,136</b>	<b>26,144</b>
<b>Accumulated Depreciation at 1 April</b>	<b>(2,477)</b>	<b>(3,643)</b>
Depreciation charge for year	(1,166)	(1,164)
<b>Accumulated Depreciation at 31 March</b>	<b>(3,643)</b>	<b>(4,807)</b>
<b>Net Book Value at 31 March</b>	<b>22,493</b>	<b>21,337</b>

Payments

The Council makes a payment each year which is related to the tonnage of material being delivered for treatment and/or disposal. The payment is increased annually for inflation and can be reduced if the contractor fails to meet performance standards set in the contract. The projected future payments due under the agreement are as follows:

	Payments for Services £000	Finance Interest £000	Repayment of Liability £000	Contingent Rentals £000	Total £000
Payments due within one year	6,766	2,813	194	1,325	<b>11,098</b>
Payments due within two to five years	29,457	10,855	1,353	6,403	<b>48,068</b>
Payments due within six to ten years	42,058	11,498	4,429	10,952	<b>68,937</b>
Payments due within eleven to fifteen years	53,921	5,500	7,955	11,759	<b>79,135</b>
Payments due within sixteen years	7,892	130	1,421	1,563	<b>11,006</b>
	<b>140,094</b>	<b>30,796</b>	<b>15,352</b>	<b>32,002</b>	<b>218,244</b>

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Liabilities from PFI Arrangements

Although the payments to the contractor are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for the capital expenditure (the outstanding finance lease obligation) is as follows:

	2012/13 £000	2013/14 £000
Balance outstanding at the start of the year	15,224	15,533
Payments during the year	309	(181)
<b>Balance outstanding at year end</b>	<b>15,533</b>	<b>15,352</b>

**Smarter Schools PPP Contract**

In January 2008 the Council signed a 30 year Smarter Schools PPP contract with E4D&G, a project company formed by Amey Ventures Investments Limited and Cyril Sweett (Holdings) Limited. The project company will provide ten schools over eight sites in Dumfries & Galloway. E4D&G will provide building maintenance, grounds maintenance and a range of facility management services over the life of the project.

Property, Plant & Equipment

The assets used to provide services under the contract are recognised in the Council's Balance Sheet. Movements in their value are detailed below and are included under "Other Land & Buildings" in Note 17.

	2012/13 £000	2013/14 £000
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>94,065</b>	<b>94,134</b>
Additions	69	47
<b>At 31 March</b>	<b>94,134</b>	<b>94,181</b>
<b>Accumulated Depreciation at 1 April</b>	<b>(5,249)</b>	<b>(7,661)</b>
Depreciation charge for year	(2,412)	(2,415)
<b>Accumulated Depreciation at 31 March</b>	<b>(7,661)</b>	<b>(10,076)</b>
<b>Net Book Value at 31 March</b>	<b>86,473</b>	<b>84,105</b>

Payments

The Council makes an agreed payment each year. The payment is increased annually for inflation and can be reduced if the contractor fails to meet performance standards set in the contract. The projected future payments due under the agreement are as follows:

	<b>Payments for Services £000</b>	<b>Finance Interest £000</b>	<b>Repayment of Liability £000</b>	<b>Contingent Rentals £000</b>	<b>Total £000</b>
Payments due within one year	4,514	7,266	2,065	394	<b>14,239</b>
Payments due within two to five years	20,891	27,506	8,501	1,865	<b>58,763</b>
Payments due within six to ten years	32,175	30,719	12,152	2,842	<b>77,888</b>
Payments due within eleven to fifteen years	37,677	25,599	16,469	3,674	<b>83,419</b>
Payments due within sixteen to twenty years	42,484	18,591	23,515	5,087	<b>89,677</b>
Payments due within twenty one to twenty five years	47,994	8,146	34,063	6,555	<b>96,758</b>
Payments due within twenty six years	4,445	102	2,756	233	<b>7,536</b>
	<b>190,180</b>	<b>117,929</b>	<b>99,521</b>	<b>20,650</b>	<b>428,280</b>

Liabilities from PPP Arrangements

Although the payments to the contractor are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for the capital expenditure (the outstanding finance lease obligation) is as follows:

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Balance outstanding at the start of the year	103,669	101,579
Payments during the year	(2,090)	(2,058)
<b>Balance outstanding at year end</b>	<b>101,579</b>	<b>99,521</b>

**30. Termination Benefits**

In 2013/14 the Council had an Early Retirement/ Voluntary Severance Scheme to assist in securing future savings through a reduction in staff costs. In relation to this scheme one-off costs of £2.20 Million were incurred in 2013/14, with £1.12 Million paid to individuals as termination benefits and £1.08 Million reimbursed to the Pension Fund in relation to the Strain on the Fund. Further details of the number of exit packages and pay per band are contained in the Remuneration Report.

### 31. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the following separate pension schemes:

- **The Local Government Pension Scheme (LGPS)** for administrative and manual employees is administered locally by Dumfries & Galloway Council. This is a funded defined benefit final salary scheme, which operates through both the Council and employees paying contributions into the fund with the contribution rates set at a level intended to balance pensions liabilities against investment assets.
- **The Teachers Pension Scheme** for teachers is a defined benefit scheme administered by the Scottish Government. Further details on the scheme are provided in Note 32.

### Transactions relating to retirement benefits

The Council recognises 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 the Council is 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 in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and Movement in Reserves Statement:

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	LGPS		Police	Fire	Police Injury Benefits	Fire Injury Benefits
	2012/13	2013/14	2012/13	2012/13	2012/13	2012/13
	Restated		Restated	Restated	Restated	Restated
	£000	£000	£000	£000	£000	£000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>						
Included within the Net Cost of Services:						
• current service cost	17,526	21,116	8,800	1,700	600	200
• past service costs	2,073	1,684	0	0	0	0
Included within Financing and Investment Income & Expenditure:						
• net interest expense	10,273	12,144	12,500	3,000	500	200
<b>Total post employment benefits charged to (Surplus) or Deficit on the Provision of Services</b>	<b>29,872</b>	<b>34,944</b>	<b>21,300</b>	<b>4,700</b>	<b>1,100</b>	<b>400</b>
Other post employment benefits charged to the CIES, included in remeasurement of the net defined liability:						
• return on plan assets (excluding the amount included in the net interest expense)	(38,459)	(23,344)	0	0	0	0
• actuarial (gains) & losses arising on changes in financial assumptions	85,150	31,552	35,400	7,500	1,400	600
• other	8,070	(90)	(549)	(217)	23	(49)
<b>Total Post Employment Benefit charged to CIES</b>	<b>84,633</b>	<b>43,062</b>	<b>56,151</b>	<b>11,983</b>	<b>2,523</b>	<b>951</b>
<b><u>Movement in Reserves Statement</u></b>						
Reversal of net charges made to the (Surplus) or Deficit on Provision of Services for post employment benefits in accordance with the Code	(27,288)	(34,944)	(21,300)	(4,700)	(1,100)	(400)
Actual amount charged against the General Fund Balance for pensions in the year						
• employers contributions payable to scheme	18,630	20,504				
• retirement benefits payable to pensioners			6,251	1,783	123	51



