

D u m f r i e s   a n d   G a l l o w a y   C o u n c i l

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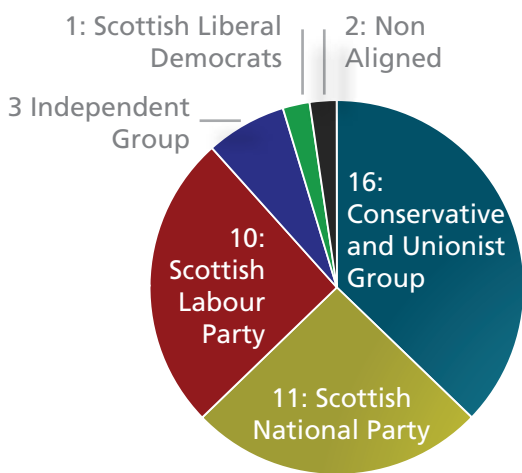
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# Management Commentary

This management Commentary is intended to assist readers of the annual accounts through providing an insight into the activities and priorities of the Council and also through providing an analysis of financial performance as reflected in the following financial statements. The Management Commentary also provides an indication of the principle risks and uncertainties facing the Council over the upcoming period and the main measures in place to address these risks.

## About Dumfries and Galloway Council



Dumfries and Galloway population  
**149,670**

### Political Make up of the Council

We have a minority administration of 21 - made up of Scottish Labour and SNP

Population is 149,670 - with an estimation of 60 people for every square mile, which is significantly lower than the Scottish average of 168. This reflects the regions sparsely populated rural areas

## 4,200km roads

312km trunk roads (7%)

60km motorway (1.4%)



4,200km of roads. We are the third largest roads authority in Scotland

Tourism is worth  
**£302m**



Tourism is worth £302m to the local economy, supporting 7,000 jobs

# Strategic Priorities

## Delivering the Priorities of the Council

Our Council has set 4 Priorities focused on the most important areas of Council services improve the region economically and ensuring better lives for our children and other vulnerable groups. These Priorities are at the heart of council services and are supported by underpinning commitments. These are used by Elected Members in considering strategic decisions, determining key performance measures and allocation of resources.

### Priority 1 Build the local economy



#### Our commitments are to:

|  |  |
|--|--|
| Improve the level of skills within our communities and workforce | Support our small and medium sized businesses to be established and grow |
| Invest in our key infrastructure                                 | Provide an attractive location to do business                            |

We are committed to ensuring that Dumfries and Galloway emerges from the economic downturn in a stronger position by focusing on tackling the underlying weaknesses in our economy – low pay, not having enough paid work that make full use of skills/abilities (underemployment), above average levels of youth unemployment and the low level of qualifications. The Regional Economic Strategy (RES) sets out an ambitious economic vision for the region and the Economic Leadership Group acts as a strategic visioning and oversight body and will play a significant role in driving forward that vision.

The Employability Partnership Action Plan was agreed in 2015 to provide for a three-year Work Plan which reflects the priorities and commitments detailed in the Partners’ Concordat. Delivery has focused on key themes of parental and employer engagement, transitional support for young people and learner pathways.

Our Borderlands Inclusive Growth Deal Proposal was submitted to the UK and Scottish governments at the end of September 2018 and a combined deal from the UK and Scottish Governments was announced on in March 2019. At the forefront of our economic development, this partnership, between the five local authorities which straddle the Scotland/England Border, will directly benefit a total of 1.1m residents over an area equivalent to the size of Wales. It will do this by generating jobs over the next 10 years, attracting extra tourists to our region, encouraging young people to stay, live and work here and therefore improving the lives of our existing residents and communities.

The introduction of the South of Scotland Economic Partnership (SoSEP) as part of the emerging South of Scotland Enterprise has seen investment, in excess of £4 million, for projects to develop the skills of the region’s future workforce, generate new income through tourism and support our community enterprises.

The Regional Economic Strategy sets out an ambitious economic vision for our region to ensure that every member of every community has equality of access to a prosperous future. By growing businesses, developing places and investing in large investment projects, we will create an economy which is capable of taking advantage of opportunities, by combining an appropriate skilled workforce and connected infrastructure to support more prosperous and inclusive Communities.

Our Major Festivals and Events Strategy promotes cultural and sporting highlights and demonstrates the economic impact of such events. Signature Events are identified by their strategic importance to the industry and to the region due to their impressive cultural and sporting programmes and 3 associated impacts.

The Council's Strategic Housing Investment Plan (SHIP) sets out key strategic priorities for affordable housing developments in our region and the resources required for delivery. This then informs Scottish Government investment decisions. The delivery of the Council's SHIP has also helped to tackle the negative effects on the lives of our vulnerable residents including people living on low incomes and those who are homeless or have specialist housing needs. The results are also demonstrated by the number of local contractors which benefit from our investment, helping to deliver local jobs and apprenticeships for our young people.

We have launched first food and drink strategy for the region, which focusses on supporting collaboration, innovation, job creation and inclusive growth across the sector. Food and drink is already Dumfries and Galloway's largest, fastest growing and most valuable economic sector. The strategy has been developed following extensive consultation with industry partners and it sets an ambitious target to double the value of Dumfries and Galloway's food and drink industry. Spanning the full supply chain from field and sea to plate, the sector includes primary production, such as agriculture and fishing, through to small food producers, large scale food manufacturers and processors, farmers' markets and food festivals, distributors, restaurants, cafes, visitor attractions, speciality retailers and a growing number of distilleries.



# Strategic Priorities

## Priority 2

### Provide the best start in life for all our children



Our Council is committed to giving the best start in life for all our children.

**Our commitments are to:**

|   |  |
|---|--|
| Ensure early intervention, in particular to keep our region’s most vulnerable children safe | Invest in creating schools fit for the 21st Century, which are at the heart of our communities |
| Raise ambition and attainment, in particular to address inequalities                        | Support children to be healthy and active  |

Our aim is to provide all local children and young people an equal chance to fulfil their potential.

Education Services delivers the Council priorities through education in schools throughout the region.

Outcomes are improved for children by focussing directly on those who can make the greatest difference.

Our Council continues to work towards expanding Early Learning and Childcare to provide 1,140 hours for 3 to 4-year-olds and eligible 2-year-olds by the year 2020/21. This is a key element of Getting it Right for Every Child [GIRFEC] and closing attainment gaps.

Delivering Dumfries Learning Town will significantly contribute to our Council’s priorities.

North West Community Campus [NWCC] in Dumfries will play a key important role in improving standards in education.

The Bridge is a key component in delivering the aspirations of Dumfries Learning Town. Filling a gap between learning and work. It will be increasingly relevant in developing the local workforce and ensuring that education and economy develop together, filling a gap.

The South of Scotland Enterprise Partnership [SoSEP] is investing in Digital Hubs at College Campuses [Dumfries and Stranraer] and Digital Spokes at Annan Academy, Castle Douglas High School, Douglas Ewart High School and Sanquhar Academy. These will involve video conferencing facilities equipped with hi-definition touch-screen displays, hi-spec cameras and microphones, and modern learning spaces.

The final phase of works to St Joseph’s College, including the construction of a 3G pitch, installing a grass pitch, completion of the carpark and landscaping were completed during the financial year.

£7.4 million has been invested in our school estate in addition to Dumfries Learning Town.

# Strategic Priorities

## Priority 3

### Protect our most vulnerable people



We want our most vulnerable residents - many of whom live in poverty or suffer poor health - to have the support and resources they need to live healthy and independent lives.

#### Our commitments are:

|  |  |
|--|--|
| Tackle the causes and effects of inequality and poverty                      | Help older or vulnerable people live healthy and independent lives |
| Ensure our older or vulnerable people receive the care and support they need | Keep our communities safe  |

The Dumfries and Galloway Public Protection Partnership was formally launched in 2018/19, amalgamating the previous Child Protection Committee, Adult Protection Committee, and Domestic Abuse and Violence Against Woman Partnership. This introduced the Public Protection Committee arrangements and structure covering Performance and Quality, Practice Improvement, Learning and Development.

As one of the first areas in Scotland to fully combine all aspects of public protection under a single strategic lead, Dumfries and Galloway Council and partners are taking an innovative approach to ensure that those who are at risk and vulnerable are protected, and to minimise the risk from those who pose a threat to our communities.

The Multi-Agency Safeguarding Hub (MASH) continues to screen and respond to referrals where there is a concern that an adult or child may be at risk of harm; this can be from professional workers or members of the public. The MASH includes the Council, Police and NHS based together to share information and make informed decisions about the protection of adults and children in our community. The MASH has a regionwide remit which gives a single point of entry for screening referrals that may indicate an adult or child is at risk of harm.

Taking on board the early success within the MASH, developments in MASH adult care include carrying out all 'Duty to Inquire' work which ensures a consistent approach to protecting our most vulnerable and Adult Support and Protection Training with staff to widen the awareness of adult protection. MASH child care now includes pre-birth screening.

In March 2019 the Community Justice Partnership and Public Protection Partnership held a "sold out" Conference titled "From Hurt to Hope: Moving from Shame and Blame to Understanding". This was the first shared-agenda Conference of its kind in Scotland and involved participants across the sectors in Dumfries and Galloway and beyond who explored the impact of violence against women and girls and the links across Community Justice. The Conference covered the personal impact of living with trauma; why commercial exploitation is a violence against women issue; trauma-informed Policing; the Police response to domestic abuse; women in the justice system and the new regional child sexual exploitation campaign. The Conference was evaluated very positively.

Our Financial Wellbeing and Revenues Service provides assistance and support to a wide range of vulnerable people across the region. The Service has established a new Team which works with people who are at threat of homelessness to ensure they can access benefits, including the Scottish Welfare Fund, to help them maintain their tenancy

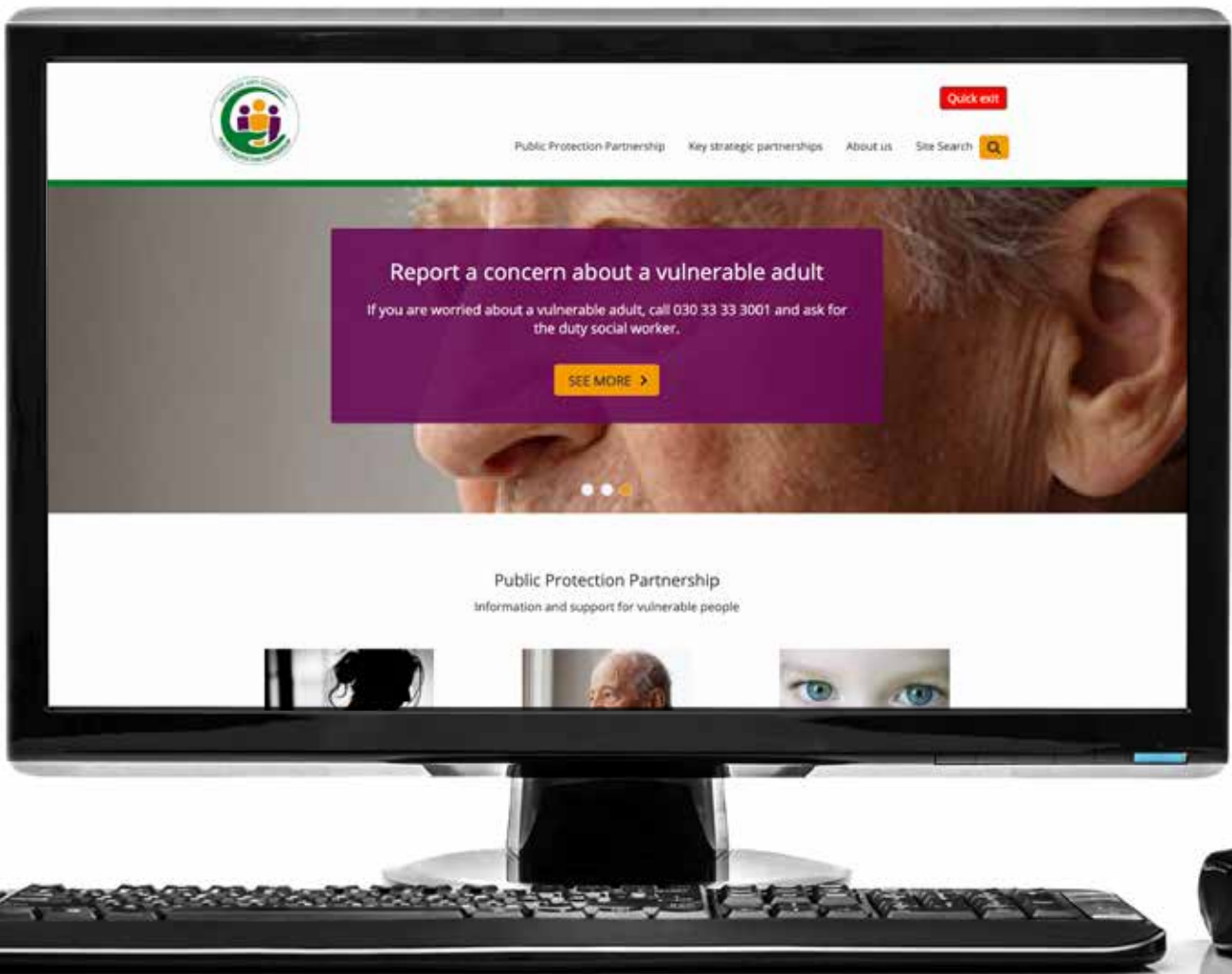


and to provide assistance to source more suitable accommodation wherever possible. The Team prevented over 50 evictions in 2018/19. The Housing Options and Homeless Service also continues to work with key third sector partners, private and Registered Social Landlords to ensure early intervention in Homeless cases.

The Scottish Government allocated Affordable Housing Supply Programme funding of £19.279 million for 2018/19. The delivery of new, high quality housing through the Council's Strategic Housing Investment Plan is helping to tackle the negative effects on the lives of our vulnerable residents. People living on low incomes and those who are homeless or have specialist housing needs are able

to live independently in affordable homes with high levels of energy efficiency, thermal comfort, good ventilation, appropriate space for the household and the provision of safety features. They are also built to design requirements which aim to ensure that all properties are flexible enough to accommodate a range of different circumstances throughout a person's life.

The second annual performance report of the Dumfries and Galloway Integration Joint Board was reviewed by the Council in September 2018. The report considered progress made by the Health and Social Care Partnership against nine national health and wellbeing outcomes and the commitments in the local Strategic Plan 2016-19.



# Strategic Priorities

## Priority 4

### Be an inclusive council



We are passionate about the importance of working with local people, our communities, our businesses, our staff and other organisations in our region. We all have a shared interest in making the most of the talents, vision and commitment of the people who live and work in Dumfries and Galloway.

#### Our commitments are:

|   |  |
|---|--|
| Increase equality of opportunity  |  |
| Ensure that local people and communities are the heart of our decision making | Empower our communities to make the most of their assets |

Working with local communities is key to our organisation. Community Asset Transfers form a large part of this work. The Council has transferred many assets, building and land, across the region into community ownership and management. Communities are now maintaining and enhancing these assets, bringing to them a wide range of creative service for their local communities. The projects running from these assets are providing real social value. They're reducing social isolation, reinvigorating tourism and bringing employability opportunities. Communities can bring in a fresh approach and external funding to reinvigorate their local assets. We believe in the potential of local communities to take ownership and bring creativity based on local need to help communities thrive.

Another example of communities being at the heart of decision making is our towns and villages in Participatory Budgeting. £500k of Tackling Poverty funding has now been distributed through PB, with local Communities and groups participating directly in priority setting, idea generation and decision making over interventions which look to tackle poverty in their local communities.

PB empowers local citizens to have more say over how public money is spent and creates meaningful opportunities for local people to tackle and address inequality in their communities.

Our Council's progress in introducing participatory budgeting for its Tackling Poverty budget was highlighted as an area of good practice in Audit Scotland's Local Government in Scotland Challenges and Performance Report published in March 2019. The Report noted that 63 projects from across the region progressed to public voting events. Successful projects that were awarded funding focused on alleviating different aspects of poverty; these included low income and financial poverty, food poverty, fuel poverty and lack of access to opportunity.

# Dumfries and Galloway Council Plan 2017 - 2022

## Vision

**Dedicated to creating opportunity for all.**

**We'll support ambition, promote and establish Dumfries and Galloway as the best place to live, work and learn**

## Our Principles

|  |  |   |
|--|--|---|
| Focus on early intervention and prevention | Encourage safe and resilient communities | Help the most vulnerable people and those in need |
| Develop skills and opportunities           | Listen to our communities and people     | Deliver efficient and sustainable services        |
| Be open and honest                         | Work in partnership                      | Be ambitious for our region                       |
|  | Deliver locally                          |   |

## Strategic Outcomes our 'Priorities'

|                         |   |                                    |                         |
|-------------------------|---|------------------------------------|-------------------------|
| Build the Local Economy | Provide the best start in life for all our children | Protect our most vulnerable people | Be an inclusive Council |
|-------------------------|---|------------------------------------|-------------------------|

## Strategic Objectives our 'Commitments'

|  |  |  |  |
|--|--|--|--|
| Improve the level of skills within communities and workforce             | Ensure early intervention, in particular to keep our region's most vulnerable children safe    | Tackle the causes and effects of inequality and poverty                      | Ensure that local people and communities are at the heart of our decision making |
| Support our small and medium sized businesses to be established and grow | Invest in creating schools fit for the 21st Century, which are at the heart of our communities | Help older or vulnerable people live healthy and independent lives           | Empower our communities to make the most of their assets                         |
| Invest in our key infrastructure   | Raise ambition and attainment, in particular to address inequalities                           | Ensure our older or vulnerable people receive the care and support they need | Increase equality of opportunity   |
| Provide an attractive location to do business                            | Support children to be healthy and active  | Keep our Communities Safe  |  |

## Strategies and Plans

|                             |                          |                                       |                                 |  |                                     |
|-----------------------------|--------------------------|---------------------------------------|---------------------------------|--|-------------------------------------|
| Regional Economic Strategy  | Children's Services Plan | Health and Social Care Strategic Plan | ICT and Digital Strategy        | Regional Tourism Strategy                      | Major Festivals and Events Strategy |
| Equalities Action Plan      | Volunteer Strategy       | Carbon Management Plan                | Customer Strategy               | Advocacy and Lobbying Strategy                 | Anti Social Behaviour Strategy      |
| Financial Strategy          | Workforce Strategy       | Anti Poverty Strategy                 | CLD Partners' Strategic Plan    | Community Engagement and Participants Strategy | Active Travel Strategy              |
| Commercial Development Plan | Procurement Strategy     | Local Development Plan                | Education Authority Annual Plan | Local Housing Strategy                         | Regional Transport Strategy         |

## Our Approach

|                                    |  |                                 |                                |                               |
|------------------------------------|--|---------------------------------|--------------------------------|-------------------------------|
| Develop a workforce for the future | Deliver fewer and better assets                                | Sustain services through change | Improve communication          | Add value through procurement |
| Build sustainable finances         | Meet customer needs and expectations at first point of contact | Promote equality                | Ensure community participation | Lead digital innovation       |

# Council Highlights 2018/19

During the year, the Council achieved the following in line with its priorities:



## Kirkcudbright Gallery

The Council has been able to open up its nationally recognised Kirkcudbright Artists collection to a much wider public view. Visitor numbers at the new Kirkcudbright Art Galleries have been nearly as impressive as the exhibitions themselves. The £3.1m refurbishment of the Victorian Town Hall building has received universal acclaim from those visiting over the first year.