**Pension assets and liabilities recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	LGPS		Police	Fire	Police Injury Benefits	Fire Injury Benefits
	2012/13 Restated £000	2013/14 £000	2012/13 Restated £000	2012/13 Restated £000	2012/13 Restated £000	2012/13 Restated £000
Present value of the defined benefit obligation	827,004	875,167	308,400	72,700	12,600	4,900
Fair value of plan assets	(548,535)	(584,877)	0	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>278,469</b>	<b>290,290</b>	<b>308,400</b>	<b>72,700</b>	<b>12,600</b>	<b>4,900</b>
Transfer to SPA & SFRS	(9,144)		(308,400)	(72,700)	(12,600)	(4,900)
<b>Adjusted opening balance at 1 April 2013</b>	<b>269,325</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Reconciliation of the movements in the fair value of scheme (plan) assets**

	LGPS	
	2012/13 £000	2013/14 £000
<b>Opening fair value of scheme assets</b>	<b>485,487</b>	<b>536,277</b>
Interest income	23,331	24,157
Remeasurement gain/ (loss):		
• the return on plan assets, excluding the amount included in the net interest expense	38,459	23,344
• other	587	(383)
Contributions from employers	21,228	22,097
Contributions from employees into the scheme	5,140	4,993
Benefits paid	(25,697)	(25,608)
<b>Closing fair value of scheme assets</b>	<b>548,535</b>	<b>584,877</b>
Transfer to SPA & SFRS	(12,258)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>536,277</b>	

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

	Funded Liabilities		Unfunded Liabilities		Other Retirement Benefit Liabilities	
	LGPS		Police Pension Scheme	Fire Pension Scheme	Police Injury Benefits	Fire Injury Benefits
	2012/13 £000	2013/14 £000	2012/13	2012/13	2012/13	2012/13
<b>Opening balance at 1 April</b>	<b>700,551</b>	<b>805,602</b>	<b>258,500</b>	<b>62,500</b>	<b>10,200</b>	<b>4,000</b>
Current service cost	17,526	21,116	8,800	1,700	600	200
Interest cost	33,604	36,301	12,500	3,000	500	200
Contribution from scheme participants	5,140	4,993	2,294	537	0	0
Remeasurement (gains) & losses:						
• actuarial (gains) & losses arising on changes in financial assumptions	85,150	31,552	35,400	7,500	1,400	600
• other experience	8,657	(473)	(549)	(217)	23	(49)
Past service cost	2,073	1,684	0	0	0	0
Benefits paid	(25,697)	(25,608)	(8,545)	(2,320)	(123)	(51)
<b>Closing balance at 31 March</b>	<b>827,004</b>	<b>875,167</b>	<b>308,400</b>	<b>72,700</b>	<b>12,600</b>	<b>4,900</b>
Transfer to SPA & SFRS	(21,402)		(308,400)	(72,700)	(12,600)	(4,900)
<b>Adjusted opening balance at 1 April 2013</b>	<b>805,602</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Local Government Pension Scheme assets comprised:**

	<b>Fair value of scheme assets</b>	
	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Cash & cash equivalents	20,148	12,655
Equity instruments (by industry type)		
• consumer	0	10,201
• energy & utilities	0	21,171
• financial institutions	0	11,100
• health & care	0	7,094
	0	49,566
Bonds (by sector)		
• government	86,865	43,069
	86,865	43,069
Other investment funds		
• equities	347,300	334,118
• bonds	52,397	42,556
• other	41,825	102,913
	441,522	479,587
<b>Total assets</b>	<b>548,535</b>	<b>584,877</b>
Transfer to SPA & SFRS	(12,258)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>536,277</b>	

All scheme assets are quoted prices in active markets.

**Basis for estimating assets and liabilities**

Liabilities 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 assumptions about mortality rates, salary levels, etc. The independent actuaries appointed by the Council, Hymans Robertson, have assessed the liabilities of the Council based on the latest full valuation of the scheme as at 31 March 2011. The principal assumptions used by the actuary have been:

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	LGPS		Police	Fire
	2012/13	2013/14	2012/13	2012/13
Long term expected rate of return on assets in the scheme:				
• equity investments	4.5%	4.3%		
• bonds	4.5%	4.3%		
• property	4.5%	4.3%		
• cash	4.5%	4.3%		
Mortality assumptions				
• longevity at 65 for current pensioners				
o men	23.0 years	23.0 years	28.1 years	28.1 years
o women	25.6 years	25.6 years	31.0 years	31.0 years
• longevity at 65 for future pensioners				
o men	24.9 years	24.9 years	29.7 years	29.7 years
o women	27.7 years	27.7 years	32.5 years	32.5 years
Rate of increase in salaries	5.1%	5.1%	3.8%	3.8%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	4.5%	4.3%	4.5%	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from the previous period.

	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in 1 year)	26,255	(26,255)
Rate of increase in salaries (increase or decrease by 0.5%)	26,198	(26,198)
Rate of increase in pensions (increase or decrease by 0.5%)	56,247	(56,247)
Rate of discounting scheme liabilities (increase or decrease by 0.5%)	(84,103)	84,103

#### Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Dumfries & Galloway Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2014.

### **32. Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by Dumfries & Galloway Council are members of the Scottish Teachers' Pension Scheme, administered by the Scottish Government. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme. However the Scheme is unfunded and the Scottish Government calculates the employers' contribution rate paid by Councils. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

From 1 April 2012, the Scottish Government implemented changes to the Teachers Pension Scheme, which saw the introduction of tiered employee contribution rates based on an individual's full time equivalent (FTE) salary. This change has resulted in there now being seven contribution bands, varying from 6.4% (which was the previous set rate) to 8.8% based on a teacher's FTE salary. The Council's contribution rate of 14.9% has remained the same. The amounts paid to the Scottish Public Pensions Agency in 2013/14 amounted to £5.1 Million (£4.4 Million in 2012/13) being deducted from employees and £8.62 Million (£8.59 Million in 2012/13) funded from the Council as the employer.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme. The total added years discretionary payments made to former teachers in 2013/14 amounted to £1.593 Million (£1.446 Million in 2012/13).

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### **33. Dumfries & Galloway Council Pension Fund**

Dumfries & Galloway Council is the administering authority for the Local Government Pension Scheme. The Council is responsible for the Dumfries & Galloway Council Pension Fund. The Pension Fund members include most of the employees of the Council (excluding Teachers), three scheduled bodies and eight admitted bodies.

From 2010/11 the Local Government Pension Scheme Amendment (Scotland) Regulations 2008 require an administering authority to publish a pension fund annual report as a separate document. The Pension Fund Annual Report & Accounts are available on the Council's website.

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### 34. Usable Reserves

The following table lists the Usable Reserves held by the Council. This table summarises the movements which are included in the Movement in Reserves Statement, Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations, and Note 8 Transfers to /(from) Other Statutory Reserves. Further information on the purpose and movements on each reserve is detailed after the following table.

	Balance as at 31/3/13 £000	Balance as at 31/3/14 £000
Capital Receipts Reserve	(700)	(700)
Capital Fund	(3,137)	(2,343)
Repairs & Renewals Fund	(1,364)	(1,210)
Insurance Fund	(3,114)	(2,599)
General Fund	(63,752)	(58,424)
	<b>(72,067)</b>	<b>(65,276)</b>
Transfer to SPA & SFRS	1,933	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(70,134)</b>	

### Capital Receipts Reserve

The Capital Receipts Reserve represents resources generated through the sale of capital assets which are available to the Council to be spent on capital projects and approved expenses.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(700)</b>	<b>(700)</b>
Amounts received in year	(1,282)	(218)
Transfer from Capital Fund	70	0
Amounts applied to fund new capital investment	1,212	218
<b>Balance at 31 March</b>	<b>(700)</b>	<b>(700)</b>

### Capital Fund

The Capital Fund represents the amount set aside by the Council to fund expenditure on non-current assets.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(4,412)</b>	<b>(3,137)</b>
Transferred to Capital Receipts Reserve	(70)	0
Transfers to/ (from) General Fund	0	(14)
Amounts applied to fund new capital investment	1,369	824
Interest on balances	(24)	(16)
<b>Balance at 31 March</b>	<b>(3,137)</b>	<b>(2,343)</b>

### Repairs & Renewals Fund

The Repairs & Renewals Fund represents amounts set aside to fund expenditure incurred in repairing, maintaining, replacing and renewing non-current assets.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(1,674)</b>	<b>(1,364)</b>
Transfer to/ (from) General Fund	(285)	159
Amount applied to finance capital expenditure	602	0
Interest on balances	(7)	(5)
<b>Balance at 31 March</b>	<b>(1,364)</b>	<b>(1,210)</b>

### Insurance Fund

The Council has a self-insurance policy in respect of all liability claims intimated against the Council and all motor claims involving the Council's fleet. This means that the first £50,000 arising on each claim is payable by the Council. In order to limit the total cost to the Council in any one financial year, a stop-loss policy exists with the insurers. The main purpose of the Insurance Fund is to meet the cost to the Council of self-insured claims and associated expenses.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(2,849)</b>	<b>(2,630)</b>
Transfer to/ (from) General Fund	(254)	43
Interest on balances	(11)	(12)
<b>Balance at 31 March</b>	<b>(3,114)</b>	<b>(2,599)</b>
Transfer to SPA & SFRS	484	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(2,630)</b>	

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**General Fund**

General Fund balances are a fundamental part of prudent financial management. The following table identifies those amounts that have already been set aside for specific purposes and those which remain 'unallocated' to be used to resource unforeseen expenditure demands, to assist cash flow management and to be used in the Council's medium to longer term financial planning.

	Balance at 1 April 2012	Transfers In	Transfers Out	Balance at 31 March 2013	Transfers to SPA & SFRS	Adjusted opening balance at 1 April 2013	Transfers In	Transfers Out	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000
AEF/ Project Funding	0	0	0	0		0	(1,277)	201	(1,076)
Affordable Social Housing (2 <sup>nd</sup> Homes Discount)	(3,300)	(987)	1,910	(2,377)		(2,377)	(1,035)	507	(2,905)
Broadband Sinking Fund	(1,806)	(471)	322	(1,955)		(1,955)	0	644	(1,311)
Community Safety (former Police & Fire Reserves)	0	0	0	0		0	(1,449)	508	(941)
Corporate Change Fund	(1,219)	(1,216)	0	(2,435)		(2,435)	(3,313)	2,349	(3,399)
Devolved School Management Reserve	(2,703)	0	284	(2,419)		(2,419)	0	203	(2,216)
Earmarked/ Committed Amounts	(4,317)	(1,435)	1,616	(4,136)		(4,136)	(1,370)	1,275	(4,231)
Economic Development/ Regeneration	(1,275)	0	486	(789)		(789)	0	254	(535)
Police & Fire Statutory Reserves	(1,100)	(506)	157	(1,449)	1,449	0			
Policy Development Funding	0	(1,488)	0	(1,488)		(1,488)	(1,186)	125	(2,549)
Schools PPP Sinking Fund	(15,966)	(64)	488	(15,542)		(15,542)	(63)	296	(15,309)
Single Status/ Equal Pay	(1,666)	(792)	0	(2,458)		(2,458)	(75)	263	(2,270)
Social Work National Change Fund	(2,174)	(1,196)	400	(2,970)		(2,970)	0	368	(2,602)
Social Work Support Fund	0	(1,000)	0	(1,000)		(1,000)	0	0	(1,000)
Severe Weather Emergency Fund	(500)	(500)	500	(500)		(500)	0	0	(500)
Waste PFI Sinking Fund	(16,104)	(238)	0	(16,342)		(16,342)	(54)	5,888	(10,508)
Winter Emergency Fund/ Community Winter Resilience	(303)	0	36	(267)		(267)	0	20	(247)
Unallocated Balance	(7,525)	(100)	0	(7,625)		(7,625)	0	800	(6,825)
	<b>(59,958)</b>	<b>(9,993)</b>	<b>6,199</b>	<b>(63,752)</b>	<b>1,449</b>	<b>(62,303)</b>	<b>(9,822)</b>	<b>13,701</b>	<b>(58,424)</b>



**35. Unusable Reserves**

The following table lists the Unusable Reserves held by the Council. This table summarises the movements which are included in the Movement in Reserves Statement and Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations. Further information on the purpose of and movements on each reserve is detailed after the following table.