## COSLA Excellence Awards

Dumfries and Galloway Council picked up the Cosla Excellence gold award for 'Tackling Poverty in Dumfries and Galloway' in the category 'Tackling Inequalities and Improving Health'. Our Council is committed to tackling the causes and effects of inequality and poverty and we work closely with partners, our communities and people facing the challenge of poverty to make sure we get the most effective approaches in place.



## YOYP Dumfries and Galloway Youth Awards

In December 2018, the official closing event for Dumfries and Galloway's Year of Young People took place. This included the first annual Dumfries and Galloway Youth Awards which celebrated the talents, achievements and personalities of young people across Dumfries and Galloway. Awards were made under the YOYP'S key themes of: Health and Wellbeing; Participation; Equality and Discrimination; Culture; Enterprise and Regeneration; Education; Youth Worker of the year; and the Unsung hero Award.



## Borderlands Conference

More than 370 business representatives, public sector organisations and individuals attended the first Borderlands conference and had their say on proposals to transform the Borderlands economy. Views were sought on the Borderlands' key themes: Digital; Energy; Destination Borderlands; Rural Productivity; Business Growth; Transport; Innovation and Skills and Quality of Place.



**Youth Beatz -  
2 Day Festival**

# Community Planning


The Council works in partnership with public agencies, private enterprise and third sector organisations to support the delivery of its Priorities, to enable the delivery of a wide range of local services and to support communities across our rural region. The Council plays a significant role in the Dumfries and Galloway Community Planning Partnership (CPP) and the Council's Priorities are reflected in the CPP's Local Outcomes Improvement Plan.

## The CPP's Vision is:


'Working together to create an ambitious, prosperous and confident Dumfries and Galloway where people achieve their potential'.

## The CPP's Outcomes are:


**Outcome 1**  
Everyone who needs help to work receives the right support.




**Outcome 5**  
The money available to people on Benefits and low wages is maximised.




**Outcome 2**  
Learning opportunities are available to those who need them most.



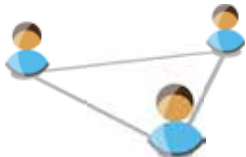
**Outcome 6**  
People are safe and feel safe.




**Outcome 3**  
Health and wellbeing inequalities are reduced.




**Outcome 7**  
People are well connected.



**Outcome 4**  
There is affordable and warm housing for those who need it most.



**Outcome 8**  
Individuals and communities are empowered.






# Business Planning and Performance Monitoring

Business Planning is a continuous process involving reviewing the performance and progress of Directorate Delivery. Business Plans are produced for a five-year period but reviewed and updated annually, to align with the budget setting process and Council Strategy.

The format of performance reporting to Committee is aimed as assisting Elected Members to focus on delivery against Business Plans and any exceptions.

Performance reports will be prepared for Committees as follows:

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  <p><b>Council Plan</b></p> | <p>On an annual basis a report will be prepared for Full Council which details progress made on the Council Plan</p> |  <p><b>Business Plans</b></p> | <p>Halfway through and at the end of the operating year – to provide a progress report to Elected Members on delivery of individual Business Plans</p> |  <p><b>Area Committee Reporting</b></p> | <p>Area Committees will receive six monthly performance reports by Directorate on a rolling basis.</p> |
|--|--|--|--|--|--|

[www.dumgal.gov.uk/performance](http://www.dumgal.gov.uk/performance)



## A Workforce Fit for the Future

We will continue to develop a culture of high performance across the Council, maximising employee engagement and creating a working environment where everyone can have a rewarding and enjoyable working life.

To be successful in the next decade, our workforce will need to look ahead and keep pace with a changing landscape of customer and user needs and new skill requirements.

Promoting a positive culture and leadership style that reflect organisational values helps ensure that we push to embed a high-performance culture within the organisation and deliver ongoing improvements in quality and efficiency.

### 4 Directorates

Children, Young People and Lifelong Learning  
Communities  
Corporate Services  
Economy, Environment and Infrastructure

## Trade Union Activities

On 1 April 2017 the UK Government implemented the requirement introduced by the Trade Union Act 2016 for Public-Sector employers to report annually on paid time off provided to relevant Trade Union Officials for Trade Union duties and activities. A summary of this information is provided below and the full report can be found on the Council website.

|              | No of Reps (FTE) | No of Paid Reps (FTE) | Cost of Reps (£) | %age of Total Pay Bill |
|--------------|------------------|-----------------------|------------------|------------------------|
| Non Teaching | 24.63            | 2.4                   | £89,408          | 0.05%                  |
| Teaching     | 8                | 1.2                   | £62,515          | 0.03%                  |

|  |                          |  |                         |  |                        |   |
|--|--------------------------|--|-------------------------|--|------------------------|---|
|  |                          |   | <b>Gavin Stevenson</b>  |  |                        |   |
|  |                          |  | Chief Executive         |  |                        |   |
|    | <b>Colin Grant</b>       |   | <b>Alistair Speedie</b> |   | <b>Lorna Meahan</b>    |    |
| Director Children, Young People and Lifelong Learning  |                          | Director Economy, Environment and Infrastructure   |                         | Director Corporate Services  |                        | Director Communities  |
|    | <b>Gillian Brydson</b>   |   | <b>Ronnie Dempster</b>  |   | <b>Paul Garrett</b>    |    |
| Head of Education (Chief Education Officer)  |                          | Head of Enterprising Services  |                         | Head of Finance and Procurement (Section 95 Officer)   |                        | Head of Civic and Local Services  |
| <ul style="list-style-type: none"> <li>• Early Years/Childcare</li> <li>• Primary Schools</li> <li>• Secondary Schools</li> <li>• Education Policy</li> <li>• Statutory Responsibilities</li> <li>• Strategy and Continuous Improvement</li> </ul>                                   |                          | <ul style="list-style-type: none"> <li>• Building and Maintenance Services</li> <li>• Fleet Management and Vehicle Maintenance</li> <li>• Operational Service Delivery</li> <li>• Facilities Management</li> <li>• Catering Management</li> <li>• Logistic Services</li> </ul> |                         | <ul style="list-style-type: none"> <li>• Financial Strategy and Accounting</li> <li>• Pension Fund</li> <li>• Treasury and Insurance</li> <li>• Payroll</li> <li>• Accounts Receivable and Payable</li> <li>• Procurement and Purchasing</li> </ul>  |                        | <ul style="list-style-type: none"> <li>• Events and Festivals</li> <li>• Arts, Culture and Museums</li> <li>• Community Assets including: Open Space/ Burial Grounds/Community Facilities</li> <li>• Community Safety</li> <li>• Local Resilience, Civil Contingencies, Emergency Planning</li> <li>• Community Councils</li> </ul> |
|    | <b>Lillian Cringles</b>  |   | <b>Steve Rogers</b>     |   | <b>Paul Clarkin</b>    |   |
| Head of Social Work (Chief Social Work Officer)  |                          | Head of Planning and Regulatory Services   |                         | Head of Organisational Development, Human Resources and Assets   |                        | Head of Customer Services   |
| <ul style="list-style-type: none"> <li>• Children's and Family's Social Care</li> <li>• Criminal Justice Services</li> <li>• Integration/Adult Services</li> <li>• Public Protection</li> <li>• Statutory Responsibilities</li> <li>• Strategy and Continuous Improvement</li> </ul> |                          | <ul style="list-style-type: none"> <li>• Planning Services</li> <li>• Sustainable Development</li> <li>• Climate Change Strategy</li> <li>• Building Standards</li> <li>• Environmental Health</li> <li>• Trading Standards</li> </ul>   |                         | <ul style="list-style-type: none"> <li>• HR Strategy and Policy</li> <li>• Pension Administration</li> <li>• Organisational Development</li> <li>• Workforce Planning</li> <li>• Health and Safety</li> <li>• Property/Asset Management/ Energy Management</li> </ul>  |                        | <ul style="list-style-type: none"> <li>• Customer Service Centres</li> <li>• Customer Contact and Response Handling</li> <li>• Housing and Preventing Homelessness</li> <li>• Revenues and Benefits</li> <li>• Financial Inclusion/Antipoverty/Advice</li> <li>• Registration Services</li> <li>• Libraries</li> </ul>              |
|    | <b>Angela Paterson</b>   |   | <b>Jan Falconer</b>     |   | <b>Rhona Lewis</b>     |    |
| Head of Resources and Support Services   |                          | Head of Economic Development   |                         | Head of Legal and Democratic Services (Monitoring Officer)   |                        | Community Planning and Engagement Manager   |
| <ul style="list-style-type: none"> <li>• Directorate Finance</li> <li>• Business Change/Support</li> <li>• Risk Management</li> <li>• Management Information</li> <li>• Assets/IT</li> <li>• Health and Safety</li> </ul>  |                          | <ul style="list-style-type: none"> <li>• Regional Economic Strategy</li> <li>• Business and Enterprise</li> <li>• European Programmes/Funding</li> <li>• Employability and Skills</li> <li>• Regeneration</li> </ul>   |                         | <ul style="list-style-type: none"> <li>• Democratic Support and Elections Management</li> <li>• Legal and Licensing</li> <li>• Policy Development and Advice</li> <li>• Audit and Risk</li> <li>• Council Communications</li> <li>• Transformation and Improvement</li> <li>• Complaints, Data Protection, Freedom of Information</li> </ul> |                        | <ul style="list-style-type: none"> <li>• Community Engagement and Co-ordination</li> <li>• Participation Advice and Policy</li> <li>• Community Planning</li> <li>• Community Asset Transfer</li> <li>• Area Committee Advice and Support</li> <li>• Community Development</li> </ul>   |
|    | <b>Richard Grieveson</b> |   | <b>Steven Herriott</b>  |   | <b>Graeme McIlorum</b> |   |
| Head of Lifelong Learning and Wellbeing  |                          | Head of Infrastructure and Transportation  |                         | Business and Technology Solutions Manager  |                        |   |
| <ul style="list-style-type: none"> <li>• Training and Development Strategy</li> <li>• Workforce Development</li> <li>• Adult Learning</li> <li>• Well being</li> <li>• Youth Services</li> <li>• Physical Activity/Leisure Sport</li> </ul>  |                          | <ul style="list-style-type: none"> <li>• Roads Service</li> <li>• Waste Service</li> <li>• Transport Strategy</li> <li>• Infrastructure Assets</li> <li>• Capital and Revenue Programmes</li> <li>• Engineering Design</li> <li>• Regional Transport Partnership</li> </ul>    |                         | <ul style="list-style-type: none"> <li>• Networks and Telecommunications</li> <li>• Applications and Systems</li> <li>• Desktop, Telephony and Mobile Services</li> <li>• Information Management</li> <li>• Business System Development</li> </ul>   |                        |   |
|  |                          |  |                         |   | <b>Jim Doig</b>        |   |
|  |                          |  |                         | Assessor and Electoral Registration Officer  |                        |   |
|  |                          |  |                         | <ul style="list-style-type: none"> <li>• Valuation Roll</li> <li>• Council Tax List</li> <li>• Electoral Register</li> </ul>   |                        |   |

# Looking Forward - **TRANSFORMATION**

*We have re-shaped, we've changed; now we transform.*

## Background:


The scale of the budget challenge means that to deliver our Priorities within our means we need to radically consider what we must provide; what we should be providing with communities or with other partners; what the community or other partners could or should provide; and what we can no longer provide.


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## What is the Transformation Programme?


Transformation is vital to deliver a Modern Council


Transformation is now an essential part of our Council's core agenda to transform how we deliver services to reduce our budget gap over the next few years. This will be delivered through six main themes:


 **1. Focus on our priorities**  
Sustained focus of resources on our Council Plan Priorities outcomes

 **4. Fewer assets**  
Maximise use of fewer assets, working with and within communities

 **2. Customer and Digital**  
Transform our customer experience and improve our digital offer

 **5. Smaller skilled workforce**  
Develop a smaller more flexibly skilled workforce for the future

 **3. Modernisation**  
Modernise how we deliver some services to meet our outcomes

 **6. Maximising income**  
Maximising our income and underpinning fairness through targeted concessions



# Financial Strategy

In September 2017 the Council agreed a five year financial strategy aligned to the Council Plan covering the period 2018/19 to 2022/23. The 10 year Capital Investment Strategy, covering the period up to financial year 2026/27, was agreed in February 2019. During 2018/19, the financial strategy was reviewed and updated, with the Capital Investment Strategy and revised Revenue Budget for 2019/20 agreed by Members in February 2019.

## 2019/20 Revenue Budget Plan

Within the five year financial strategy, the 3 year budget plan provides a clear indication of the Council's policy intentions over the period 2019/20 to 2021/22, including a clear direction for both service and financial planning purposes. A key element of the 2019/20 revenue budget plan was the agreement of savings measures of £10.161 Million required to balance the budget.

The 2019/20 revenue budget makes provision for investment in a range of initiatives aimed at supporting the delivery of the Council's agreed priorities and commitments including:-

## Policy Development Initiatives

- Major Events Strategy
- Anti-Poverty Initiatives
- Youth Beatz
- Borderlands Inclusive Growth Deal
- Economic Inclusion Project
- Annan Harbour
- Community Initiatives Enabling Fund



2018 Year of Young People



Anti-Poverty Funding



Increased Roads Investment



## 10 Year Capital Investment Strategy

The development of a 10 Year Capital Investment Strategy is a key element in allowing the Council to develop large scale investment proposals over the medium term and reflects total planned Council investment of £427 Million in a range of key initiatives which will attract significant additional external funding from Scottish Government and other contributors. The projects being progressed include various Flood Protection Schemes across Dumfries and Galloway, as well as DGOne Leisure Complex, Office Refurbishments and the development of Nursery Provision to support 1140 hours provision. A proportion of the 10 year Capital Investment Strategy is yet to be formally allocated but will be used to support future initiatives such as Borderlands and Dumfries Learning Town Phase 2.

## Financial Review 2018/19

### 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.

- **Group Accounts** - this provides an overview of the financial position of the Council along with other organisations with whom the Council has control and/or a significant interest, i.e. Swestrans and the Integrated Joint Board. The statements provide an overview of the financial position for the group as a whole; comparable to what the financial position would have been should these entities have been included within the Council.

## Financial Review

Council spending was contained within budget in 2018/19 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). This reflects a positive financial performance for the Council given that Service budgets have been significantly reduced in recent years through required savings as a result of continued reductions in public spending.

Whilst the Comprehensive Income & Expenditure Statement on page 44 reflects a deficit for the year, 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 45.

The Council's total General Fund Balances at the end of 2018/19 are £45.0 Million (£49.7 Million in 2017/18).

The allocated/committed elements of General Fund Balances are detailed at Note 31 to these accounts and include the following amounts:-

- £14.8 Million is being held in a Sinking Fund to be used on the Smarter Schools PPP project,
- Waste Review Reserve of £1.6 Million which is being held to support the costs of the Council's ongoing waste collection, treatment and disposal service,
- £3.1 Million is being held in a Corporate Change Fund to support the delivery of change, savings and efficiencies over the upcoming financial year,
- £3.5 Million is being held to fund affordable housing projects, and
- £1.7 Million is being held to support Welfare Reform/Anti-Poverty initiatives.

As indicated above, Services faced a significant challenge in 2018/19, 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.

Additionally, it was agreed at Full Council on 3 September 2018 that the early termination of the Waste PFI Contract would take place following

a negotiated agreement amongst the Council, Shanks Dumfries and Galloway Ltd (Project Co), Renewi UK Services Ltd (Service Co) and Project CO's lenders (NIBC Bank N.V. and Nord LB). The Project Agreement was terminated on 10 September 2018 and subsequently a termination payment of £6.87m was made with services transferring to Council on 13th November 2018. This termination payment was partially offset by the receipt of £6M Scottish Government grant funding.

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

| Service  | Outturn Budget 2018/19<br>£000 | Final Outturn 2018/19<br>£000 | Variance<br>£000 |
|--|--------------------------------|-------------------------------|------------------|
| Children, Young People and Lifelong Learning     | 164,531                        | 164,402                       | (129)            |
| Economy, Environment, and Infrastructure         | 42,744                         | 43,991                        | 1,247            |
| Communities                                      | 27,193                         | 26,985                        | (208)            |
| Corporate Services                               | 19,083                         | 18,899                        | (184)            |
| Integration Joint Board                          | 72,406                         | 72,406                        | 0                |
| Social Care Funding (to support IJB expenditure) | (9,892)                        | (9,892)                       | 0                |
| <b>Total Operational Budgets</b>                 | <b>316,065</b>                 | <b>316,791</b>                | <b>726</b>       |

As highlighted within the above table, the only Service which was not able to contain expenditure within the allocated budget available was the Economy, Environment & Infrastructure (EEI) Service which returned a net overspend of £1.247 million. This was primarily due to a deficit on the Trunk Road Contract, mainly associated with income that had been accrued but is no longer recoverable. Members agreed to earmark unallocated budget pressures funding of £1.256 million to address the impact of this deficit pending detailed consideration of this matter by the EEI Committee.