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Capital Adjustment Account	(147,638)	(140,011)
Revaluation Reserve	(174,748)	(176,591)
Financial Instruments Adjustment Account	1,160	1,014
Pensions Reserve	659,569	290,290
Employee Statutory Adjustment Account - Injury Benefits	17,500	0
Employee Statutory Adjustment Account – Employee Benefits	4,466	4,826
<b>Total Unusable Reserves</b>	<b>360,309</b>	<b>(20,472)</b>
Transfer to SPA & SFRS	(385,496)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(25,187)</b>	

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or 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 are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(153,840)</b>	<b>(135,318)</b>
Depreciation & impairment of non-current assets	40,477	34,018
Amortisation of intangible assets	349	336
Value of assets sold, disposed or decommissioned	1,225	136
Adjusting amounts written out of the Revaluation Reserve	(139)	(194)
Capital receipts applied to finance new capital expenditure	(1,212)	(1,042)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	(16,007)	(15,622)
Loans Fund principal repayments	(13,187)	(13,204)
Statutory repayment of debt (PFI/PPP)	(2,066)	(2,238)
Capital expenditure financed from current revenue	(3,452)	(6,834)
Revaluation adjustments in year	214	0
Other adjustments	0	(49)
<b>Balance at 31 March</b>	<b>(147,638)</b>	<b>(140,011)</b>
Transfer to SPA & SFRS	12,320	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(135,318)</b>	

### Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation,
- disposed of and the gains are realised.

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

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(160,622)</b>	<b>(164,059)</b>
Upward revaluations of assets	(18,398)	(15,397)
Downward revaluation of assets & impairments not charged to the (Surplus)/ Deficit on the Provision of Services	3,758	2,518
Difference between fair value depreciation and historical cost depreciation	139	194
Accumulated gains on assets disposed of	589	153
Amount written off to the Capital Adjustment Account	(214)	0
<b>Balance at 31 March</b>	<b>(174,748)</b>	<b>(176,591)</b>
Transfer to SPA & SFRS	10,689	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(164,059)</b>	

### 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.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>1,306</b>	<b>1,160</b>
Amounts by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(146)	(146)
<b>Balance at 31 March</b>	<b>1,160</b>	<b>1,014</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for the cost of retirement benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees. However statutory arrangements require the benefits earned to be financed as the Council makes employers' contributions to the Dumfries & Galloway Council Pension Fund.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>536,064</b>	<b>269,325</b>
Remeasurement of net defined liability/ (asset)	96,895	8,118
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	55,872	34,944
Employer's pension contributions payable in year	(29,262)	(22,097)
<b>Balance at 31 March</b>	<b>659,569</b>	<b>290,290</b>
Transfer to SPA & SFRS	(390,244)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>269,325</b>	

**Employee Statutory Adjustment Account - Injury Benefits**

The Employee Statutory Adjustment Account (Injury Benefits) absorbs the timing differences arising from the different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions.

This reserve is not required by the Council and transferred to the Scottish Police Authority and the Scottish Fire & Rescue Service on 1 April 2013.

	2012/13 £000
<b>Balance at 1 April</b>	<b>14,200</b>
Remeasurement of net defined liability	1,974
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	1,500
Employer's pension contributions payable in year	(174)
<b>Balance at 31 March</b>	<b>17,500</b>
Transfer to SPA & SFRS	(17,500)
<b>Adjusted opening balance at 1 April 2013</b>	<b>0</b>

**Employee Statutory Adjustment Account - Employee Benefits**

The Employee Statutory Adjustment Account (Employee Benefits) absorbs the differences that would otherwise have arisen on the General Fund Balances from accruing for compensated absences earned but not taken at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to and from the Account.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	5,179	3,705
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(713)	1,121
<b>Balance at 31 March</b>	4,466	4,826
Transfer to SPA & SFRS	(761)	
<b>Adjusted opening balance at 1 April 2013</b>	3,705	

**36. Leases**

Council as Lessee

No assets were leased under finance leases in 2013/14.

The Council has entered into operating leases for vehicles, photocopiers, buildings and equipment.

The minimum lease payments due under non-cancellable leases in future years are shown in the following table.

	At 31 March 2013 £000	At 31 March 2014 £000
Not later than one year	927	943
Later than one year and not later than five years	1,504	1,514
Later than five years	638	333
	3,069	2,790

The expenditure charged to the Comprehensive Income & Expenditure Statement during the year in relation to leases was:

	2012/13 £000	2013/14 £000
Minimum lease payments	3,133	2,908
	3,133	2,908

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Council as Lessor

No assets are currently held by the Council for the purposes of letting under finance leases.

The Council leases out property under operating leases for economic development purposes to provide suitable, affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are shown in the table below.

	At 31 March 2013 £000	At 31 March 2014 £000
Not later than one year	(406)	(399)
Later than one year and not later than five years	(351)	(326)
Later than five years	(112)	(105)
	<b>(869)</b>	<b>(830)</b>

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**37. Financial Instruments**

Financial instruments are defined as any contract that gives rise to a financial asset of one entity and a financial liability of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and includes the most straightforward financial assets and liabilities, such as trade receivables (debtors) and trade payables (creditors), and the most complex ones such as derivatives and embedded derivatives.

**Categorisation**

The following categories of financial instruments are carried on the Balance Sheet:

	Long Term		Current		Total	
	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000
<u>Loans &amp; receivables</u>						
Debtors	213	13,473	16,384	22,775	16,597	36,248
Cash & cash equivalents	0	0	13,434	13,469	13,434	13,469
<b>Total Financial Assets</b>	<b>213</b>	<b>13,473</b>	<b>29,818</b>	<b>36,244</b>	<b>30,031</b>	<b>49,717</b>
Transfer to SPA & SFRS	11,818		(3,120)		8,698	
<b>Adjusted opening balance at 1 April 2013</b>	<b>12,031</b>		<b>26,698</b>		<b>38,729</b>	
<u>Financial Liabilities at Amortised Cost</u>						
Borrowing	(136,918)	(132,766)	(28,028)	(47,295)	(164,946)	(180,061)
PFI/PPP liabilities	(112,622)	(110,365)	(4,489)	(4,508)	(117,111)	(114,873)
PFI deferred income	(1,613)	(1,613)	0	0	(1,613)	(1,613)
Grants received in advance	0	0	0	(8,160)	0	(8,160)
Creditors	0	0	(41,540)	(43,786)	(41,540)	(43,786)
<b>Total Financial Liabilities</b>	<b>(251,153)</b>	<b>(244,744)</b>	<b>(74,057)</b>	<b>(103,749)</b>	<b>(325,210)</b>	<b>(348,493)</b>
Transfer to SPA & SFRS	0		3,566		3,566	
<b>Adjusted opening balance at 1 April 2013</b>	<b>(251,153)</b>		<b>(70,491)</b>		<b>(321,644)</b>	

**Reclassifications Between Categories**

The Council did not reclassify any financial assets or liabilities between categories during the year, or during 2012/13.