Active budget management and tight spending control ensured that all other Council Services achieved small surpluses in 2018/19.

As reflected at Note 10 to these accounts, the main source of funding for the Council is through Central Government grants and a total of £280.5 Million was received in 2018/19 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 £63.8 Million.

## Capital Programme and Borrowing Facilities

Note 19 to these accounts provide summary information on capital expenditure incurred in 2018/19.

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 net Capital Spending in 2018/19 of £50.7 Million (ie. gross capital spend less direct funding for specific projects) reflects the utilisation of 100.8% of the agreed funding available.

Major capital investment supported during the year included:

- £11.4 Million invested in the development of the Dumfries Learning Town (including the refurbishment of St. Joseph's college, new builds at North West Campus and the Learning Hub Facility (Bridge))
- £11.7 Million invested in our key infrastructure including roads and bridges
- £9.5 Million invested in the refurbishment of DGOne
- £7.4 Million invested in our school property estate
- £3.0 Million invested in our non-school property estate
- £2.0 Million invested in our ICT and Vehicles/Fleet
- £0.9 Million invested Wireless Technology in Schools

## Key Financial Indicators

The following financial indicators are designed to assist the reader to assess the performance of the Council over the financial year.

| Financial Indicator   | Commentary  | 2018-19   | 2017-18   |
|---|---|-----------|-----------|
| <b>Reserves</b>   |   |           |           |
| Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure | Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 2% of annual expenditure which is considered appropriate in the context of the Council's financial and on-going risk profile. This is also a fundamental factor to the Council's Finance Strategy | 2.00%     | 2.00%     |
| Movement in the Uncommitted General Fund Balance                                    | Reflects the extent to which the Council is using its uncommitted General Fund Balance. There was no use of uncommitted general balances in 2018-19.  | No Change | No Change |
| <b>Council Tax</b>  |   |           |           |
| In-year collection rate   | Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.   | 96.1%     | 96.1%     |
| <b>Financial Management</b>   |   |           |           |
| Actual Outturn compared with Budgeted Expenditure                                   | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year.  | 99.26%    | 99.94%    |
| Number of Invoices paid within 30 calendar days of receipt                          | Indicates how timeously the council is meeting its commitment to pay its suppliers within 30 days of receiving invoices.  | 91.9%     | 91.8%     |
| <b>Debt/Long Term Borrowing</b>   |   |           |           |
| Loans Fund Interest Rate  | Indicated the effectiveness of treasury management activities through showing the average cost of servicing the councils net debt   | 3.05%     | 3.09%     |

## Balance Sheet

The balance sheet (page 46) summarises the assets and liabilities of the Council. During the course of the year the Net Assets of the Council have decreased from £134.7 Million to £77.2 Million but it is important to recognise that this decrease is due specifically to an increase in the actuarially assessed value of the pensions liability which has increased by £94.5 Million. This increase is due to a decrease in the discount rate applied to future liabilities (the higher the discount rate the lower the value attached to future liabilities).

There has been no impact on the General Fund arising from this increase in Pensions liabilities. Scottish Government regulations require the General Fund to be charged with the amount payable by the Council to the pension fund or to pensioners in the year, not the amount calculated according to accounting standards.

## Significant Trading Operations

Note 11 to these accounts provides details of the performance of the Council's Building 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 11, the Building Maintenance Statutory Trading Operation has failed to meet its statutory financial target with combined deficits of £953k over the last 3 year period.

It is important to recognise that the Statutory Trading performance includes the impact of accounting adjustments in relation to IAS19 (pensions accounting entries). The exclusion of these accounting adjustments reduces the Building Maintenance Statutory Trading Operation combined deficit over the last 3 years to £510k. From 2019/20, the Building Maintenance service will cease to be a Statutory Trading function due to the reduction in external trading activities/income levels.

## Financial Outlook & Principal Risks

The Council has identified and secured annual savings of £106 Million over the 9 financial years up to and including 2019/20 which equates to around 30% of annual revenue spend. However, it is readily apparent that significant further reductions in spending will be required over the upcoming period. The level of spending reductions required will be influenced by a wide range of factors including the following:-

- The impact of Brexit – the departure of the United Kingdom from the European Union will have a range of implications for public sector funding levels and for the delivery of public services.
- Block Grant Funding made available to the Scottish Government
- The impact of the Scottish Government's own fiscal policies, particularly in relation to taxation and borrowing

- Scotland's economic performance, in both absolute terms and in relation/comparison to the economic performance of the rest of the UK
- The Scottish Government's priorities in relation to health, local government, policing, higher & further education and other spending portfolios.
- Economic/Cost Variables including pay & non pay inflation and interest rates
- Demand for Services
- Increasing complexity of partnership delivery, public sector reform and regionalisation

## Plans to Address Principal Risks

The Councils approach to addressing the principal financial risks has included the development of a 5 Year Financial Strategy (covering the period 2018/19 to 2022/23) with the most recent update approved in March 2018. In addition, the 3 Year Agreed Budget approved by Members in February 2019, continued the progression of the Modernisation programme which will transform how we deliver services and close the projected budget gap. The themes of the agreed Modernisation Programme are:-

- Sustained focus of resources on our Council Plan priorities
- Transform our customer experience and improve our digital offer
- Modernise how we deliver some services to meet our outcomes
- Maximise use of fewer assets, working with and within communities

- Develop a smaller more flexibly skilled workforce for the future
- Maximising our income and underpinning fairness through targeted concessions

The Modernisation Programme continues to be a key element of ensuring that the projected funding gap is addressed.

Recognising the context of significant further reductions in spending referred to above, it remains important to also recognise that the Council will still be investing over £1.5 Billion cumulatively of revenue spending in total in local services over the upcoming 5 financial years and also has an agreed Capital Investment Strategy that will

see investment in assets and infrastructure of over £201 Million over that same period.

The Financial Strategy and the Capital Investment Strategy continue to be supported by underlying plans including the Treasury Management Strategy and Prudential Indicators which clearly set out the Council's borrowing and investment arrangements and guidelines for the day to day management of its cash flow activities within appropriate policies and procedures. The Council also has an agreed Procurement Strategy to ensure compliance with regulations and the achievement of value for money in the procurement of goods and services.

## Pension Fund Annual Report & Accounts

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

## Acknowledgements

We 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. We would also like to thank all those staff whose efforts have contributed to the preparation of these accounts.

**Elaine Murray**  
Leader

**Gavin Stevenson**  
Chief Executive

**Paul Garrett**  
Head of Finance & Procurement

24 September 2019

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

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

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Finance & Procurement.
- Manage its affairs, to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Statement of Accounts.

I confirm that these Annual Accounts were approved for signature by the Dumfries and Galloway Audit, Risk and Scrutiny Committee at its meeting on 24 September 2019.

### **Signed on behalf of Dumfries and Galloway Council**

**Elaine Murray, Leader**

### **The Head of Finance & Procurement Responsibilities**

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

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

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Head of Finance & Procurement has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2019.

**Paul Garrett**  
**Head of Finance & Procurement**  
**24 September 2019**

## Annual Governance Statement 2018/19

### 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 and 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, and the Local Authority Accounts (Scotland) Regulations 2014.

### 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 and 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 Community Planning Vision and Principles and the Outcomes which are set out in the region's Local Outcomes Improvement Plan, Locality Plan on food sharing and the Council's four Priorities and sixteen Commitments.

2.2 The Council has during 2018/19, been updating its Local Code of Corporate Governance. A copy of the Code will be able to be downloaded at [www.dumgal.gov.uk](http://www.dumgal.gov.uk).

### 3. The Governance Framework

The governance framework has been in place at Dumfries and Galloway Council for the year ended 31 March 2019 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

- At the meeting of Dumfries and Galloway Council on Tuesday 26 September 2017, Councillors agreed its four Priorities and sixteen Commitments and a detailed Council Plan for the next five years to ensure these are delivered. The four Council Priorities target the most important areas of Council services; on improving the region economically and also ensuring better lives for our children and other vulnerable groups.
- Our Council's Priorities:
  - Build the local economy;
  - Provide the best start in life for all our children;
  - Protect our most vulnerable people;
  - Be an inclusive council.
- These Priorities and Commitments are used by Elected Members in considering strategic decisions, determining key performance measures, and allocation of resources. The Priorities have featured in consultation and engagement on the Council's budget decisions.
- The Council is a key partner in the region's Community Planning Partnership Board the and in 2017 agreed a Local Outcomes Improvement Plan and Locality Plan on food sharing 2017-2027. This is promoted on the Council's website and features in communications including social media.



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

- In June 2017 the Council received a progress report in delivering its Priorities and Commitments for 2016-17, in relation to the previous Council. As noted above, a new Council Plan was developed and agreed. The Best Value Assurance Report recognises the Council's priorities have been maintained over five Administrations and reflected in Council Plan, Strategies and Policies.
- The Council had also agreed in May 2017 the adoption of Standing Orders and a Scheme of Administration and Delegation to Committees as well as a Scheme of Delegation and Responsibilities to Officers and Statutory Appointments and a Committee Size, Proportionality and Appointment to Chairs, Vice Chairs and Senior Councillor Positions.
- As a result of a new management structure agreed in February 2019, the Scheme of Delegation to Officers was further revised in March 2019 and changes to the Scheme of Delegation to Committees will follow in June 2019.

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

- The Council Plan set out in detail how and through which Services the Priorities will be delivered and where this will include and involve partners. These were reflected in four Directorate Business Plans which are now being translated into Service Business Plans.
- The Council's Performance Management Framework provides for high level Business Plans that set out what the Council Plan is planning to achieve; and there are six monthly and annual reports on the achievement of these Plans. The Best Value Assurance Report recognises the Performance Management arrangements have improved since our previous Audit in 2009, although these should be improved further.
- Each Business Plan details how each Directorate is contributing to the Council's Priorities, service objectives, resources (including staff and assets) that will be applied, improvement actions and key performance indicators.
- Performance Reports are presented to Service and Area Committee providing an update on performance for the services through key performance indicators and dates for projects and accompanying narrative to present the wider context. A new approach during 2018/19 has been the involvement of community groups at Area Committees to illustrate projects.

During 2018/19, the Council progressed its business through the Scheme of Delegation to Corporate, Strategic Service and Area Committees (alongside a number of other 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 Priorities and the Local Outcomes Improvement Plan in partnership with other public bodies, third sector 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.

#### Communities Committee

- Oversees the strategic development and management of, and to exercise all functions in relation to, Customer Services, Cultural Services; Civic and Local Services; Revenues and Benefits; Welfare Advice and Financial Inclusion; Registration; Tackling Poverty; oversees the strategic development and management of, and to exercise all functions in relation to, community empowerment including community development, engagement, planning and Ward Working; community safety; and community resilience and emergency planning.
- Exercises the functions of the Council in connection with Community Councils; receives monitoring and performance reports on commissioned services.
- Exercises the functions of the Council as strategic housing authority.
- Considers strategic and policy issues arising from Welfare Reform.

#### Audit, Risk and Scrutiny Committee

- To ensure that Best Value is achieved in the decision-making process, through the impact of decisions on policy and in service delivery.
- To scrutinise the performance of the Council in relation to its policy objectives, priorities and performance targets on individual service areas.
- To hold the Policy and Resources and other Committees to account for developing and implementing policy.

- To ensure the effectiveness of local reporting and scrutiny arrangements on an annual basis.
- To consider external inspections and value for money reports and their application, including value for money audits on funding of external bodies.
- To make recommendations to the Council arising from the outcome of the Scrutiny process.
- To review the performance of the Policy and Resources and other Committees in fulfilment of their remits and delegations.
- To set key performance indicators and targets in respect of the scrutiny function and to assure continuous improvement, to be monitored by Area Committees.
- To ensure that the scrutiny function is embedded into the remits and work plans of all Committees of the Council.
- Independent assurance of the adequacy of the risk management framework and the associated control environment within the Council to provide reasonable assurance, 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.
- Respond to issues raised in relation to corporate policies, performance information, inspection and audit reports, accident statistics and Health and Safety costs and any other matters deemed necessary.
- Preparation of an annual report on the work and performance of the Audit and Risk Management Committee.
- Role in development of the Council's Code of Corporate Governance and Annual Governance Statement.
- Provision of an independent assurance on the integrity of financial reporting and annual governance processes.
- Receive quarterly updates on the use of the Regulation of Investigatory Powers (Scotland) Act 2000.
- To set key performance indicators and targets to be monitored by Area Committees

The main committees up until May 2019 were:

- Audit, Risk and Scrutiny Committee
- Children, Young People and Life Long Learning Committee
- Communities Committee
- Dumfries and Galloway Council
- Economy, Environment and Infrastructure committee
- Licensing Panel
- Local Review Body
- Planning Applications Committee
- Social Work Services Committee

The Committee structure is being revised as a consequence of management restructuring and will be amended in due course.

The Best Value Assurance Report recognised scrutiny and challenge taking place across all Service Committees.

### **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**

- In September 2017, the Council approved a 5-year Council Plan. The Plan incorporates the Administration's Partnership Agreement commitments and reflects the objectives within the main Council strategies, and the existing Council Priorities. The Plan also provides alignment with financial and workforce strategies and incorporates provision for delivery, monitoring and reporting of the Plan's commitments through Directorate Business Plans. This provides the strategic focus and direction, setting out what the Council will deliver over the period of the Plan 2017-2022.
- In line with the introduction of the new Council Plan, the Planning and Performance Framework was refreshed. The Framework 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 (originally agreed in 2011, updated by Full Council in December 2014 and refreshed in September 2017 in line with the Council Plan), allows the Council to focus consistently on performance across all Services and acts as a tool to strengthen the culture of the organisation. Both of these are regularly reviewed and updated, based on learning and good practice. The Best Value Audit Improvement Plan includes a Review of our Performance Management arrangements.
- Workforce Planning information is embedded within the Council Plan and also within Directorate Business Plans. This provides for effective future workforce planning running alongside the Council's transformation programme which will run for the life of the Council Plan. As recognised within the Best Value Assurance Report, we are introducing an overarching Workforce Plan linked to our financial savings and transformation programme.
- A key function of the Audit Risk & Scrutiny 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 Scrutiny Handbook in 2012 which provides information and guidance on the operating principles and techniques of the Committee. This is currently under review and being updated by the Committee. Integral to the Audit, Risk and Scrutiny Committee work programme is a series of Scrutiny Reviews which the Committee determined and are conducting, focusing on the effective and efficient arrangements and to identify areas of good practice. The Committee conducted two reviews during 2018/19:
  - Grow The Local Economy Through The Procurement Process; and
  - Improve Our Support and Vulnerable People Through Improved Data Sharing Arrangements.
- 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 continue to use this information to assess their performance, in terms of cost, quality and customer satisfaction. This information is used to inform action on Service improvement. Year on year performance information and comparator benchmarking data is being embedded in Business Plan performance reports.
- The Accounts Commission requires councils to provide full coverage of the Local Government Benchmarking Framework (LGBF) data within their public performance reporting arrangements; and this information is now available on the Council's website together with supporting information on related improvement activities.
- Dumfries and Galloway Council continues to be involved in the LGBF family group benchmarking process which was introduced to promote dialogue between Councils on where good practice lies and to share it across councils. In doing so, the intention is to better understand factors that each council can control in improving its costs against its performance achievements. Appropriate staff members from the relevant services continue to participate in these activities.
- The Council's ongoing commitment to continuous improvement can be demonstrated through the continued use of Public Service Improvement Framework (PSIF). Following an organisational wide capability assessment, a programme of assessments was introduced to support Heads of Service to recognise areas of good practice and to identify improvement opportunities. The approach to conducting the PSIF assessment was strengthened through the introduction of cross-directorate assessment teams and providing the opportunity for increased participation from staff within the services to be involved. This changed approach has led to a more robust assessment process, allowed the sharing of experience and knowledge across the assessment team and improved the quality and relevance of the resultant improvement activities. The use of challenge panels to challenge the findings and improvement actions continues.

### **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 a comprehensive Schemes of Delegation for Officers. This was reviewed as a result of the management restructure and approved in March 2018.
- 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. This was updated in 2018/19.
- Service Committees, Area 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.
- A particular focus for partnership arrangements has been in health and social care with the Integration Joint Board (IJB) and the Health and Social Care Partnership. The Health and Social Care Integration Scheme was adopted by Full Council in March 2015 and since then the IJB has adopted its Strategic Plan and Locality Plans for 2016-19; its Financial Plan and locality arrangements; its Equality Outcomes. All of this work has assisted in documenting and establishing the different roles and responsibilities of the partners and of the IJB itself.
- The respective roles and responsibilities of the IJB and the Council have been defined and documented. A paper is being developed by the IJB to ensure that these are better explained to Officers and Elected Members.

### **3.6 Developing, Communicating and Embedding Codes of Conduct, Defining the Standards of Behaviour for Members and Staff**

- Dumfries and 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. Training was delivered for new Members taking office in May 2017, based on a presentation provided by the Standards Commission.
- 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 through its Review of Standing Orders Sub-Committee which is remitted to keep the Council's Standing Orders and Schemes of Delegation under review.
- Each committee report is subject to governance checks which cover legal implications, financial, considerations and also the adequacy of information and data provided to enable Elected Members to come to a decision. In addition, each Committee Report is required to evidence the outcome of its Impact Assessment - the approach of the Council is a generic IA covering the statutory requirements of equalities, environmental and climate change and since June 2018, the new Fairer Scotland Duty about inequality; and also takes into account health inequalities, social and economic sustainability.
- An extensive review of the Schemes of Delegation and Administration was undertaken and approved by Full Council in September 2016. These have been kept under review and updated as necessary.
- The Review of Standing Orders Sub Committee meets regularly and works to develop and improve the Council's Standing Orders to meet new needs and challenges and to deliver what is expected in terms of robust decision making, fairness and transparency.
- Our Council's four Area Committee Chairs and four Vice Chairs and the Senior Leadership Team held a programme of quarterly meetings to review the operation of Area Committee meetings and look at future business; and in addition, the Senior Leadership Team met with the Members of each the four Area Committees in their locality to discuss service issues in that locality.

### **3.8 Reviewing the Effectiveness of the Framework for Identifying and Managing Risks and Demonstrating Clear Accountability**

- The Audit Risk and Scrutiny 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.
- New risk management arrangements have been put in place during 2018/19. Each Directorate has its own risk register and the management of risk is now integral to Business Plans, and reported to Service committees.
- 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 are subject to regular review to take into account best practice and legislative changes. A substantial review of Procurement Standing Orders has taken place during 2018/19.
- 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.
- The Audit, Risk and Scrutiny 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.
- Internal Audit will assist with fraud investigations where appropriate, but more serious allegations are referred at the first instance to Police Scotland
- 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.
- The Council has entered into an Information Sharing Protocol with Police Scotland (dated January 2015) for the purpose of assisting in the prevention and detection of serious organised crime in Public Procurement, recognising that there is an opportunity for unscrupulous, criminal or corrupt organisations and people to make criminal financial gain from Council contracts.
- The Council continues to be pro-active in the management of the risks associated with cyber-crime.
- The Council has developed a Corporate Anti-Fraud and Corruption Policy and an Integrity Group instituted that meets regularly, support by the Internal Audit Manager.

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

- The Council Plan 2018-2022, approved by Full Council in September 2017, sets out the need for change and outlines the focus for the period 2017-2022.
- As part of the 2018/19 Budget development, a Transformation programme – Delivering a Modern Council was established. At Full Council on 30 April 2018, Members agreed arrangements for the operation of the Transformation Board, based on the learning from the Business Transformation Steering Group, to have oversight of the transformation programme.
- At Full Council on 26 June 2018, Members agreed a Transformation Programme to address the challenges of providing high quality services across dispersed rural communities to an aging population, against a backdrop of addressing a significant funding gap projected for future years, reaching over £47m by 2021/22. Six Delivery Boards were established, led by Heads of Service and were instrumental in designing the Council's Budget Consultation.
- The Transformation Programme was reviewed in March 2019 and it was agreed by Full Council in March 2019 that the transformation work needed to have increased focus and tempo to address future fund gaps. CMT now meets fortnightly with the Transformation programme being a focus every second meeting; and Heads of Service leading Transformation Themes.
- The Transformation Programme clearly sets out the context in which the Council is likely to be operating in the future, the main themes of the modernisation programme and the delivery arrangements, including timelines. Roles and responsibilities for leadership and direction are clearly set out with managers and resources allocated to all themes and workstreams.
- 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. Priority areas of change and transformation will be around automation – making the best use of technology to allow customers to self-serve as far as possible, smarter working – improving the way we operate by reducing the number of offices, making it more flexible for use and by encouraging flexible working by staff and through sharing services – working in collaboration, identifying and

exploring opportunities to deliver services differently, in partnership with public bodies, empowering and enabling communities and through sharing services with other partners, with the aim of achieving efficiencies and innovation.

- These arrangements enable the effective management of a range of related transformation projects, including service reviews, ensuring:
  - risks are managed appropriately;
  - relationships between individual projects are understood and managed;
  - individual projects, and the overall programme, is delivered within the constraints of time and budget;
  - issues that are common across all individual projects (for example communication and staff engagement) are completed once;
  - those outcomes that are planned are actually achieved.
- 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.
- Our Council's Workforce Charter sets out the vision and accountabilities of our leadership, managers and staff setting out the guiding principles by which all our people will work together as One Council to meet the Priorities through to 2020 and beyond.
- Our Council's Workforce Strategy continues to be implemented and adapted to revise Council Priorities and sets out our workforce agenda within four key themes including; planning effectively for our Council's future needs (workforce and succession planning focus, an effective policy framework, best practice standards and measurable outcomes); Improve employee engagement; we are openly participating and engaging with our staff more than ever; our staff recognise the work they do towards Council Priorities, open and clear communication and improving health and wellbeing; Enabling our employees to succeed, right skills, ability and knowledge to undertake new or revised roles; be a learning organisation and embed performance management and learning plans, build transferrable skills and support young people in finding employment; Ensuring equality for all; implement the Living Wage, have a zero tolerance to discrimination, harassment and victimisation.
- A Management Development Programme for 2018/19 designed to upskill middle managers, make them more effective in delivering services and supporting our workforce has been implemented. The Development Programme covers a wide range of competencies including leadership, people management and budget management. Inter-agency training in community participation and engagement continued during 2018/19 and there is now over 120 Council officers with a shared understanding and up to date skills.
- To support transformation we need a fit, healthy and engaged workforce and the delivery of our strategic Health and Wellbeing Strategy sets out key aims to support our workforce, builds resilience to cope with change and reduces sickness absence and increases productivity.
- Workforce planning arrangements are embedded within Directorates and supported through our HR Business Partnering arrangements and HR metrics are being used to support workforce planning decisions.
- Our Council has set up a Workforce Transition Board as part of the Transformation Programme which looks at workforce planning, voluntary severance and wider strategic workforce issues. The aims are to help to secure budget savings, create upskilling and development opportunities for staff and to help facilitate and create workforce change with a vision to support the development of a workforce fit for the future.
- Strategies and policies have been developed and improved to support transformation and are aligned to the Council Plan priorities including redeployment, matching and voluntary early retirement and redundancy and the implementation of our DGTransform programme.
- The Council and NHS D&G continue to implement an integrated workforce and organisational development strategy.

### **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 the Local Authority Accounts (Scotland) Regulations 2014 and, where they do not, Explain Why and How They Deliver the Same Impact**

- The Head of Finance & Procurement 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 to 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. 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 to 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, the Monitoring Officer (Head of Legal and Democratic Services), The Section 95 Officer (Head of Finance and Procurement) and the Proper Officer (Director Corporate Services) meet monthly 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 her functions. As part of the new management structure, the Monitoring Officer will have two Deputies, Legal and Licensing Manager and the Democratic Services Manager who will act when the Monitoring Officer is absent from the office or considers herself to have a conflict of interest.
- 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 her opinion, require review.
- In December 2016 the Monitoring Officer presented a Monitoring Officer Protocol to Full Council to outline how she would perform her duties in a way that reflected legal requirements and best practice.

### **3.14 Ensuring Effective Arrangements are in Place for the Discharge of the Head of Paid Service Function**

- Delegations to the Chief Executive are set out in the Council's Scheme of Delegation to Officers. The Scheme has been reviewed and revised, and is subject to regular review.

### **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 at its meeting on 30 October 2014 noted revised guidance from CIPFA on the function and operation of Audit Committees. The remit of the Committee was expanded to include (1) preparation of an annual report on the work and performance of the Audit and Risk Management Committee; and (2) a role in the development of the Council's Code of Corporate Governance and Annual Governance Statement in advance of it being submitted for approval to Policy and Resources Committee; and (3) provision of an independent assurance on the integrity of the financial reporting and annual governance processes.

### **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 fulfils her 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.
- New Procurement Standing Orders were agreed by Full Council in March 2017. Procurement activity and compliance is now reported quarterly to Policy and Resources Committee.
- The Council has internal legal resources and uses external legal resources for complex issues on which particular expertise is required.

### **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.
- The Council has implemented the national 2-Stage Complaints Handling Procedure for Council's services. A review of this procedure is currently ongoing.
- The Council publishes an Annual Complaints Monitoring Report each year as required by the Scottish Public Services Ombudsman (SPSO). The report is made available online on the Council's website and in hard copy in Customer Service Centres.

### **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 2017, Full Council agreed the Members' Training and Development Programme 2017/18 and during 2018/19 this programme has included community engagement and poverty awareness., Members also 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 Learning and Development Officer based in Lifelong Learning. Members requirement for a more flexible approach to accessing training is an action for 2019/20. Complementary to the formal programme, is a series of briefing events and seminars on new legislation and policies e.g. Community Asset Transfer, Community Participation and Engagement; developing our new Waste Strategy; and there are Members Seminars to inform the Directorate Business Plans.
- Our 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 360° appraisals. From the results of this assessment, and following feedback, Members can then opt to follow an online based development plan.
- All Council officers participate in the Council's annual performance development review programme. Each Officer therefore has Objectives which are linked to the Council's business needs and Priorities and their Directorate Objectives.

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

- During 2018/19 the Communities Committee and Directorate has progressed a number of community empowerment issues including:
  - Implementation of the Community Participation and Engagement Strategy and agreement of a Framework – including a requirement for Consultation Mandates to be agreed, detailing the methodology and costs of any engagement activity
  - Implementation of the Community Asset Transfer Strategy and agreement of an Appeals Sub Committee including our first Annual Report which evidenced 14 transfers
  - Implementation of the Volunteering Strategy, including our first 'Volunteer Agreements'
  - Implementation of the Participation Request Strategy – including our first Annual Report
  - Implementation of the Participatory Budgeting Framework – including the introduction of online voting and Evaluation of our first two PB Exercises
  - "Community Conversations" - discussions with communities about the services within 'Streetscene' (e.g. grounds maintenance, burials, road cleansing)
  - Allocation of £250k Tackling Poverty budget to assist in 'Making Ends Meet' and Child Poverty with the allocations made at Participatory Budgeting events
  - support for a Reference Group of volunteers who have with lived experience of poverty; and a Co-ordination Group which involves CP partners and the Reference Group volunteers



- A Commission on Representation and Engagement (Third Sector and Protected Characteristics) which has identified and delivered on co-produced Outcomes
- Updating of Ward Profiles, giving key data for each of our 12 Wards
- Holding our first series of Ward Events which were proposals from members of the local community to discuss issues with their Elected Members on a range of topics including road safety, education, waste and a Question Time event with a secondary school. Reports will come to the relevant Council forums in autumn 2019 on the feedback on the first set of Events; and the Actions agreed at them
- Agreement in December 2018 of an inter-agency programme of engagement with communities, to avoid consultation fatigue and make best use of partners' resources in carrying out the engagement.
- The NHS, D&G has established a Participation and Engagement Network (a voluntary citizens panel) which is open to all partners to use.

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

- The Local Outcomes Improvement Plan was agreed by the Community Planning Partnership in November 2017. Robust monitoring and reporting arrangements (involving a range of Council senior officers and community groups) have been developed and the first Annual Report was prepared as required by the Community Empowerment (Scotland) Act 2015.

### **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.
- The Community Planning Partnership has an Operating Protocol which is kept up to date and which details the memberships, remits and communications arrangements of CP groups.
- There is a Dumfries and Galloway Good Partnership Guide promoted to local partnerships which draws on Audit Scotland and PSIF checklists.
- The Community Planning Partnership has an Improvement Plan in place which sets out specific actions to improve our arrangements; and Risk Register, both of which are updated each year.
- During 2018/19 the Community Planning Partnership has contributed to national work around the Local Governance Review; and the CP Manager (currently the Chair) shares practice and learning from other CPPs from the Scottish Community Planning Network.
- A Review of locality partnerships is underway and is due to report recommendations by September 2019, reflecting new Third Sector Area Partnerships and Roadshows, introduced in November 2018, and other locality developments.

## **4. Review of Effectiveness**

- 4.1 The Council continuously reviews the effectiveness of its governance arrangements. Senior Management arrangements have been strengthened with the strategic focus placed on the Corporate Management Team (CMT) which now includes Heads of Service and during 2018/19 met monthly. The Senior Leadership team comprising the Chief Executive and the four Directors met weekly and a Heads of Service Group met monthly during 2018/19. These arrangements ensured 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 there is a healthy culture of questions and challenge, evidenced by some modernisation and increased transparency in recent years.
- 4.2 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 2018-19 was based on the assessment of risks and was communicated to those charged with governance through the annual plan.
- 4.3 Internal Audit communicates its findings through reports to operational management. These reports are also reviewed by the Audit, Risk and Scrutiny Committee (the successor to Audit & Risk Management Committee and incorporating Scrutiny), 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.

4.4 The priority work for the Internal Audit section is a 3-year programme of assurance testing on the main financial systems of the Council.

4.5 The Council's agenda committee management system was changed to 'ModernGov' during 2018/19 to give Members a more effective system so that they can see the forward plan of the Council business anticipated at strategic, service and area committees

## **5 Agreed Areas for Improvement 2018/19**

The areas for improvement for 2018/2019 are listed below with progress. Some of these areas for improvement will continue to be of focus in 2019/20.

### Responding to Inquiry Recommendations

Members will oversee the responses to the Independent Inquiry. The initial report on how recommendations will be addressed will be brought for consideration by Members to Full Council in June 2018.

- Business as usual and regular reports to Full Council. Should be completed in September 2019.

### Elected Member Training

Build on the work that has taken place since the last election, and further improve and develop the training programme for Elected Members in the new Council.

- This is continuous, however new developments will be progressed as improvement in 2019/20.

### Modernisation Programme

At Full Council in February 2018, Members agreed the themes of the Modernisation Programme to transform how we deliver services and close the budget gap in future years.

- New Transformation Programme agreed March 2019 and ongoing.

### Integrated Joint Board – Governance Arrangements

Work has commenced jointly with the NHS and will continue during 2018/19 to ensure that governance arrangements that are in place are followed and clearly understood by Elected Members and Officers; and where there are gaps, or where governance can be strengthened, action is taken.

- Good progress made during 2018/19 and work will continue in 2019/20.

### Review of Complaints

A review of the Complaints System will be undertaken to try and ensure that there is a focus on solving problems rather than following process and procedures. This will take place following the restructure of the Information Management and Complaints Unit.

- Completed.

### Homelessness

The Council will continue to implement its Improvement Plan, recognising the importance of multi-agency working.

- Good progress made and this will now be regarded as business as usual with regular reporting to Committee.

### Local Code of Corporate Governance

Review and revise the Local Code of Corporate Governance.

- Completed.

## **6 Improvement Areas for 2019/20**

### Elected Member Training

Build on the work of the previous two years and provide more focused training based on particular and specialist needs.

### Transformation Programme

At Full Council in March 2019, a more focused Transformation Programme was launched. This will be a prime focus for Senior Officers and Members this year.

### Integrated Joint Board – Governance Arrangements

Good progress was made during 2018/19 both by the IJB and the Council in improving reporting, Member awareness and training. This will continue during 2019/20 with the Council's new committee structures and defined reporting based on delegations to Full Council and the new Social Work Services Committee.

#### Public Engagement in Budget Process

Members wish to develop and enhance budget process for 2020/21 with improved public engagement.

#### The Best Value Audit Improvement Plan

Officers are delivering the Best Value Improvement Plan actions and will continue to do so and report progress during 2019/20.

#### Community Councils

The implementation of the Development Programme for Community Councils includes improvements to the Enquiry Service; implementation of the Amended Scheme of Establishment; and supporting them to fulfil their statutory duty of local engagement and representation to public bodies

- Community Council Elections in October 2019
- Improving communication with and support for Community Councils

#### **Conclusion**

On the basis of the review of governance arrangements for 2018/19, it is confirmed that the Council has continued to focus on its Priorities and Commitments; it has put processes in place to achieve them; it has worked with its partners to achieve a common purpose in delivering outcomes for its citizens and service users, notwithstanding a challenging budget environment; 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; it has responded appropriately when performance has not been adequate; it continues to operate sound systems of internal control which have been confirmed as effective through an annual programme of assurance work by internal audit; it has received a positive Best Value Assurance Report; and it has ensured Elected Members and Officers, within the financial resources available, have the capacity and capability to deliver its purpose effectively.

We are therefore satisfied that the Council has in place appropriate arrangements for the governance of its affairs and that reasonable assurance can be placed on the adequacy and effectiveness of the Council's corporate governance systems in the year to 31 March 2019.

#### **Signed:**

Elaine Murray, Leader,  
Dumfries & Galloway Council

Gavin Stevenson, Chief Executive,  
Dumfries & Galloway Council

## **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 will be audited by the Council's appointed auditors, Grant Thornton UK LLP. The other sections of the Remuneration Report will be reviewed by Grant Thornton 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 2018/19 the salary for the Leader of Dumfries & Galloway Council was £29,742. 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 Administration of the Council have agreed that the remuneration for the Leader and Depute Leader are equalised however, the total remuneration is still 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 £297k. 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 2018/19 Dumfries & Galloway Council had 14 senior councillors, excluding the Leader and the Depute Leader, and the remuneration paid to these councillors totalled £297k. 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 29 March 2018.

#### **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 rate of pay for Directors and other Chief Officials are set out in SJNC Circular CO/150.