**Income, Expense, Gains and Losses**

The income, expense, gains and losses for financial instruments recognised in the Comprehensive Income & Expenditure Statement are as follows:

	Financial Assets		Financial Liabilities		Total	
	Loans and receivables		Liabilities measured at amortised cost			
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Interest expense	0	0	19,171	19,534	19,171	19,534
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>19,171</b>	<b>19,534</b>	<b>19,171</b>	<b>19,534</b>
Interest income	(248)	(254)	0	0	(248)	(254)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>(248)</b>	<b>(254)</b>	<b>0</b>	<b>0</b>	<b>(248)</b>	<b>(254)</b>
<b>Net (gain)/ loss for year</b>	<b>(248)</b>	<b>(254)</b>	<b>19,171</b>	<b>19,534</b>	<b>18,923</b>	<b>19,280</b>

**Fair Value of Assets & Liabilities**

Financial assets (represented by lending and debtors) and financial liabilities (represented by borrowing and creditors) are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- loan rates for each loan,
- 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 value is based on the comparable new borrowing/ deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to financial assets and financial liabilities. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<u>Financial assets</u>				
Debtors	16,597	16,597	36,248	36,248
Cash & cash equivalents	13,434	13,434	13,469	13,469
<b>Total Financial Assets</b>	<b>30,031</b>	<b>30,031</b>	<b>49,717</b>	<b>49,717</b>
Transfer to SPA & SFRS	8,698	8,698		
<b>Adjusted opening balance at 1 April 2013</b>	<b>38,729</b>	<b>38,729</b>		



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The fair value of the financial assets is higher than the carrying amount because the Council's portfolio of investments 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 guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loan.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<b>Financial liabilities</b>				
Borrowing	(164,946)	(209,963)	(180,061)	(215,092)
PFI/PPP liabilities	(117,111)	(117,111)	(114,873)	(114,873)
PFI deferred income	(1,613)	(1,613)	(1,613)	(1,613)
Grants received in advance	0	0	(8,160)	(8,160)
Creditors	(41,540)	(41,540)	(43,786)	(43,786)
<b>Total Financial Liabilities</b>	<b>(325,210)</b>	<b>(370,227)</b>	<b>(348,493)</b>	<b>(383,524)</b>
Transfer to SPA & SFRS	3,566	3,566		
<b>Adjusted opening balance at 1 April 2013</b>	<b>(321,644)</b>	<b>(366,661)</b>		

The fair value of the financial liabilities is more than the carrying amount because the Council's loan portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the debt.

### 38. Nature & Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council,
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments,
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are on the Council's approved lending list. This list is under constant review. The list is based on a credit rating matrix produced by the Treasury Management Consultants and reflects ratings supplied from independent credit rating agencies. The approved lending list

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defines maximum periods and amounts that can be deposited with specific counterparties. The Council has a policy of not lending more than £20 Million of its surplus balances to any one institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2014</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2014</b>	<b>Estimated maximum exposure to default &amp; uncollectability at 31 March 2014</b>	<b>Estimated maximum exposure to default &amp; uncollectability at 31 March 2013</b>
	<b>£000</b>	<b>%</b>	<b>%</b>	<b>£000</b>	<b>£000</b>
Deposits with banks & financial institutions	16,906	0	0	0	0
Customers	4,955	10	10	0	443

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, however there is a total sundry debtors debt of £4.955 Million of which £2.324 Million is past its date for payment. The past due date amount can be analysed by age as follows:

<b>Age</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Less than 3 months	1,338	948
3 – 6 months	195	176
6 months – 1 year	533	398
More than 1 year	333	802
<b>Total</b>	<b>2,399</b>	<b>2,324</b>
Transfer to SPA & SFRS	(14)	
<b>Adjusted opening balance at 1 April 2013</b>	<b>2,385</b>	

### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 15% of long term loans are due to mature in any one year through a combination of careful 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:

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Less than one year	28,028	47,295
Between one and two years	9,172	13,031
Between two and five years	10,999	4,238
More than five years	116,747	115,497
	<b>164,946</b>	<b>180,061</b>

All trade and other payables are due to be paid in less than one year.

### **Market risk**

#### **a) Interest rate risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Comprehensive Income & Expenditure Statement will rise,
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall,
- investments at variable rates - the interest income credited to the Comprehensive Income & Expenditure Statement will rise,
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income & Expenditure Statement and therefore impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Other Comprehensive Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update monitoring reports during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2012/13 £000	2013/14 £000
Increase in interest payable on variable rate borrowings	76	76
Increase in interest receivable on variable rate investments	(213)	(169)
Impact on (Surplus) or Deficit on Provision of Services	<b>(137)</b>	<b>(93)</b>
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income & Expenditure	<b>0</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings (no impact on the (Surplus) or Deficit on Provision of Services or Other Comprehensive Income & Expenditure)	<b>23,931</b>	<b>21,939</b>

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

**b) Price risk**

The Council does not hold equity shares for investment purposes and therefore has no exposure to losses arising from movements in the prices of the shares.

**c) Foreign exchange risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**39. Cash Flow - Operating Activities**

The cash flows from operating activities include the following items:

	2012/13 £000	2013/14 £000
Interest received	(248)	(254)
Interest paid	8,215	7,679
Interest element of PFI/ PPP payments	10,956	11,855
<b>Net cash flow from interest</b>	<b>18,923</b>	<b>19,280</b>

#### **40. Related Parties**

The Council is required to disclose material transactions with related bodies – i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled and influenced by the Council.

##### **Central Government**

Central Government is responsible for providing the statutory framework within which the Council operates, providing the majority of the Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of Central Government Grants received are contained in Note 16 (grant income).

##### **Councillors & Officers**

Elected Members and senior officers are required to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this arise, the relevant Member or officer does not take part in any discussion or decision related to that interest. The Register of Members Interests is available on the Council's website at [www.dumgal.gov.uk](http://www.dumgal.gov.uk).

##### **Other Public Bodies**

NHS Dumfries & Galloway transfers resources to the Council for the resettlement and social care of clients who would previously have been in long-term hospital care and to reflect the joint funding of specific projects. The resources transferred to the Council under this arrangement totalled £8.634 Million in 2013/14 (£8.465 Million in 2012/13).

During the year the Council provided funding of £3.722 Million (£3.768 Million in 2012/13) to the South West Scotland Transport Partnership (SWestrans) which is an associate organisation of the Council. The SWestrans does not employ its own staff and during 2013/14 the Council charged the SWestrans £195k (£154k in 2012/13) in respect of staff support, supplies and other support services.

##### **Pension Fund**

The Council charged the Pension Fund a total of £188k (£186k in 2012/13) for expenses incurred in administering the Fund.