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

The table below details the remuneration paid to Senior Councillors for Financial Year 2018/19 for the responsibilities they held.

| Senior Councillors | Role  | 2018/19             |                  | 2017/18            |                    |
|--------------------|---|---------------------|------------------|--------------------|--------------------|
|                    |   | Salary & Allowances | Taxable Expenses | Total Remuneration | Total Remuneration |
|                    |   | £                   | £                | £                  | £                  |
| Elaine Murray      | Leader  | 29,742              | 0                | 29,742             | 25,388             |
| Rob Davidson       | Depute Leader   | 29,742              | 416              | 30,158             | 26,778             |
| Archie Dryburgh    | Chair - Economy, Environment & Infrastructure Committee             | 21,244              | 4,333            | 25,577             | 23,781             |
| Jeff Leaver        | Chair - Children, Young People and Lifelong Learning Committee      | 21,244              | 0                | 21,244             | 20,292             |
| Stephen Thompson   | Chair - Social Work Services Committee                              | 21,244              | 2,736            | 23,980             | 20,949             |
| Andy Ferguson      | Chair - Communities Committee                                       | 21,244              | 655              | 21,899             | 18,604             |
| Tommy Sloan        | Chair of Wigtown Area Committee                                     | 21,244              | 4,257            | 25,501             | 21,921             |
| Dougie Campbell    | Chair of Police, Fire and Rescue Sub Committee                      | 21,244              | 3,116            | 24,360             | 21,144             |
| Ian Carruthers     | Chair - Audit, Risk and Scrutiny Committee                          | 21,244              | 4,202            | 25,446             | 21,290             |
| Jim Dempster       | Chair of Planning Applications Committee                            | 21,244              | 1,918            | 23,162             | 21,194             |
| John Young         | Chair – Stewartry Area Committee                                    | 21,244              | 0                | 21,244             | 18,554             |
| Andrew Wood        | Vice Chair - Economy, Environment & Infrastructure Committee        | 21,244              | 2,250            | 23,494             | 19,838             |
| Ros Surtees        | Vice Chair - Children, Young People and Lifelong Learning Committee | 21,244              | 2,922            | 24,166             | 23,264             |
| John Martin        | Vice Chair - Communities Committee                                  | 21,244              | 0                | 21,244             | 20,292             |
| Tracey Little      | Provost   | 21,244              | 0                | 21,244             | 18,133             |
| Adam Wilson        | Chair - Pensions Sub Committee                                      | 21,170              | 1,085            | 22,255             | 103                |
| Ivor Hyslop        | (see note 2)  | 0                   | 0                | 0                  | 2,159              |
| Ronnie Ogilvie     | (see note 2)  | 0                   | 0                | 0                  | 1,712              |
| Ronnie Nicholson   | (see note 2)  | 0                   | 0                | 0                  | 3,151              |
| John Syme          | (see note 2)  | 0                   | 0                | 0                  | 1,712              |
| Colin Smyth        | (see note 2)  | 0                   | 0                | 0                  | 2,159              |
| Gill Dykes         | (see note 2)  | 0                   | 0                | 0                  | 2,159              |
| Tom McAughtrie     | (see note 2)  | 0                   | 0                | 0                  | 2,159              |
| Marion McCutcheon  | (see note 2)  | 0                   | 0                | 0                  | 1,712              |
| Ian Blake          | (see note 2)  | 0                   | 0                | 0                  | 1,712              |
| David McKie        | (see note 2)  | 0                   | 0                | 0                  | 1,712              |
| Craig Peacock      | (see note 2)  | 0                   | 0                | 0                  | 1,712              |
| Ted Thompson       | (see note 2)  | 0                   | 0                | 0                  | 2,363              |
| Sean Marshall      | (see note 3)  | 0                   | 0                | 0                  | 18,030             |
| <b>Total</b>       |   | <b>356,826</b>      | <b>27,890</b>    | <b>384,716</b>     | <b>363,977</b>     |

1. No senior councillor received any remuneration from a subsidiary body as a representative of the Council.
2. These were Councillors who were Senior Councillors in the period before the election of 4 May 2017.
3. Councillor Marshall received remuneration as Chair - Enterprising Services Sub Committee until 28/03/18.

## Members' Remuneration

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

|               | 2017/18<br>£000 | 2018/19<br>£000 |
|---------------|-----------------|-----------------|
| Salaries      | 741             | 728             |
| Allowances    | 71              | 85              |
| Expenses      | 78              | 82              |
| <b>Totals</b> | <b>890</b>      | <b>895</b>      |

The annual return of Councillors' salaries and expenses for 2018/19 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 [www.dumgal.gov.uk](http://www.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 Officers  | Post  | Salary (including fees & allowances)<br>£ | Expense allowances<br>£ | Compensation for lost of office<br>£ | Total remuneration excluding pension contributions 2018/19<br>£ | Note | Total remuneration excluding pension contributions 2017/18<br>£ |
|------------------|---|---|-------------------------|--------------------------------------|---|------|---|
| Gavin Stevenson  | Chief Executive                                     | 141,990                                   | 955                     | 0                                    | 142,945   | 1    | 149,264   |
| Lorna Meahan     | Director Corporate Services                         | 104,679                                   | 0                       | 0                                    | 104,679   |      | 103,233   |
| Colin Grant      | Director Children, Young People & Lifelong Learning | 104,939                                   | 211                     | 0                                    | 105,150   |      | 103,339   |
| Alistair Speedie | Director Economy, Environment & Infrastructure      | 102,136                                   | 38                      | 133,114                              | 235,288   | 2    | 103,280   |
| Derek Crichton   | Director Communities                                | 104,939                                   | 0                       | 0                                    | 104,939   |      | 103,233   |
| Paul Garrett     | Head of Finance & Procurement                       | 82,544                                    | 0                       | 0                                    | 82,544  |      | 79,705  |
| Lillian Cringles | Head of Social Work                                 | 90,422                                    | 238                     | 0                                    | 90,660  |      | 89,011  |
| Gillian Brydson  | Head of Education/ Acting Director of CYPLL         | 96,848                                    | 69                      | 0                                    | 96,917  | 3    | 88,866  |
| Rhona Lewis      | Head of Legal & Democratic Services                 | 82,544                                    | 0                       | 0                                    | 82,544  |      | 81,566  |
|                  |   | <b>911,041</b>                            | <b>1,511</b>            | <b>133,114</b>                       | <b>1,045,666</b>  |      | <b>901,497</b>  |

### Note:

1. The remuneration of the Chief Executive includes a payment of £234.07 in 2018/19 for his role as Returning Officer for Elections.
2. The Director of Economy, Environment & Infrastructure left the Council on 31 March 2019.
3. The Acting Director of Children, Young People & Lifelong Learning (CYPLL) was in place from 29 August 2018.

### 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.

|                      | Teachers   |            | Council   |            | Total      |            |
|----------------------|------------|------------|-----------|------------|------------|------------|
|                      | 2017/18    | 2018/19    | 2017/18   | 2018/19    | 2017/18    | 2018/19    |
| £235,000 to £239,999 | 0          | 0          | 0         | 1          | 0          | 1          |
| £180,000 to £184,999 | 0          | 0          | 0         | 1          | 0          | 1          |
| £145,000 to £149,999 | 0          | 0          | 1         | 0          | 1          | 0          |
| £140,000 to £144,999 | 0          | 0          | 0         | 1          | 0          | 1          |
| £120,000 to £124,999 | 0          | 0          | 0         | 1          | 0          | 1          |
| £105,000 to £109,999 | 0          | 0          | 0         | 1          | 0          | 1          |
| £100,000 to £104,999 | 0          | 0          | 4         | 2          | 4          | 2          |
| £95,000 to £99,999   | 0          | 1          | 0         | 2          | 0          | 3          |
| £90,000 to £94,999   | 0          | 0          | 0         | 1          | 0          | 1          |
| £85,000 to £89,999   | 0          | 0          | 3         | 0          | 3          | 0          |
| £80,000 to £84,999   | 1          | 0          | 1         | 4          | 2          | 4          |
| £75,000 to £79,999   | 0          | 3          | 5         | 6          | 5          | 9          |
| £70,000 to £74,999   | 3          | 2          | 7         | 6          | 10         | 8          |
| £65,000 to £69,999   | 5          | 6          | 6         | 9          | 11         | 15         |
| £60,000 to £64,999   | 12         | 10         | 10        | 11         | 22         | 21         |
| £55,000 to £59,999   | 25         | 27         | 19        | 30         | 44         | 57         |
| £50,000 to £54,999   | 81         | 75         | 36        | 34         | 117        | 109        |
| <b>Total</b>         | <b>127</b> | <b>124</b> | <b>92</b> | <b>110</b> | <b>219</b> | <b>234</b> |

The above table includes adjustments made for 10 employees whose Early Retirement packages moved them into different bandings that they should have been in. These are:

- 1 employee in the Council showing in the £235,000 to £239,999 band who would otherwise be included in the £100,000 to £104,999 band
- 1 employee in the Council showing in the £180,000 to £184,999 band who would otherwise be included in the £75,000 to £79,999 band
- 1 employee in the Council showing in the £120,000 to £124,999 band who would otherwise be included in the £55,000 to £59,999 band
- 1 employee in the Teachers showing in the £95,000 to £99,999 band who would otherwise be included in the £50,000 to £54,999 band
- 1 employee in the Council showing in the £95,000 to £99,999 band who would otherwise not be included in the table
- 1 employee in the Council showing in the £70,000 to £74,999 band who would otherwise not be included in the table
- 1 employee in the Council showing in the £65,000 to £69,999 band who would otherwise not be included in the table
- 1 employee in the Council showing in the £60,000 to £64,999 band who would otherwise not be included in the table
- 1 employee in the Council showing in the £55,000 to £59,999 band who would otherwise not be included in the table
- 1 employee 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 1 April 2018 to 31 March 2019 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. In addition, it also includes provision for those employees whose exit packages were approved in 2018/19 but will not leave until 2019/20.

| Range               | Total Amount Paid |                  | Number of people in range |            |
|---------------------|-------------------|------------------|---------------------------|------------|
|                     | 2017/18           | 2018/19          | 2017/18                   | 2018/19    |
|                     | £                 | £                |                           |            |
| £0 - £20,000        | 236,722           | 721,213          | 29                        | 99         |
| £20,000 - £40,000   | 605,929           | 700,931          | 22                        | 24         |
| £40,000 - £60,000   | 870,354           | 655,911          | 17                        | 13         |
| £60,000 - £80,000   | 271,595           | 756,581          | 4                         | 11         |
| £80,000 - £100,000  | 253,701           | 265,782          | 3                         | 3          |
| £100,000 - £150,000 | 868,663           | 247,753          | 7                         | 2          |
| £200,000 - £250,000 | 209,252           | 215,502          | 1                         | 1          |
|                     | <b>3,316,216</b>  | <b>3,563,673</b> | <b>83</b>                 | <b>153</b> |

## **Pension Benefits**

### **Local Government Pension Scheme**

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

From 1 April 2015 the LGPS moved to a Career Average Revalued Earning (CARE) scheme. From then benefits for all members are worked out on a career average basis. Pension benefits accrued to 31st March 2015 are protected and worked out on final pay for employee members and career average for Councillor members when leaving. Normal Pension age in the scheme is State Pension age. On retirement members have the option of giving up some of their annual pension for a tax-free lump sum.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much of their pensionable 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.

The tiers and member contribution rates for 2018/19 are as follows:

| Actual Pensionable Pay                      | Contribution Rate 2017/18 | Actual Pensionable Pay                      | Contribution Rate 2018/19 |
|---|---------------------------|---|---------------------------|
| On earnings up to and including £20,700     | 5.50%                     | On earnings up to and including £21,300     | 5.50%                     |
| On earnings above £20,700 and up to £25,300 | 7.25%                     | On earnings above £21,300 and up to £26,100 | 7.25%                     |
| On earnings above £25,300 and up to £34,700 | 8.50%                     | On earnings above £26,100 and up to £35,700 | 8.50%                     |
| On earnings above £34,700 and up to £46,300 | 9.50%                     | On earnings above £35,700 and up to £47,600 | 9.50%                     |
| On earnings above £46,300                   | 12%                       | On earnings above £47,600                   | 12%                       |

Members pay contributions based on their actual pay. For part time employees pensionable pay includes additional hours up to their post's full time equivalent hours.

There are two sections to the LGPS, the main section and the 50/50 section. All members are placed in the main scheme. The member pays contributions in accordance with the table above and receives 1/49th of their pensionable pay as an annual pension pot for the year, or proportion of the year while in the main scheme.

The 50/50 section of the scheme was introduced as a short-term measure for members who may be having financial difficulties and would benefit from paying a reduced contribution for a period of time, rather than opting out of the scheme. Whilst in the 50/50 section the member pays half contributions to build up 1/98th of actual pensionable pay as an annual pension pot. Members of the 50/50 section can move back to the main section on request and are re-enrolled in the main scheme by their employer at the employer's Automatic Enrolment re-enrolment date.

From 1 April 2015 members have a Pension Account in the scheme for each pensionable employment held. The amount of pension in a Pension Account at the end of each scheme year is adjusted in line with the cost of living - as currently measured by the Consumer Prices Index (CPI) - to ensure it keeps its value. The employer's contribution rate was 21.5% for 2018/19.

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 1/49th or 1/98th of Actual Pensionable pay each year from 1 April 2015.

Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a guaranteed lump sum based on 3/80th of final pensionable salary and years of pension scheme membership. For employee members between 1 April 2009 and 31 March 2015 the scheme guaranteed an annual pension based on an accrual rate of 1/60th of final pensionable pay and years of pension scheme membership.

Councillors, prior to 1 April 2009, accrued an annual pension based on 1/80th and a guaranteed lump sum based on 3/80th of career average pay and years of pension scheme membership. Between 1 April 2009 and 31 March 2015, for Councillors, the scheme guaranteed an annual pension based on an accrual rate of 1/60th of career average pay and years of pension scheme membership. The LGPS Regulations define the calculation for pre-2015 career average pay differently to post 2015 CARE pay.

The value of the accrued benefits is 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 member has accrued as a consequence of their total local government membership and not just their current appointment only if the member has elected to aggregate all of their membership.

### 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 | Role  | In Year Pension Contributions |                       |          | Accrued Pension Benefits |                         |                      |
|--------------------|---|-------------------------------|-----------------------|----------|--------------------------|-------------------------|----------------------|
|                    |   | to 31 March 2019<br>£         | to 31 March 2018<br>£ |          | 31 March 2019<br>£000's  | 31 March 2018<br>£000's | Difference<br>£000's |
| Elaine Murray      | Leader  | 6,395                         | 5,625                 | Pension  | 1                        | 1                       | 0                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Rob Davidson       | Depute Leader   | 6,395                         | 5,625                 | Pension  | 3                        | 2                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Archie Dryburgh    | Chair - Economy, Environment & Infrastructure Committee             | 4,568                         | 4,530                 | Pension  | 4                        | 4                       | 0                    |
|                    |   |                               |                       | Lump Sum | 2                        | 1                       | 1                    |
| Jeff Leaver        | Chair - Children, Young People and Lifelong Learning Committee      | 4,568                         | 4,530                 | Pension  | 5                        | 4                       | 1                    |
|                    |   |                               |                       | Lump Sum | 2                        | 2                       | 0                    |
| Stephen Thompson   | Chair - Social Work Services Committee                              | 4,568                         | 4,066                 | Pension  | 3                        | 2                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Andy Ferguson      | Chair - Communities Committee                                       | 4,568                         | 4,066                 | Pension  | 3                        | 2                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Ian Carruthers     | Chair - Audit, Risk and Scrutiny Committee                          | 4,568                         | 4,066                 | Pension  | 3                        | 2                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Jim Dempster       | Chair of Planning Applications Committee                            | 4,568                         | 4,530                 | Pension  | 6                        | 5                       | 1                    |
|                    |   |                               |                       | Lump Sum | 1                        | 1                       | 0                    |
| John Young         | Chair – Stewartry Area Committee                                    | 4,568                         | 4,066                 | Pension  | 1                        | 0                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Andrew Wood        | Vice Chair - Economy, Environment & Infrastructure Committee        | 4,568                         | 4,066                 | Pension  | 4                        | 4                       | 0                    |
|                    |   |                               |                       | Lump Sum | 1                        | 1                       | 0                    |
| Ros Surtees        | Vice Chair - Children, Young People and Lifelong Learning Committee | 4,568                         | 4,066                 | Pension  | 1                        | 0                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| John Martin        | Vice Chair - Communities Committee                                  | 4,568                         | 4,530                 | Pension  | 3                        | 3                       | 0                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Tracey Little      | Provost   | 4,568                         | 4,066                 | Pension  | 1                        | 0                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| Adam Wilson        | Chair - Pensions Sub Committee From 29/3/18                         | 4,552                         | 23                    | Pension  | 1                        | 0                       | 1                    |
|                    |   |                               |                       | Lump Sum | 0                        | 0                       | 0                    |
| <b>Total</b>       |   | <b>67,590</b>                 |                       |          | <b>45</b>                |                         |                      |

#### Note:

1. There are two current Senior Councillors who have opted out of the Local Government Pension Scheme.
2. There were an additional 11 Councillors who were Senior Councillors in the period before the election on 4 May 2017. Pension Contributions totalling £8,403 were paid in 2017/18 to these Councillors.

## 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 2019     | For year to 31 March 2018 |                          | As at 31 March 2019 | As at 31 March 2018 | Difference from 31 March 2018 |
|                  |  | £                             | £                         |                          | £000                | £000                | £000                          |
| Gavin Stevenson  | Chief Executive                                    | 30,453                        | 30,142                    | Pension                  | 62                  | 58                  | 4                             |
|                  |  |                               |                           | Lump sum                 | 107                 | 106                 | 1                             |
| Lorna Meahan     | Director Corporate Services                        | 22,467                        | 22,195                    | Pension                  | 36                  | 33                  | 3                             |
|                  |  |                               |                           | Lump sum                 | 50                  | 49                  | 1                             |
| Colin Grant      | Director Children Young People & Lifelong Learning | 22,562                        | 22,204                    | Pension                  | 57                  | 54                  | 3                             |
|                  |  |                               |                           | Lump sum                 | 113                 | 111                 | 2                             |
| Alistair Speedie | Director Economy, Environment & Infrastructure     | 21,959                        | 22,204                    | Pension                  | 55                  | 49                  | 6                             |
|                  |  |                               |                           | Lump sum                 | 90                  | 88                  | 2                             |
| Derek Crichton   | Director Communities                               | 22,562                        | 22,195                    | Pension                  | 49                  | 46                  | 3                             |
|                  |  |                               |                           | Lump sum                 | 90                  | 88                  | 2                             |
| Paul Garrett     | Head of Finance & Procurement                      | 17,747                        | 17,137                    | Pension                  | 32                  | 30                  | 2                             |
|                  |  |                               |                           | Lump sum                 | 51                  | 50                  | 1                             |
| Lillian Cringles | Head of Social Work                                | 19,441                        | 19,085                    | Pension                  | 23                  | 21                  | 2                             |
|                  |  |                               |                           | Lump sum                 | 20                  | 19                  | 1                             |
| Gillian Brydson  | Head of Education                                  | 20,822                        | 19,076                    | Pension                  | 41                  | 36                  | 5                             |
|                  |  |                               |                           | Lump sum                 | 71                  | 65                  | 6                             |
| Rhona Lewis      | Head of Legal & Democratic Services                | 17,747                        | 17,128                    | Pension                  | 27                  | 25                  | 2                             |
|                  |  |                               |                           | Lump sum                 | 37                  | 35                  | 2                             |
| <b>Total</b>     |  | <b>195,760</b>                | <b>191,366</b>            |                          | <b>1,011</b>        |                     |                               |

**Gavin Stevenson**  
Chief Executive

**Elaine Murray**  
Leader of the Council

**24 September 2019**

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

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts of Dumfries and Galloway Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the Council Tax Income Account, the Non-domestic Rates Account, Common Good Fund, the Trust Funds Accounts, and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group 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 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern basis of accounting**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Procurement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Risks of material misstatement**

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

## **Responsibilities of the Head of Finance and Procurement and Dumfries and Galloway Council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Finance and Procurement is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Procurement is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The council is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Other information in the annual accounts**

The Head of Finance and Procurement is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report

that fact. We have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

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

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

The Local Government in Scotland Act 2003 imposes a financial objective for significant trading operations to breakeven over a rolling three year period. Dumfries and Galloway Council's significant trading operation: Building Maintenance has reported a net deficit over the period 2016/17 to 2018/19 meaning the Council has failed to meet a prescribed financial objective.

### **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

### **Use of our report**

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 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Joanne Brown (for and on behalf of Grant Thornton UK LLP)  
110 Queen Street  
Glasgow  
G1 3BX

## 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 statutory requirements, and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| Gross Expenditure<br>£000 | Restated *<br>2017/18 |                         |  | 2018/19                   |                  |                         | Note |
|---------------------------|-----------------------|-------------------------|--|---------------------------|------------------|-------------------------|------|
|                           | Income<br>£000        | Net Expenditure<br>£000 |  | Gross Expenditure<br>£000 | Income<br>£000   | Net Expenditure<br>£000 |      |
| 209,557                   | (12,163)              | 197,394                 | Children, Young People & Lifelong Learning                             | 205,941                   | (16,408)         | 189,533                 |      |
| 148,804                   | (87,734)              | 61,070                  | Integrated Joint Board (IJB)   | 154,852                   | (89,759)         | 65,093                  |      |
| 70,704                    | (8,959)               | 61,745                  | Economy, Environment & Infrastructure                                  | 71,275                    | (15,175)         | 56,100                  |      |
| 84,744                    | (52,157)              | 32,587                  | Communities  | 83,673                    | (48,933)         | 34,740                  |      |
| 26,053                    | (2,586)               | 23,467                  | Corporate Services   | 24,030                    | (1,734)          | 22,296                  |      |
| 16,185                    | (870)                 | 15,315                  | Non Distributable Costs  | 11,157                    | (786)            | 10,371                  |      |
| 0                         | (969)                 | (969)                   | Support Service Recharges  | 0                         | (771)            | (771)                   |      |
| <b>556,047</b>            | <b>(165,438)</b>      | <b>390,609</b>          | <b>Net Cost of Services</b>  | <b>550,928</b>            | <b>(173,566)</b> | <b>377,362</b>          | 7    |
|                           |                       | 827                     | Other Operating Expenditure  |                           |                  | 3,103                   |      |
|                           |                       | 31,818                  | Financing and Investment Income & Expenditure                          |                           |                  | 27,820                  | 9    |
|                           |                       | (366,853)               | Taxation & Non-Specific Grant Income                                   |                           |                  | (379,863)               | 10   |
|                           |                       | <b>56,401</b>           | <b>(Surplus) /Deficit on the Provision of Services</b>                 |                           |                  | <b>28,422</b>           |      |
|                           |                       | (21,011)                | (Surplus)/deficit on revaluation of non-current assets                 |                           |                  | (38,723)                |      |
|                           |                       | 0                       | Impairment losses on non-current assets charged to Revaluation Reserve |                           |                  | 0                       |      |
|                           |                       | (152,540)               | Remeasurement of net defined liability/ (asset)                        |                           |                  | 67,491                  |      |
|                           |                       | 505                     | Other unrealised (gains)/ losses                                       |                           |                  | 300                     |      |
|                           |                       | (173,046)               | <b>Other Comprehensive Income &amp; Expenditure</b>                    |                           |                  | <b>29,068</b>           |      |
|                           |                       | <b>(116,645)</b>        | <b>Total Comprehensive Income &amp; Expenditure</b>                    |                           |                  | <b>57,490</b>           |      |

\* As a result of the need to exclude internal recharges from the 2018/19 annual accounts this has required the 2017/18 accounts to be restated. As referenced at note 2.

## 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<br>£000 | Total Unusable Reserves<br>£000 | Total Reserves<br>£000 | Note |
|---|------------------------------|----------------------------------|----------------------|---------------------------------|------------------------|-------------------------------|---------------------------------|------------------------|------|
|   | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Fund<br>£000 | Repairs & Renewals Fund<br>£000 | Insurance Fund<br>£000 |                               |                                 |                        |      |
| <b>Balance at 31 March 2017</b>   | <b>(49,783)</b>              | <b>0</b>                         | <b>(7,896)</b>       | <b>(1,016)</b>                  | <b>(2,170)</b>         | <b>(60,865)</b>               | <b>42,815</b>                   | <b>(18,050)</b>        |      |
| <b>Movements in Reserves during 2017/18</b>   |                              |                                  |                      |                                 |                        |                               |                                 |                        |      |
| (Surplus) or Deficit on provision of services                                       | 56,401                       | 0                                | 0                    | 0                               | 0                      | 56,401                        | 0                               | 56,401                 |      |
| Other Comprehensive Income & Expenditure  | 0                            | 0                                | 0                    | 0                               | 505                    | 505                           | (173,551)                       | (173,046)              |      |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                 | <b>56,401</b>                | <b>0</b>                         | <b>0</b>             | <b>0</b>                        | <b>505</b>             | <b>56,906</b>                 | <b>(173,551)</b>                | <b>(116,645)</b>       |      |
| Adjustments between accounting basis & funding basis under regulations              | (56,300)                     | 0                                | 6,303                | 0                               | 0                      | (49,997)                      | 0                               | (49,997)               | 15   |
| <b>Net (increase)/ decrease before transfers to/(from) other statutory reserves</b> | <b>101</b>                   | <b>0</b>                         | <b>6,303</b>         | <b>0</b>                        | <b>505</b>             | <b>6,909</b>                  | <b>(173,551)</b>                | <b>(166,642)</b>       |      |
| Transfers to/ (from) Other Statutory Reserves                                       | (14)                         | 0                                | (14)                 | 36                              | (8)                    | 0                             | 49,997                          | 49,997                 | 16   |
| <b>(Increase)/ decrease in year</b>   | <b>87</b>                    | <b>0</b>                         | <b>6,289</b>         | <b>36</b>                       | <b>497</b>             | <b>6,909</b>                  | <b>(123,554)</b>                | <b>(116,645)</b>       |      |
| <b>Balance at 31 March 2018 carried forward</b>                                     | <b>(49,696)</b>              | <b>0</b>                         | <b>(1,607)</b>       | <b>(980)</b>                    | <b>(1,673)</b>         | <b>(53,956)</b>               | <b>(80,739)</b>                 | <b>(134,695)</b>       |      |
| <b>Movements in Reserves during 2018/19</b>   |                              |                                  |                      |                                 |                        |                               |                                 |                        |      |
| (Surplus) or Deficit on provision of services                                       | 28,422                       | 0                                | 0                    | 0                               | 0                      | 28,422                        | 0                               | 28,422                 |      |
| Other Comprehensive Income & Expenditure  | 0                            | 0                                | 0                    | 0                               | 300                    | 300                           | 28,768                          | 29,068                 |      |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                 | <b>28,422</b>                | <b>0</b>                         | <b>0</b>             | <b>0</b>                        | <b>300</b>             | <b>28,722</b>                 | <b>28,768</b>                   | <b>57,490</b>          |      |
| Adjustments between accounting basis & funding basis under regulations              | (24,406)                     | (20)                             | 1,464                | 0                               | 0                      | (22,962)                      | 0                               | (22,962)               | 15   |
| <b>Net (increase)/ decrease before transfers to/(from) other statutory reserves</b> | <b>4,016</b>                 | <b>(20)</b>                      | <b>1,464</b>         | <b>0</b>                        | <b>300</b>             | <b>5,760</b>                  | <b>28,768</b>                   | <b>34,528</b>          |      |
| Transfers to/ (from) Other Statutory Reserves                                       | 723                          | 20                               | (573)                | (159)                           | (11)                   | 0                             | 22,962                          | 22,962                 | 16   |
| <b>(Increase)/ decrease in year</b>   | <b>4,739</b>                 | <b>0</b>                         | <b>891</b>           | <b>(159)</b>                    | <b>289</b>             | <b>5,760</b>                  | <b>51,730</b>                   | <b>57,490</b>          |      |
| <b>Balance at 31 March 2019 carried forward</b>                                     | <b>(44,957)</b>              | <b>0</b>                         | <b>(716)</b>         | <b>(1,139)</b>                  | <b>(1,384)</b>         | <b>(48,196)</b>               | <b>(29,009)</b>                 | <b>(77,205)</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”.

| <b>31 March 2018</b> |  | <b>31 March 2019</b> | <b>Note</b> |
|----------------------|--|----------------------|-------------|
| <b>£000</b>          |  | <b>£000</b>          |             |
| 841,566              | Property, Plant & Equipment            | 876,583              | 17          |
| 2,258                | Heritage Assets                        | 2,258                | 18          |
| 515                  | Intangible Assets                      | 261                  | 18          |
| 1,030                | Long Term Investments                  | 998                  |             |
| 17,329               | Long Term Debtors                      | 17,039               | 20          |
| <b>862,698</b>       | <b>Long Term Assets</b>                | <b>897,139</b>       |             |
| 1,170                | Assets Held For Sale                   | 307                  | 18          |
| 850                  | Inventories                            | 759                  |             |
| 24,718               | Short Term Debtors                     | 29,264               | 21          |
| 20,237               | Cash & Cash Equivalents                | 21,075               | 22          |
| <b>46,975</b>        | <b>Current Assets</b>                  | <b>51,405</b>        |             |
| (62,050)             | Short Term Borrowing                   | (72,550)             | 34          |
| (52,218)             | Short Term Creditors                   | (53,824)             | 23          |
| (3,363)              | Short Term Liabilities                 | (2,836)              | 24          |
| (1,540)              | Short Term Provisions                  | (669)                | 25          |
| <b>(119,171)</b>     | <b>Current Liabilities</b>             | <b>(129,879)</b>     |             |
| (185,998)            | Long Term Borrowing                    | (195,417)            | 34          |
| (129,047)            | Other Long Term Liabilities            | (110,793)            | 34          |
| (340,762)            | Other Long Term Liabilities (Pensions) | (435,250)            | 28          |
| <b>(655,807)</b>     | <b>Long Term Liabilities</b>           | <b>(741,460)</b>     |             |
| <b>134,695</b>       | <b>Net Assets/ (Liabilities)</b>       | <b>77,205</b>        |             |
| 53,956               | Usable Reserves                        | 48,196               | 31          |
| 80,739               | Unusable Reserves                      | 29,009               | 32          |
| <b>134,695</b>       | <b>Total Reserves</b>                  | <b>77,205</b>        |             |

The audited accounts were issued on 24 September 2019.

**Paul Garrett**  
**Head of Finance & Procurement**



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. 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.

| 2017/18<br>£000 |  | 2018/19<br>£000 | £000            | Note |
|-----------------|--|-----------------|-----------------|------|
| 56,401          | Net (surplus) or deficit on the provision of services  | 28,422          |                 |      |
| (104,792)       | Adjustments to net (surplus) or deficit on the provision of services for non- cash movements | (81,640)        |                 |      |
| <b>(48,391)</b> | <b>Net cash flow from operating activities</b>   |                 | <b>(53,218)</b> |      |
|                 | Investing activities   |                 |                 |      |
| 103,635         | - purchase of property, plant & equipment, heritage assets & intangible assets               | 54,249          |                 |      |
| (587)           | - proceeds from the sale of property, plant, equipment                                       | (661)           |                 |      |
| 103,048         |  |                 | 53,588          |      |
|                 | Financing activities   |                 |                 |      |
| (389,388)       | - cash receipts from short & long term borrowing   | (299,604)       |                 |      |
| 0               | - other receipts from financing activities   | 0               |                 |      |
| 2,547           | - cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts  | 9,843           |                 |      |
| 323,357         | - repayments of short & long term borrowing  | 288,573         |                 |      |
| (40)            | - other payments for financing activities  | (20)            |                 |      |
| (63,524)        |  |                 | (1,208)         |      |
| <b>(8,867)</b>  | <b>Net (increase) or decrease in cash and cash equivalents</b>                               |                 | <b>(838)</b>    |      |
| 11,370          | Cash and cash equivalents at the beginning of the year                                       |                 | 20,237          |      |
| <b>20,237</b>   | <b>Cash and cash equivalents at the end of the reporting year</b>                            |                 | <b>21,075</b>   | 22   |

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

#### a) General Principles

The Annual Accounts summarise the Council's transactions for the 2018/19 financial year and its financial position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, and these 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 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 (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 2018/19,
- 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 Year 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 year as if the new policy had always been applied.

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

#### 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 year to 31 March 2019 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 cannot 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 Children, Young People and Lifelong Learning 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 2.7%, 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 year 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 year and the date when the Annual Accounts are authorised for issue. The Annual Accounts are adjusted for events which provide evidence of conditions that existed at the end of the reporting year. The Annual Accounts are not adjusted for events which are indicative of conditions which arose after the end of the reporting year. 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.

#### **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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI) – not applicable to the Council for 2018/19.

##### *Financial Assets Measured at Amortised Cost*

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

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where credit risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

#### *Financial Assets Measured at Fair Value through Profit of Loss*

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quote market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

#### **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 either posted to the Capital Grants Unapplied Account or Capital Fund. 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 the service that incurs the initial cost based on the organisation structure. For example, Finance and Human Resources are reported under Corporate Services rather than being charged over the services that receive the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (SeRCoP). This is in line with the practice outlined in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### **q) Public Private Partnerships (PPP) and similar contracts**

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 PPP contractor. As the Council is deemed to control the services provided under the 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.

The Council adopts IFRS13 Fair Value Measurement, definition of fair value for those assets and liabilities which can be or are required to be measured as such, for example surplus assets.

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

- infrastructure, community assets and assets under construction - depreciated historical cost.
- Surplus Assets – measure for their economic benefit at fair value. Fair value is the price that would be received to see an asset in an orderly transaction between market participants at the measure date.
- 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.

### **v) New accounting standards**

The code of Practice on Local Authority accounting for 2018/19 was revised to take into account the latest International Financial Reporting Standards (IFRS), *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* coming into effect.

IFRS 9 includes a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed, and a forward looking expected loss model for impairment rather than the previous incurred model.



IFRS 15 introduces a five-step process for recognising revenue based on the transfer of control rather than the previous transfer risk and reward.

Both of these changes have been considered as part of the preparation of the Council's accounts for 2018/19 and neither are considered to have a material impact on the financial statement.

## 2. Adjustments to 2017/18 Audited Annual Accounts

The Code now states explicitly that "As the service segments in the Comprehensive Income and Expenditure Statement are not intended to cover the reporting requirements for IFRS 8 and transactions between segments are not permitted in the service analysis section of the Statement". The 2017/18 figures for the Comprehensive Income and Expenditure statement (page 44) and Group Comprehensive Income and Expenditure statement (page 99) have been updated to reflect this new reporting requirement relating to Internal Transactions.

| Gross Expenditure<br>£000 | 2017/18<br>Income<br>£000 | Net<br>Expenditure<br>£000 |  | Gross<br>Expenditure<br>£000 | Restated<br>2017/18<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
|---------------------------|---------------------------|----------------------------|--|------------------------------|---------------------------------------|----------------------------|
| 209,917                   | (12,523)                  | 197,394                    | Children, Young People & Lifelong Learning | 209,557                      | (12,163)                              | 197,394                    |
| 155,892                   | (94,822)                  | 61,070                     | Integrated Joint Board (IJB)               | 148,804                      | (87,734)                              | 61,070                     |
| 75,621                    | (13,876)                  | 61,745                     | Economy, Environment & Infrastructure      | 70,704                       | (8,959)                               | 61,745                     |
| 86,695                    | (54,108)                  | 32,587                     | Communities                                | 84,744                       | (52,157)                              | 32,587                     |
| 27,313                    | (3,846)                   | 23,467                     | Corporate Services                         | 26,053                       | (2,586)                               | 23,467                     |
| 16,137                    | (822)                     | 15,315                     | Non Distributable Costs                    | 16,185                       | (870)                                 | 15,315                     |
| 0                         | (969)                     | (969)                      | Support Service Recharges                  | 0                            | (969)                                 | (969)                      |
| (11,429)                  | 11,429                    | 0                          | Removal of Internal Recharges              |                              |                                       |                            |
| <b>560,146</b>            | <b>(169,537)</b>          | <b>390,609</b>             | <b>Net Cost of Services</b>                | <b>556,047</b>               | <b>(165,438)</b>                      | <b>390,609</b>             |

## 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.

IFRS 16 leases has been issued to come into effect on 1 January 2019. Following the consultation on this standard CIPFA have deferred its adoption into the 2020/21 edition of the Accounting Code.

There are no other accounting standards issued and not yet adopted that will have a material impact on the 2019/20 Annual Accounts.

## 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 Net Assets of £77.2 Million, which includes a pension deficit of £435 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.

## 5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                        | Uncertainties  | Effect if Actual Results Differ from Assumptions  |
|-----------------------------|--|---|
| 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.   |
| 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 £124.680 Million. However, the assumptions interact in complex ways. |
| Debtor provisions           | The Council has made provision of £5.8 Million in relation to outstanding debtor balances (notes 20 and 21). 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.  |
| Council Tax Provision       | The Council has made provision of £13.9 Million in relation to outstanding Council Tax balances (note 21). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future.   | If Council Tax 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.

In addition, there is no recognition in relation to the potential impact of Brexit – the departure of the United Kingdom from the European Union will have a range of implications for public sector funding levels and for the delivery of public services', but these are not yet known.

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## 6. Events After the Balance Sheet Date

The audited Annual Accounts were issued by the Head of Finance and Procurement on 24 September 2019. Events taking place after this date are not reflected in the financial statements or notes.