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#### **41. Contingent Liabilities**

##### **Equal Pay**

The Council has a contingent liability relating to the risk that the extent of compensation due to individual groups of workers could increase beyond the provision detailed in Note 28 and a further risk that groups of workers not currently included in this estimate may be successful in claiming compensation under the terms of the legislation.

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#### **42. Group Accounts**

The Council has reviewed the nature of its interests with external organisations in order to assess the extent of its group relationships.

The South West of Scotland Transport Partnership (SWestrans) was set up under the Transport (Scotland) Act 2005 and the Council's public transport functions were transferred to the SWestrans under a Transfer of Functions Order on 7 November 2006. The Council is able to exercise a significant influence over the SWestrans through five Council members being board members (out of a total board membership of seven), and therefore has a group relationship with the SWestrans which is considered to be an associate of the Council. In the period to 31 March 2014 the SWestrans had gross expenditure of £5.064 Million (£4.895 Million in 2012/13) and gross income of £5.115 Million (£5.072 Million in 2012/13), resulting in total net income of £250k (£177k in 2012/13). The Council's share of this position is not material in terms of the Council's economic activities.

The preparation of Group Accounts is not considered to be necessary to provide a fair presentation of the Council's financial position.

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## Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income & Expenditure Statement.

2012/13 £000		2013/14 £000
72,735	Gross Council Tax Charge	73,147
	<b>Less Deductions</b>	
(2,453)	Exemptions	(2,418)
(98)	Disabled relief	(97)
(6,244)	Discounts	(6,306)
91	Council Tax Benefits (net of government grant)	127
(794)	Provision for doubtful debts	(694)
(222)	Previous year adjustments	(322)
<b>63,015</b>		<b>63,437</b>
0	Council Tax Reduction Scheme	(8,935)
<b>63,015</b>	<b>Net Council Tax Income per the Comprehensive Income &amp; Expenditure Statement</b>	<b>54,502</b>

### Notes

#### 1. Nature of the Council Tax Charge

The Council Tax charge is based upon the property market value of a domestic property together with a personal element which takes into account the number and circumstances of the occupants of the property. Each household or occupied dwelling is allocated to a council tax band (A - H) by the Assessor. The Council declares an annual tax level for Band D properties and all other properties are charged a proportion of this - lower valued properties pay less, higher valued properties pay more. As part of the Local Government Finance Settlement for 2013/14 additional funding was made available through Government grants in order to continue to freeze Council Tax at 2007/08 levels.

A discount of 25% on the Council Tax is made where there are fewer than two residents in the property. Discounts of 50% are available for some unoccupied properties (job-related homes & purpose built holiday homes). There is also a discount of 10% available for second homes. From 1 October 2014 certain long-term empty properties may be subject to a 100% tariff. Reductions in Council Tax are also available for people with disabilities where the property has been adapted to meet their needs. Total exemptions are available for some categories of occupants.

From 1 April 2013 Council Tax Benefit was abolished and replaced by a localised scheme, referred to as the Council Tax Reduction Scheme. The funding previously made available to the Department of Work & Pensions was transferred to Local Authorities. The Net Council Tax Income now only reflects the income raised from direct receipts from property occupiers.

Charges for water and sewerage are the responsibility of Scottish Water. The Council collects monies on behalf of Scottish Water.

## 2. Calculation of the Council Tax base

The number of chargeable dwellings in each valuation band and the corresponding number of Band D dwellings in 2013/14 were as follows:

2012/13		2013/14									Total
		Bands									
Total		A*	A	B	C	D	E	F	G	H	
72,871	Properties		11,371	22,732	11,721	9,706	10,256	4,941	2,339	158	<b>73,224</b>
(2,210)	Exemptions		(701)	(729)	(290)	(216)	(240)	(107)	(40)	(3)	<b>(2,326)</b>
(601)	Disabled Reliefs (to lower band)		(54)	(172)	(83)	(95)	(128)	(64)	(16)	0	<b>(612)</b>
601	Disabled Reliefs (from higher band)	54	172	83	95	128	64	16	0	0	<b>612</b>
(6,242)	Discounts (25%) (equivalent properties)	(8)	(1,662)	(2,095)	(918)	(666)	(594)	(226)	(94)	(5)	<b>(6,268)</b>
(1,336)	Discounts (50%) (equivalent properties)	0	(226)	(313)	(294)	(209)	(168)	(84)	(64)	(14)	<b>(1,372)</b>
<b>63,083</b>	<b>Total Equivalent</b>	<b>46</b>	<b>8,900</b>	<b>19,506</b>	<b>10,231</b>	<b>8,648</b>	<b>9,190</b>	<b>4,476</b>	<b>2,125</b>	<b>136</b>	<b>63,258</b>
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>60,144</b>	<b>Band D Equivalents</b>	<b>26</b>	<b>5,933</b>	<b>15,171</b>	<b>9,094</b>	<b>8,648</b>	<b>11,232</b>	<b>6,465</b>	<b>3,542</b>	<b>272</b>	<b>60,383</b>
(1,941)	Provision for Doubtful Debts										<b>(2,180)</b>
<b>58,203</b>	<b>Council Tax Base</b>										<b>58,203</b>

Band A\* refers to Band A properties subject to disabled relief. Disabled relief takes the form of a drop in valuation band, and is applied where a property has been adapted to meet the needs of a disabled person who lives there.

## 3. Council Tax Levels

In accordance with the freeze on Council Tax the charge per Band D household was retained at the 2007/08 level of £1,049. Applying this to the Band D equivalent tax base of 58,203 the total sum to be raised through the Council Tax in 2013/14 was £61.055 Million. Charges for the other bands within the range A to H vary according to the variable formula, which makes the band A charge equivalent to 6/9 of the Band D charge (£699.33) and the Band H charge equivalent to 18/9 of the Band D charge (£2,098).

Valuation Band	Charge per Dwelling	
	2012/13	2013/14
	£	£
A up to £27,0000	699.33	699.33
B £27,000 to £35,000	815.89	815.89
C £35,000 to £45,000	932.44	932.44
D £45,000 to £58,000	1,049.00	1,049.00
E £58,000 to £80,000	1,282.11	1,282.11
F £80,000 to £106,000	1,515.22	1,515.22
G £106,000 to £212,000	1,748.33	1,748.33
H over £212,000	2,098.00	2,098.00



## Non Domestic Rates Account

The Non Domestic Rates Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non Domestic Rates Account. The statement shows the gross income from the rates and the deductions made under statute. The Contribution to the National Non-Domestic Rate Pool represents the value of the amounts collected by the Council and contributed through pooling arrangements for Government Grant purposes. The Contribution from the National Non-Domestic Rates Pool represents the value of non-domestic rates income distributed to the Council through the Aggregate External Finance mechanism.