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## 7. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2017/18   |   |   |   | 2018/19   |   |   |
|---|---|---|---|---|---|---|
| Net Expenditure Chargeable to the General Fund (Note 2) | Adjustments Between the Funding and Accounting Basis (Note 1) | Expenditure in the Comprehensive Income & Expenditure Statement |   | Net Expenditure Chargeable to the General Fund (Note 2) | Adjustments Between the Funding and Accounting Basis (Note 1) | Expenditure in the Comprehensive Income & Expenditure Statement |
| £000  | £000  | £000  |   | £000  | £000  | £000  |
| 160,355   | 37,041  | 197,396   | Children, Young People & Lifelong Learning            | 164,403   | 25,130  | 189,533   |
| 58,628  | 2,441   | 61,069  | Integrated Joint Board - IJB                          | 62,513  | 2,580   | 65,093  |
| 45,152  | 16,592  | 61,744  | Economy Environment & Infrastructure                  | 45,402  | 10,698  | 56,100  |
| 26,447  | 6,139   | 32,586  | Communities   | 26,984  | 7,756   | 34,740  |
| 19,450  | 4,018   | 23,468  | Corporate Services                                    | 18,900  | 3,396   | 22,296  |
| 15,044  | 271   | 15,315  | Non Distributable Costs                               | 10,099  | 272   | 10,371  |
| (969)   | 0   | (969)   | Support Service Recharges                             | (771)   | 0   | (771)   |
| <b>324,107</b>  | <b>66,502</b>   | <b>390,609</b>  | <b>Net Cost Of Services</b>                           | <b>327,530</b>  | <b>49,832</b>   | <b>377,362</b>  |
| 16,329  | 16,316  | 32,645  | Other Operating Income & Expenditure                  | 21,508  | 9,415   | 30,923  |
| (340,349)   | (26,504)  | (366,853)   | Taxation & Non Specific Grant Income                  | (344,299)   | (35,564)  | (379,863)   |
| <b>87</b>   | <b>56,314</b>   | <b>56,401</b>   | <b>(Surplus)/Deficit on the Provision of Services</b> | <b>4,739</b>  | <b>23,683</b>   | <b>28,442</b>   |
| (49,783)  |   |   | Opening General Fund Balance at 1 April               | (49,696)  |   |   |
| 87  |   |   | Add/Less Surplus or Deficit for the Year              | 4,739   |   |   |
| <b>(49,696)</b>   |   |   | <b>Closing General Fund Balance at 31 March</b>       | <b>(44,957)</b>   |   |   |

**Note 1: Breakdown of Adjustments between Funding and Accounting Basis**

| 2017/18          |               |                 |                   |                 | 2018/19   |                  |               |                 |                   |                 |
|------------------|---------------|-----------------|-------------------|-----------------|---|------------------|---------------|-----------------|-------------------|-----------------|
| Capital Purposes | Pensions      | PPP /PFI        | Other Differences | Total           |   | Capital Purposes | Pensions      | PPP /PFI        | Other Differences | Total           |
| £000             | £000          | £000            | £000              | £000            |   | £000             | £000          | £000            | £000              | £000            |
| 41,805           | 5,892         | (10,261)        | (395)             | <b>37,041</b>   | Children, Young People & Lifelong Learning (CYPLL)  | 30,613           | 6,100         | (11,145)        | (438)             | <b>25,130</b>   |
| 418              | 2,072         | 0               | (49)              | <b>2,441</b>    | Integrated Joint Board (IJB)  | 420              | 2,136         | 0               | 24                | <b>2,580</b>    |
| 17,117           | 3,408         | (3,864)         | (69)              | <b>16,592</b>   | Economy Environment & Infrastructure (EEI)  | 15,736           | 3,537         | (8,538)         | (37)              | <b>10,698</b>   |
| 4,073            | 2,114         | 0               | (48)              | <b>6,139</b>    | Communities   | 5,612            | 2,100         | 0               | 44                | <b>7,756</b>    |
| 3,552            | 538           | 0               | (72)              | <b>4,018</b>    | Corporate Services  | 2,824            | 535           | 0               | 37                | <b>3,396</b>    |
| 271              | 0             | 0               | 0                 | <b>271</b>      | Non Distributable Costs   | 272              | 0             | 0               | 0                 | <b>272</b>      |
| 0                | 0             | 0               | 0                 | <b>0</b>        | Support Service Recharges   | 0                | 0             | 0               | 0                 | <b>0</b>        |
| <b>67,236</b>    | <b>14,024</b> | <b>(14,125)</b> | <b>(633)</b>      | <b>66,502</b>   | <b>Net Cost Of Services</b>   | <b>55,477</b>    | <b>14,408</b> | <b>(19,683)</b> | <b>(370)</b>      | <b>49,832</b>   |
| (15,223)         | 19,455        | 11,334          | 750               | <b>16,316</b>   | Other Operating Income and Expenditure  | (16,040)         | 12,589        | 9,840           | 3,026             | <b>9,415</b>    |
| (26,504)         | 0             | 0               | 0                 | <b>(26,504)</b> | Taxation & Non Specific Grant Income  | (35,564)         | 0             | 0               | 0                 | <b>(35,564)</b> |
| <b>25,509</b>    | <b>33,479</b> | <b>(2,791)</b>  | <b>117</b>        | <b>56,314</b>   | <b>Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Surplus/Deficit</b> | <b>3,873</b>     | <b>26,997</b> | <b>(9,843)</b>  | <b>2,656</b>      | <b>23,683</b>   |

**Note 2: Breakdown of Income and Expenditure Included in the Net Cost Of Services chargeable to the General Fund**

This analysis reflects the income and expenditure of each service as reported to Service Committees and excludes the year end accounting transactions. This breaks down the net expenditure chargeable to the general fund included in the analysis above.

| <b>Service Income &amp; Expenditure<br/>2017/18</b> | <b>CYPLL</b>    | <b>IJB</b>      | <b>EEl</b>      | <b>Communities</b> | <b>Corporate<br/>Services</b> | <b>Non<br/>Distributable<br/>Costs</b> | <b>Support<br/>Service<br/>Recharges</b> | <b>Total</b>     |
|---|-----------------|-----------------|-----------------|--------------------|-------------------------------|--|--|------------------|
|   | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>        | <b>£000</b>                   | <b>£000</b>                            | <b>£000</b>                              | <b>£000</b>      |
| Fees, charges & other service income                | (6,574)         | (94,802) *      | (13,406)        | (9,646)            | (3,109)                       | (822)                                  | (969)                                    | <b>(129,328)</b> |
| Grants  | (5,947)         | (21)            | (471)           | (44,463)           | (736)                         | 0                                      |  | <b>(51,638)</b>  |
| <b>Total Income</b>                                 | <b>(12,521)</b> | <b>(94,823)</b> | <b>(13,877)</b> | <b>(54,109)</b>    | <b>(3,845)</b>                | <b>(822)</b>                           | <b>(969)</b>                             | <b>(180,966)</b> |
| Employee expenses                                   | 117,522         | 15,758          | 18,500          | 16,721             | 14,119                        | 14,956                                 | 0  | <b>197,576</b>   |
| Other service expenses                              | 55,354          | 137,693*        | 40,529          | 63,835             | 9,176                         | 910                                    | 0  | <b>307,497</b>   |
| <b>Total Expenditure</b>                            | <b>172,876</b>  | <b>153,451</b>  | <b>59,029</b>   | <b>80,556</b>      | <b>23,295</b>                 | <b>15,866</b>                          | <b>0</b>                                 | <b>505,073</b>   |
| <b>Net Expenditure</b>                              | <b>160,355</b>  | <b>58,628</b>   | <b>45,152</b>   | <b>26,447</b>      | <b>19,450</b>                 | <b>15,044</b>                          | <b>(969)</b>                             | <b>324,107</b>   |

| <b>Service Income &amp; Expenditure<br/>2018/19</b> | <b>CYPLL</b>    | <b>IJB</b>      | <b>EEl</b>      | <b>Communities</b> | <b>Corporate<br/>Services</b> | <b>Non<br/>Distributable<br/>Costs</b> | <b>Support<br/>Service<br/>Recharges</b> | <b>Total</b>     |
|---|-----------------|-----------------|-----------------|--------------------|-------------------------------|--|--|------------------|
|   | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>        | <b>£000</b>                   | <b>£000</b>                            | <b>£000</b>                              | <b>£000</b>      |
| Fees, charges & other service income                | (7,069)         | (97,266) *      | (21,931)        | (9,980)            | (2,925)                       | (524)                                  | (771)                                    | <b>(140,466)</b> |
| Grants  | (9,653)         | 0               | (8,207)         | (40,974)           | (183)                         | 0                                      | 0  | <b>(59,017)</b>  |
| <b>Total Income</b>                                 | <b>(16,722)</b> | <b>(97,266)</b> | <b>(30,138)</b> | <b>(50,954)</b>    | <b>(3,108)</b>                | <b>(524)</b>                           | <b>(771)</b>                             | <b>(199,483)</b> |
| Employee expenses                                   | 123,129         | 16,593          | 21,310          | 17,385             | 13,985                        | 10,872                                 | 0  | <b>203,274</b>   |
| Other service expenses                              | 57,996          | 143,186*        | 54,230          | 60,553             | 8,023                         | (249)                                  | 0  | <b>323,739</b>   |
| <b>Total Expenditure</b>                            | <b>181,125</b>  | <b>159,779</b>  | <b>75,540</b>   | <b>77,938</b>      | <b>22,008</b>                 | <b>10,623</b>                          | <b>0</b>                                 | <b>527,013</b>   |
| <b>Net Expenditure</b>                              | <b>164,403</b>  | <b>62,513</b>   | <b>45,402</b>   | <b>26,984</b>      | <b>18,900</b>                 | <b>10,099</b>                          | <b>(771)</b>                             | <b>327,530</b>   |

\*The IJB income and expenditure figures are increased by £62,975 (£60,076 in 2017/18) to represent our contribution to the IJB and income is increased by the same amount to represent the funding received back from the IJB to support the provision of services.

## 8. Key Items of Income and Expenditure

The following table provides an overall analysis of all key items of Income and Expenditure that is attributable to the Surplus or Deficit on the Provision of Services included within the Comprehensive Income and Expenditure Statement.

|  | <b>2017/18</b>   | <b>2018/19</b>   |
|--|------------------|------------------|
|  | <b>£000</b>      | <b>£000</b>      |
| Fee, charges & other service income                      | (129,327)        | (140,466)        |
| Interest & investment income                             | (152)            | (279)            |
| Income from Council Tax                                  | (61,454)         | (63,763)         |
| Income from NDR  | (45,529)         | (44,229)         |
| Grants & Contributions                                   | (311,508)        | (330,888)        |
| <b>Total Income</b>                                      | <b>(547,970)</b> | <b>(579,625)</b> |
| Employee expenses  | 210,966          | 217,312          |
| Other service expenses                                   | 293,372          | 304,056          |
| Depreciation, amortisation & impairment                  | 67,236           | 55,477           |
| Interest payments  | 31,796           | 28,036           |
| Other (gains)/Losses                                     | 1,001            | 3,166            |
| <b>Total Expenditure</b>                                 | <b>604,371</b>   | <b>608,047</b>   |
| <b>(Surplus) or deficit on the Provision of Services</b> | <b>56,401</b>    | <b>28,422</b>    |

In the above table the 2018/19 figures have been impacted by the early termination of the Waste PFI Contract, with £6.87m termination payment being included in the Other service expenditure figure. In addition, the receipt of the £6m grant from the Scottish Government to support costs associated with the contract termination has been recorded in the Grants & Contributions figure.

## Revenue from Contracts with Service Recipients

The following table provides details on amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients. This is income received from external parties for goods or services that they have been provided.

|  | <b>2017/18</b>  | <b>2018/19</b>  |
|--|-----------------|-----------------|
|  | <b>£000</b>     | <b>£000</b>     |
| Children, Young People & Lifelong Learning | (2,959)         | (3,257)         |
| Integrated Joint Board                     | (13,827)        | (12,569)        |
| Economy Environment & Infrastructure       | (4,252)         | (2,406)         |
| Communities                                | (2,689)         | (2,851)         |
| Corporate Services                         | (634)           | (462)           |
|  | <b>(24,361)</b> | <b>(21,545)</b> |

## 9. Financing and Investment Income & Expenditure

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

|  | <b>2017/18</b> | <b>2018/19</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| (Surplus)/ Deficit on trading accounts                     | 174            | 63             |
| Interest payable & similar charges                         | 19,559         | 18,595         |
| Net interest on the net defined benefit liability/ (asset) | 12,237         | 9,441          |
| Interest receivable & similar income                       | (152)          | (279)          |
|  | <b>31,818</b>  | <b>27,820</b>  |

## 10. Taxation and Non Specific Grant Income

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

|                                   | 2017/18<br>£000  | 2018/19<br>£000  |
|-----------------------------------|------------------|------------------|
| Council Tax income                | (61,454)         | (63,763)         |
| Non-domestic rates redistribution | (45,529)         | (44,229)         |
| Non ring fenced government grants | (233,366)        | (236,307)        |
| Capital grants & contributions    | (26,504)         | (35,564)         |
|                                   | <b>(366,853)</b> | <b>(379,863)</b> |

## 11. Trading Operations

The Council has an established trading unit 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 set criteria for determining which of these trading units are to be classified as Significant Trading Operations (STOs) to be disclosed in the Annual Accounts. The Building Maintenance Service met all of these criteria for 2018/19.

**Building Maintenance Service** - The Council provides a building maintenance service. The service covered the maintenance of Council buildings and related project work as well as being the main subcontractor for Loreburn Housing Association to carry out housing repairs and maintenance. The unit also carry out some maintenance work for other Housing Associations and Police Scotland.

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:

| Building Maintenance          | 2016/17                    | 2017/18                    | 2018/19                    | Cumulative 3 Year          |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                               | (Surplus)/ Deficit<br>£000 | (Surplus)/ Deficit<br>£000 | (Surplus)/ Deficit<br>£000 | (Surplus)/ Deficit<br>£000 |
| Income                        | (12,658)                   | (10,110)                   | (11,898)                   | (34,666)                   |
| Expenditure                   | 12,502                     | 10,713                     | 12,404                     | 35,619                     |
| <b>Net (Surplus)/ Deficit</b> | <b>(156)</b>               | <b>603</b>                 | <b>506</b>                 | <b>953</b>                 |

It is important to recognise that the Statutory Trading performance includes the impact of accounting adjustments in relation to IAS19 (pensions accounting entries). The exclusion of these accounting adjustments would result in the Building Maintenance Statutory Trading Operation deficit reducing to £300k in 2018/19, and results in a combined deficit over the last 3 years of £510k. From 2019/20, the Building Maintenance function will cease to be a Statutory Trading function due to the Council no longer undertaking the Loreburn Housing contract. The reduction in external income from this contract results in the Service no longer meeting the criteria for an STO.

In addition, 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 2018/19 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:

|   | <b>£000</b> |
|---|-------------|
| Net (Surplus)/ Deficit on STO's               | 506         |
| Allocated to Services in Cost of Services     | (431)       |
| Interest on revenue balances charged 2017/18  | (9)         |
| Employee Benefit Adjustment                   | 2           |
| Net Surplus on Non- Statutory Trading Units   | (5)         |
| <b>(Surplus)/ Deficit on Trading Accounts</b> | <b>63</b>   |

## 12. Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2018/19 the Council collected £48.852 Million (£46.059 Million in 2017/18) and transferred £4.623 Million of this to the NDR pool (£0.530 Million was transferred to the NDR pool in 2017/18). These transactions resulted in a Net Non-Domestic Rates benefit to the Council totalling £44.229 Million in 2018/19 (£45.529 Million in 2017/18).

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 £488k in relation to 2018/19 (£488K in 2017/18) for providing this service.

## 13. External Audit Fees

The external audit fee payable for 2018/19 was £324k (£322k in 2017/18).