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
54,308	Gross Rates Charged	54,059
	<b>Less Deductions</b>	
(1,891)	Vacant properties	(2,023)
(7,845)	Mandatory relief	(8,376)
(840)	Discretionary relief	(836)
(1,061)	Disabled relief	(1,005)
(373)	Provision for bad debts	(315)
<b>42,298</b>	<b>Contribution to National Non-Domestic Rate Pool</b>	<b>41,504</b>
(895)	Contribution from/ (to) National Non-Domestic Rate Pool	3,045
<b>41,403</b>	<b>Net Non-Domestic Rates Income to Comprehensive Income &amp; Expenditure Statement</b>	<b>44,549</b>

### Notes

#### 1. Analysis of Rateable Subjects and Values as at 1 April 2013

As at 1 April 2012 restated		As at 1 April 2013	
Subjects	Values £000	Subjects	Values £000
6,296	61,078	Commercial	6,373
201	21,653	Industrial	197
23	6,486	Public Utilities	23
2,291	30,018	Miscellaneous	2,276
<b>8,811</b>	<b>119,235</b>	<b>8,869</b>	<b>118,188</b>

**2. Rate Pounding**

The Non-Domestic Rates system is used to raise local tax income on non-domestic properties. The tax is based on applying the non-domestic rate pounding to the rateable value of each property and in 2013/14 the Scottish Government set the rate pounding at 47.1p (45.8p in 2012/13) for properties with a rateable value above £35,000 with a reduced rate of 46.2p (45.0p in 2012/13) applied to properties with rateable values below that level.

## Trust Funds

In its capacity as trustee, the Council administers a number of Educational, Welfare and Charitable Trusts usually provided from legacies of former school pupils, donations to Social Work Services children's homes & other centres, and residents of particular areas. These Trusts are all registered Scottish charities. The Accounts of these Trusts have been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting By Charities: A Statement of Recommended Practice (revised 2005).

### Statement of Financial Activities

2012/13 Total £000	Educational £000	2013/14		Total £000
		Welfare £000	Charitable £000	
<b>Incoming Resources</b>				
Income from generated funds:				
(62) - investment income	(115)	0	(20)	<b>(135)</b>
<b>(62) Total incoming resources</b>	<b>(115)</b>	<b>0</b>	<b>(20)</b>	<b>(135)</b>
<b>Resources Expended</b>				
51 Charitable activities	76	0	29	<b>105</b>
0 Governance costs	1	0	17	<b>18</b>
21 Other resources expended	0	0	21	<b>21</b>
<b>72 Total resources expended</b>	<b>77</b>	<b>0</b>	<b>67</b>	<b>144</b>
<b>10 Net (incoming)/ outgoing resources</b>	<b>(38)</b>	<b>0</b>	<b>47</b>	<b>9</b>
<b>Other Recognised Gains</b>				
(76) (Gains)/ losses on investment assets	(18)	0	(18)	<b>(36)</b>
<b>(66) Net movement in funds</b>	<b>(56)</b>	<b>0</b>	<b>29</b>	<b>(27)</b>
<b>Reconciliation of Funds</b>				
(1,490) Total funds brought forward	(711)	(7)	(838)	<b>(1,556)</b>
<b>(1,556) Total funds carried forward</b>	<b>(767)</b>	<b>(7)</b>	<b>(809)</b>	<b>(1,583)</b>

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**Balance Sheet**

2012/13 Total £000		2013/14			Total £000
		Educational £000	Welfare £000	Charitable £000	
364	Non-current Assets	0	0	343	<b>343</b>
749	Investments	689	0	96	<b>785</b>
	Current Assets				
443	Temporary Deposits with Loans Fund	79	7	387	<b>473</b>
0	Current Liabilities	(1)	0	(17)	<b>(18)</b>
<b>1,556</b>	<b>Net Assets</b>	<b>767</b>	<b>7</b>	<b>809</b>	<b>1,583</b>
	<b>Financed by:</b>				
141	Available for Sale Financial Instruments Reserve	142	0	84	<b>226</b>
167	Revaluation Reserve	0	0	167	<b>167</b>
1,258	Balance in Funds at 1 April	577	7	664	<b>1,248</b>
0	Recalculation of investment values	10	0	(59)	<b>(49)</b>
(10)	Surplus/ (Deficit) for year	38	0	(47)	<b>(9)</b>
<b>1,556</b>	<b>Balance on Trust Funds at 31 March</b>	<b>767</b>	<b>7</b>	<b>809</b>	<b>1,583</b>

**Notes for Educational, Welfare & Charitable Trusts:**

The income from the investments of the Educational Trusts is used to provide educational grants, school equipment and prizes, whilst that of the Welfare Trusts is used for the wellbeing of residents of children's homes and the users of Adult Resource Centres and Family Centres. The income from Charitable Trusts is used for the benefit of local people according to the purposes specified by the trust deeds.

The Lockerbie and Syracuse University Scholarship Trust is included in the Educational Trusts in the statements above. Its purpose is to send two Lockerbie students to Syracuse University each year. The Trust meets the college fees and everyday expenses of the two students.

Trust Funds are mainly invested in high interest earning investments or placed with the Council's Loans Fund and earn interest accordingly. Investments are stated at market value at 31 March 2014.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £343,000. The property is valued at depreciated replacement cost.

## Common Good

Common Good Funds are held for the benefit of residents of the former Burghs of Kirkcudbright, Castle Douglas, Gatehouse of Fleet, Annan, Lochmaben, Lockerbie, Stranraer, Whithorn, Wigtown, Sanquhar and Dumfries.

The assets of the Funds are the properties of these former Burghs and monies are mainly invested with the Council's Loans Fund. The Funds' expenditure is mainly on the maintenance of properties and on grants made to local organisations, while the Funds' income comes from property rentals and interest generated on investments. The Accounts of the Common Good Funds are prepared in accordance with the Code of Practice.

The following statements cover all Common Good Funds. Detailed information for 2013/14 for individual Funds is provided in Note 1.

### Movements in Reserves Statement

	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2012</b>	<b>(754)</b>	<b>(6,461)</b>	<b>(7,215)</b>
<b>Movements in Reserves during 2012/13</b>			
(Surplus) or Deficit on provision of services	26	0	26
Other Comprehensive Income & Expenditure	0	(39)	(39)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>26</b>	<b>(39)</b>	<b>(13)</b>
Adjustments between accounting basis & funding basis under regulations	0	0	0
<b>(Increase)/ decrease in year</b>	<b>26</b>	<b>(39)</b>	<b>(13)</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(728)</b>	<b>(6,500)</b>	<b>(7,228)</b>
<b>Movements in Reserves during 2013/14</b>			
(Surplus) or Deficit on provision of services	109	0	109
Other Comprehensive Income & Expenditure	0	(203)	(203)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>109</b>	<b>(203)</b>	<b>(94)</b>
Adjustments between accounting basis & funding basis under regulations	0	0	0
<b>(Increase)/ decrease in year</b>	<b>109</b>	<b>(203)</b>	<b>(94)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(619)</b>	<b>(6,703)</b>	<b>(7,322)</b>

**Comprehensive Income & Expenditure Statement**

<b>2012/13</b>		<b>2013/14</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
358	Gross expenditure	360	
(138)	Gross income	(115)	
<b>220</b>	<b>Net Cost of Services</b>		<b>245</b>
(29)	Financing & Investment Income and Expenditure - interest income		(32)
(165)	Taxation & Non Specific Grant Income - capital grants & contributions		(104)
<b>26</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>109</b>
13	(Surplus) or deficit on revaluation of non-current assets	(198)	
(52)	Other unrealised (gains)/ losses	(5)	
<b>(39)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>(203)</b>
<b>(13)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(94)</b>

**Balance Sheet**

<b>31 March 2013</b> <b>£000</b>		<b>31 March 2014</b> <b>£000</b>
5,237	Property, Plant & Equipment - other land & buildings	5,261
568	Long term investments	574
<b>5,805</b>	<b>Long Term Assets</b>	<b>5,835</b>
17	Short Term Debtors	66
1,424	Cash & Cash Equivalents	1,434
<b>1,441</b>	<b>Current Assets</b>	<b>1,500</b>
(18)	Short Term Creditors	(13)
<b>(18)</b>	<b>Current Liabilities</b>	<b>(13)</b>
<b>7,228</b>	<b>Net Assets</b>	<b>7,322</b>
728	Usable Reserves	619
	Unusable Reserves	
5,504	- Revaluation Reserve	5,702
904	- Capital Adjustment Account	904
92	- Available for Sale Financial Instruments Account	97
6,500		6,703
<b>7,228</b>	<b>Total Reserves</b>	<b>7,322</b>

Notes

1. Common Good Funds 2013/14  
Comprehensive Income & Expenditure Account for year ended 31 March 2014

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Whithorn	Wigtown	Dumfries	Sanquhar	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	57	18	4	42	0	2	94	9	15	103	16	360
Gross Income	(12)	(21)	(2)	(30)	0	0	(10)	(1)	0	(35)	(4)	(115)
<b>Net Cost of Services</b>	<b>45</b>	<b>(3)</b>	<b>2</b>	<b>12</b>	<b>0</b>	<b>2</b>	<b>84</b>	<b>8</b>	<b>15</b>	<b>68</b>	<b>12</b>	<b>245</b>
Financing & Investment Income & Expenditure												
- interest income	(7)	(2)	0	(3)	0	0	(17)	(1)	0	(1)	(1)	(32)
Taxation & Non Specific Grant Income												
- capital grants & contributions	(2)	(6)	0	0	0	0	(44)	0	(8)	(44)	0	(104)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>36</b>	<b>(11)</b>	<b>2</b>	<b>9</b>	<b>0</b>	<b>2</b>	<b>23</b>	<b>7</b>	<b>7</b>	<b>23</b>	<b>11</b>	<b>109</b>
(Surplus) or Deficit on revaluation of non-current assets	(196)	0	0	(2)	0	0	0	0	0	0	0	(198)
Other unrealised (gains)/ losses	0	0	0	0	0	0	(5)	0	0	0	0	(5)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(196)</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>(5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(203)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(160)</b>	<b>(11)</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>2</b>	<b>18</b>	<b>7</b>	<b>7</b>	<b>23</b>	<b>11</b>	<b>(94)</b>



**Balance Sheet as at 31 March 2014**

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Whithorn	Wigtown	Dumfries	Sanquhar	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment - other land & buildings	776	196	16	550	0	150	1,433	91	192	1,583	274	<b>5,261</b>
Long term investments	2	0	0	1	0	0	570	0	0	0	1	<b>574</b>
<b>Long Term Assets</b>	<b>778</b>	<b>196</b>	<b>16</b>	<b>551</b>	<b>0</b>	<b>150</b>	<b>2,003</b>	<b>91</b>	<b>192</b>	<b>1,583</b>	<b>275</b>	<b>5,835</b>
<b>Current Assets</b>												
Short term debtors	0	0	0	0	1	0	60	0	0	0	5	<b>66</b>
Cash & cash equivalents	646	171	31	258	20	20	11	38	10	107	122	<b>1,434</b>
	<b>646</b>	<b>171</b>	<b>31</b>	<b>258</b>	<b>21</b>	<b>20</b>	<b>71</b>	<b>38</b>	<b>10</b>	<b>107</b>	<b>127</b>	<b>1,500</b>
<b>Current Liabilities</b>												
Short term creditors	0	(6)	0	(1)	0	0	0	0	0	(6)	0	(13)
	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6)</b>	<b>0</b>	<b>(13)</b>
<b>Net Assets</b>	<b>1,424</b>	<b>361</b>	<b>47</b>	<b>808</b>	<b>21</b>	<b>170</b>	<b>2,074</b>	<b>129</b>	<b>202</b>	<b>1,684</b>	<b>402</b>	<b>7,322</b>
Usable reserves	159	74	16	203	21	20	376	(1)	(69)	(250)	70	619
Unusable reserves	1,265	287	31	605	0	150	1,698	130	271	1,934	332	6,703
	<b>1,424</b>	<b>361</b>	<b>47</b>	<b>808</b>	<b>21</b>	<b>170</b>	<b>2,074</b>	<b>129</b>	<b>202</b>	<b>1,684</b>	<b>402</b>	<b>7,322</b>

**2. Accounting Issues**

Property, Plant & Equipment represents the Common Good Funds Heritable Property. These are revalued on a rolling basis every five years using the Code of Practice of the Royal Institute of Chartered Surveyors.

Investments are stated at their market value at 31 March 2014.

The accounting policies applied are those of Dumfries & Galloway Council.

## **Independent Auditors' Report**

### **Independent auditor's report to the members of Dumfries and Galloway Council and the Accounts Commission for Scotland**

We certify that we have audited the financial statements of Dumfries and Galloway Council for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the authority-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement, the Council Tax Income Account, the Non-domestic Rates Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code). This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Responsible Financial Officer and Auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the body as at 31 March 2014 and of the income and expenditure of the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

**Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Lindsey Paterson, for and on behalf of PricewaterhouseCoopers LLP

141 Bothwell Street  
Glasgow  
G2 7EQ  
23 September 2014