## 14. Grant Income

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

|   | <b>2017/18</b>   | <b>2018/19</b>   |
|---|------------------|------------------|
|   | <b>£000</b>      | <b>£000</b>      |
| <b>Credited to Taxation and Non Specific Grant Income</b> |                  |                  |
| Council Tax income  | (61,454)         | (63,763)         |
| Non-domestic rates redistribution                         | (45,529)         | (44,229)         |
| Capital grants & contributions                            | (26,504)         | (35,564)         |
| Non ring fenced Government grants                         | (233,366)        | (236,307)        |
| <b>Total</b>  | <b>(366,853)</b> | <b>(379,863)</b> |
| <b>Credited to Services</b>                               |                  |                  |
| DWP Housing Benefits                                      | (41,384)         | (39,775)         |
| Criminal Justice Service                                  | (2,641)          | (2,823)          |
| Attainment Fund   | (1,475)          | (3,003)          |
| Early Learning and Childcare                              | 0                | (1,019)          |
| Dalbeattie DBFM   | (899)            | (1,973)          |
| DWP Housing Benefit Administration                        | (718)            | (672)            |
| <b>Total</b>  | <b>(47,117)</b>  | <b>(49,265)</b>  |



### 15. 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 Fund | Capital Adjustment Account | Financial Instruments Adjustment Account | Pensions Reserve | Employee Statutory Adjustment Account | Net movement in Unusable Reserves |
| Adjustments during 2017/18   | £000  | £000                     | £000         | £000                       | £000                                     | £000             | £000                                  | £000                              |
| • Charges for depreciation and impairment of non-current assets  | (67,835)  | 0                        | 0            | 67,835                     | 0  | 0                | 0                                     | 67,835                            |
| • Amortisation of intangible assets  | (322)   | 0                        | 0            | 322                        | 0  | 0                | 0                                     | 322                               |
| • Capital grants and contributions applied   | 26,504  | (587)                    | 0            | (25,917)                   | 0  | 0                | 0                                     | (25,917)                          |
| • Net gain/(loss) on disposal of non-current assets  | (827)   | 0                        | 0            | 827                        | 0  | 0                | 0                                     | 827                               |
| • Statutory repayment of debt (Loans Fund advances)  | 14,993  | 0                        | 0            | (14,993)                   | 0  | 0                | 0                                     | (14,993)                          |
| • Statutory repayment of debt (PFI/PPP)  | 2,791   | 0                        | 0            | (2,791)                    | 0  | 0                | 0                                     | (2,791)                           |
| • Capital expenditure charged in year to General Fund balance  | 1,166   | 0                        | 0            | (1,166)                    | 0  | 0                | 0                                     | (1,166)                           |
| • Use of the Capital Reserves to finance new capital expenditure   | 0   | 587                      | 6,303        | (6,890)                    | 0  | 0                | 0                                     | (6,890)                           |
| • 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            | 77  | 0                        | 0            | 0                          | (77)                                     | 0                | 0                                     | (77)                              |
| • Reversal of items relating to retirement benefits debited or credited to the CIES  | (58,557)  | 0                        | 0            | 0                          | 0  | 58,557           | 0                                     | 58,557                            |
| • Employers' pension contributions and direct payments to pensioners payable in the year   | 25,077  | 0                        | 0            | 0                          | 0  | (25,077)         | 0                                     | (25,077)                          |
| • 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 | 633   | 0                        | 0            | 0                          | 0  | 0                | (633)                                 | (633)                             |
| <b>Total Adjustments</b>   | <b>(56,300)</b>   | <b>0</b>                 | <b>6,303</b> | <b>17,227</b>              | <b>(77)</b>                              | <b>33,480</b>    | <b>(633)</b>                          | <b>49,997</b>                     |

|  | 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 |
|  | £000  | £000                     | £000         | £000                       | £000                                     | £000             | £000                                  | £000                              |
| <b>Adjustments during 2018/19</b>  |   |                          |              |                            |  |                  |                                       |                                   |
| • Charges for depreciation and impairment of non-current assets  | (55,716)  | 0                        | 0            | 55,716                     | 0  | 0                | 0                                     | 55,716                            |
| • Amortisation of intangible assets  | (254)   | 0                        | 0            | 254                        | 0  | 0                | 0                                     | 254                               |
| • Capital grants and contributions applied   | 35,564  | (661)                    | 0            | (34,903)                   | 0  | 0                | 0                                     | (34,903)                          |
| • Net gain/(loss) on disposal of non-current assets  | (3,103)   | 0                        | 0            | 3,103                      | 0  | 0                | 0                                     | 3,103                             |
| • Statutory repayment of debt (Loans Fund advances)  | 14,536  | 0                        | 0            | (14,536)                   | 0  | 0                | 0                                     | (14,536)                          |
| • Statutory repayment of debt (PFI/PPP)  | 9,843   | 0                        | 0            | (9,843)                    | 0  | 0                | 0                                     | (9,843)                           |
| • Capital expenditure charged in year to General Fund balance  | 1,275   | 0                        | 0            | (1,275)                    | 0  | 0                | 0                                     | (1,275)                           |
| • Use of the Capital Reserves to finance new capital expenditure   | 0   | 641                      | 1,464        | (2,105)                    | 0  | 0                | 0                                     | (2,105)                           |
| • 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            | 77  | 0                        | 0            | 0                          | (77)                                     | 0                | 0                                     | (77)                              |
| • Reversal of items relating to retirement benefits debited or credited to the CIES  | (52,618)  | 0                        | 0            | 0                          | 0  | 52,618           | 0                                     | 52,618                            |
| • Employers' pension contributions and direct payments to pensioners payable in the year   | 25,621  | 0                        | 0            | 0                          | 0  | (25,621)         | 0                                     | (25,621)                          |
| • 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 | 369   | 0                        | 0            | 0                          | 0  | 0                | (369)                                 | (369)                             |
| <b>Total Adjustments</b>   | <b>(24,406)</b>   | <b>(20)</b>              | <b>1,464</b> | <b>(3,589)</b>             | <b>(77)</b>                              | <b>26,997</b>    | <b>(369)</b>                          | <b>22,962</b>                     |

## 16. 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 2017/18</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>                        | <b>£000</b>           |
| Contribution from Repairs & Renewals to General Fund | (39)                | 0                               | 0                   | 39                                 | 0                     |
| Interest on balances                                 | 25                  | 0                               | (14)                | (3)                                | (8)                   |
|  | <b>(14)</b>         | <b>0</b>                        | <b>(14)</b>         | <b>36</b>                          | <b>(8)</b>            |

| <b>Movements in 2018/19</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>                        | <b>£000</b>           |
| Contribution from Repairs & Renewals to General Fund | (60)                | 0                               | 0                   | 60                                 | 0                     |
| Transfer to Repairs & Renewals from General Fund     | 214                 | 0                               | 0                   | (214)                              | 0                     |
| Amount applied to fund new Capital Investment        | 544                 | 0                               | (544)               | 0                                  | 0                     |
| Capital Receipts Transfer to Capital Fund            | 0                   | 20                              | (20)                | 0                                  | 0                     |
| Interest on balances                                 | 25                  | 0                               | (9)                 | (5)                                | (11)                  |
|  | <b>723</b>          | <b>20</b>                       | <b>(573)</b>        | <b>(159)</b>                       | <b>(11)</b>           |

## 17. Property, Plant & Equipment

The movements on balances for Property, Plant & Equipment are shown in the following tables. Figures for 2017/18 are provided for comparison.

| Movements in 2017/18   | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Assets Under Construction<br>£000 | Surplus Assets<br>£000 | Total Property, Plant & Equipment<br>£000 |
|--|--------------------------------|--|-------------------------------|--------------------------|-----------------------------------|------------------------|---|
| <b>Cost or Valuation</b>   |                                |  |                               |                          |                                   |                        |   |
| <b>Gross Book Value at 1 April 2017</b>  | <b>668,709</b>                 | <b>43,464</b>                                  | <b>179,991</b>                | <b>4,019</b>             | <b>23,430</b>                     | <b>1,932</b>           | <b>921,545</b>                            |
| Reclassifications of assets  | (15,832)                       | 645  | 0                             | 0                        | 8,347                             | 6,840                  | 0   |
| Assets reclassified (to)/ from Held for Sale   | (1,158)                        | 0  | 0                             | 0                        | (2)                               | (551)                  | (1,711)                                   |
| Additions  | 60,002                         | 3,213  | 13,611                        | 112                      | 26,685                            | 7                      | 103,630                                   |
| Derecognition – disposals  | 0                              | (451)  | 0                             | 0                        | 0                                 | 0                      | (451)                                     |
| Revaluation increase/ (decreases) recognised in the Revaluation Reserve  | 7,723                          | (740)  | 0                             | 122                      | 4                                 | 0                      | 7,109                                     |
| Revaluation losses recognised in the (surplus)/Deficit on the provision of services                              | (23,927)                       | 0  | 0                             | (27)                     | 3                                 | (990)                  | (24,941)                                  |
| Impairment losses recognised in the revaluation reserves   | (3,593)                        | 0  | 0                             | 0                        | 0                                 | 0                      | (3,593)                                   |
| Impairment losses recognised in the (surplus)/deficit in the Provision of services                               | (1,759)                        | 0  | 0                             | 0                        | 0                                 | 0                      | (1,759)                                   |
| <b>Gross Book Value at 31 March 2018</b>   | <b>690,165</b>                 | <b>46,131</b>                                  | <b>193,602</b>                | <b>4,226</b>             | <b>58,467</b>                     | <b>7,238</b>           | <b>999,829</b>                            |
| <b>Accumulated Depreciation at 1 April 2017</b>  | <b>(56,692)</b>                | <b>(27,039)</b>                                | <b>(51,487)</b>               | <b>(312)</b>             | <b>(2)</b>                        | <b>(41)</b>            | <b>(135,573)</b>                          |
| Depreciation on reclassifications  | 103                            | 0  | 0                             | 0                        | (34)                              | (69)                   | 0   |
| Depreciation on reclassification to Assets Held for Sale   | 107                            | 0  | 0                             | 0                        | 0                                 | 13                     | 120                                       |
| Depreciation charge for year   | (28,796)                       | (4,579)  | (8,537)                       | (152)                    | 0                                 | (45)                   | (42,109)                                  |
| Depreciation written back on disposals   | 0                              | 307  | 0                             | 0                        | 0                                 | 0                      | 307                                       |
| Depreciation written out to the Revaluation Reserve on revaluations  | 14,941                         | 2,022  | 0                             | 94                       | 0                                 | 0                      | 17,057                                    |
| Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services | 938                            | 0  | 0                             | 14                       | 0                                 | 48                     | 1,000                                     |
| Depreciation written out to the Revaluation Reserve on impairments   | 935                            | 0  | 0                             | 0                        | 0                                 | 0                      | 935                                       |
| <b>Accumulated Depreciation at 31 March 2018</b>   | <b>(68,464)</b>                | <b>(29,289)</b>                                | <b>(60,024)</b>               | <b>(356)</b>             | <b>(36)</b>                       | <b>(94)</b>            | <b>(158,263)</b>                          |
| Net Book Value at 31 March 2018  | <b>621,701</b>                 | <b>16,842</b>                                  | <b>133,578</b>                | <b>3,870</b>             | <b>58,431</b>                     | <b>7,144</b>           | <b>841,566</b>                            |
| Net Book Value at 31 March 2017  | <b>612,017</b>                 | <b>16,425</b>                                  | <b>128,504</b>                | <b>3,707</b>             | <b>23,428</b>                     | <b>1,891</b>           | <b>785,972</b>                            |

| <b>Movements in 2018/19</b>  | <b>Other Land<br/>&amp; Buildings<br/>£000</b> | <b>Vehicles,<br/>Plant,<br/>Furniture &amp;<br/>Equipment<br/>£000</b> | <b>Infrastructure<br/>Assets<br/>£000</b> | <b>Community<br/>Assets<br/>£000</b> | <b>Assets Under<br/>Construction<br/>£000</b> | <b>Surplus<br/>Assets<br/>£000</b> | <b>Total Property,<br/>Plant &amp;<br/>Equipment<br/>£000</b> |
|--|--|--|---|--------------------------------------|---|------------------------------------|---|
| <b>Gross Book Value at 1 April 2018</b>  | <b>690,165</b>                                 | <b>46,131</b>  | <b>193,602</b>                            | <b>4,226</b>                         | <b>58,467</b>                                 | <b>7,238</b>                       | <b>999,829</b>  |
| Reclassifications of assets  | 44,147   | 0  | 0   | 0                                    | (44,672)                                      | 525                                | 0   |
| Assets reclassified (to)/ from Held for Sale   | (2)  | 0  | 0   | (28)                                 | (389)   | 251                                | (168)   |
| Additions  | 17,954   | 2,966  | 16,886                                    | 894                                  | 15,505  | 44                                 | 54,249  |
| Derecognition – disposals  | (4,921)  | (332)  | 0   | 0                                    | 0   | 0                                  | (5,253)   |
| Revaluation increase/ (decreases) recognised in the Revaluation Reserve  | 16,568   | (832)  | 0   | 28                                   | (53)  | 139                                | 15,850  |
| Revaluation losses recognised in the (surplus)/deficit on the provision of services                              | (12,237)                                       | 0  | (253)                                     | (463)                                | 43  | (7)                                | (12,917)  |
| Impairment losses recognised in the revaluation reserves   | 0  | 0  | 0   | 0                                    | 0   | 0                                  | 0   |
| Impairment losses recognised in the (surplus)/deficit in the provision of services                               | 0  | 0  | 0   | 0                                    | 0   | 0                                  | 0   |
| <b>Gross Book Value at 31 March 2019</b>   | <b>751,674</b>                                 | <b>47,933</b>  | <b>210,235</b>                            | <b>4,657</b>                         | <b>28,901</b>                                 | <b>8,190</b>                       | <b>1,051,590</b>  |
| <b>Accumulated Depreciation at 1 April 2018</b>  | <b>(68,464)</b>                                | <b>(29,289)</b>  | <b>(60,024)</b>                           | <b>(356)</b>                         | <b>(36)</b>                                   | <b>(94)</b>                        | <b>(158,263)</b>  |
| Depreciation on reclassifications  | (3)  | 0  | 0   | 0                                    | 0   | 3                                  | 0   |
| Depreciation on reclassification to Assets Held for Sale   | 0  | 0  | 0   | 0                                    | 1   | 0                                  | 1   |
| Depreciation charge for year   | (30,276)                                       | (4,475)  | (9,368)                                   | (161)                                | (2)   | (69)                               | (44,351)  |
| Depreciation written back on disposals   | 2,311  | 206  | 0   | 0                                    | 0   | 0                                  | 2,517   |
| Depreciation written out to the Revaluation Reserve on revaluations  | 22,568   | 974  | 0   | 0                                    | 2   | 4                                  | 23,548  |
| Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services | 1,433  | 0  | 98  | 3                                    | 0   | 7                                  | 1,541   |
| Depreciation written out to the Revaluation Reserve on impairments   | 0  | 0  | 0   | 0                                    | 0   | 0                                  | 0   |
| <b>Accumulated Depreciation at 31 March 2019</b>   | <b>(72,431)</b>                                | <b>(32,584)</b>  | <b>(69,294)</b>                           | <b>(514)</b>                         | <b>(35)</b>                                   | <b>(149)</b>                       | <b>(175,007)</b>  |
| Net Book Value at 31 March 2019  | <b>679,243</b>                                 | <b>15,349</b>  | <b>140,941</b>                            | <b>4,143</b>                         | <b>28,866</b>                                 | <b>8,041</b>                       | <b>876,583</b>  |
| Net Book Value at 31 March 2018  | <b>621,701</b>                                 | <b>16,842</b>  | <b>133,578</b>                            | <b>3,870</b>                         | <b>58,431</b>                                 | <b>7,144</b>                       | <b>841,566</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           |

## 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                         | Economic Benefit at Fair Value *                   |
| Assets Held for Sale                   | Fair value less costs to sell                      |
| Assets Under Construction              | Historic cost                                      |

\* In 2016/17, the Code of Practice adopted IFRS13 Fair Value Measurement, providing a single definition of fair value for those assets and liabilities which can be or are required to be measured as such, for example surplus assets. There are 27 surplus assets valued at fair value measurement and these were measured using level 1 inputs in the fair value hierarchy.

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

|                                | 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                              |
| Carried at historical cost     | 307                    | 15,349                                 | 140,644               | 0                | 0                         | 0              | 156,300                           |
| Valued at fair value as at:    |                        |  |                       |                  |                           |                |                                   |
| 31 March 2019                  | 195,040                | 0                                      | 0                     | 549              | 0                         | 1,016          | 196,605                           |
| 31 March 2018                  | 102,298                | 0                                      | 0                     | 1,300            | 22,807                    | 5,169          | 131,574                           |
| 31 March 2017                  | 69,139                 | 0                                      | 0                     | 2                | 86                        | 916            | 70,143                            |
| 31 March 2016                  | 184,716                | 0                                      | 0                     | 1,870            | 443                       | 387            | 187,416                           |
| 31 March 2015                  | 127,743                | 0                                      | 297                   | 422              | 5,530                     | 553            | 134,545                           |
| <b>Total Cost or Valuation</b> | <b>679,243</b>         | <b>15,349</b>                          | <b>140,941</b>        | <b>4,143</b>     | <b>28,866</b>             | <b>8,041</b>   | <b>876,583</b>                    |

## Capital Commitments

At 31 March 2019, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment. In 2019/20 this is budgeted to cost £4m. The major commitments are:

| Property                   | Project Description               | Commitment<br>£000 |
|----------------------------|-----------------------------------|--------------------|
| DG1 Leisure Complex        | Completion of Refurbishment Works | 1,946              |
| Militia House, Dumfries    | Agile Working Improvements        | 1,293              |
| Carruthers House, Dumfries | Agile Working Improvements        | 771                |

## 18. Other Assets – Intangible, Heritage and Assets Held For Sale

The movements on Intangible, Heritage and Assets Held for Sale are shown in the following table. Figures for 2017/18 have been provided for comparison.

|   | Intangible Assets |                 | Heritage Assets |                 | Assets Held For Sale |                 |
|---|-------------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|   | 2017/18<br>£000   | 2018/19<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | 2017/18<br>£000      | 2018/19<br>£000 |
| <b><u>Cost or Valuation</u></b>   |                   |                 |                 |                 |                      |                 |
| <b>Balance at 1 April</b>   | 2,965             | 2,965           | 2,258           | 2,258           | 812                  | 1,210           |
| Assets reclassified (to) / from Assets Held for Sale                      | 0                 | 0               | 0               | 0               | 1,711                | 168             |
| Additions   | 0                 | 0               | 0               | 0               | 5                    | 0               |
| Derecognition - Disposals   | 0                 | 0               | 0               | 0               | (1,319)              | (1,077)         |
| Revaluation Increases / (Decreases) recognised in the Revaluation Reserve | 0                 | 0               | 0               | 0               | 28                   | 2               |
| Revaluation increases/ (decreases) in the CIES                            | 0                 | 0               | 0               | 0               | (27)                 | 11              |
| <b>Balance at 31 March</b>  | <b>2,965</b>      | <b>2,965</b>    | <b>2,258</b>    | <b>2,258</b>    | <b>1,210</b>         | <b>314</b>      |
| <b><u>Accumulated Depreciation</u></b>                                    |                   |                 |                 |                 |                      |                 |
| <b>Balance at 1 April</b>   | (2,128)           | (2,450)         | 0               | 0               | (31)                 | (40)            |
| Eliminated on the reclassification of Assets Held For Sale                | 0                 | 0               | 0               | 0               | (120)                | (1)             |
| Depreciation / Amortisation Charge  | (322)             | (254)           | 0               | 0               | 0                    | 0               |
| Depreciation - Disposals  | 0                 | 0               | 0               | 0               | 107                  | 29              |
| Depreciation written out to the Revaluation Reserve                       | 0                 | 0               | 0               | 0               | 4                    | 5               |
| <b>Balance at 31 March</b>  | <b>(2,450)</b>    | <b>(2,704)</b>  | <b>0</b>        | <b>0</b>        | <b>(40)</b>          | <b>(7)</b>      |
| <b>Net Book Value at 31 March</b>   | <b>515</b>        | <b>261</b>      | <b>2,258</b>    | <b>2,258</b>    | <b>1,170</b>         | <b>307</b>      |

## 19. 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.

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Opening Capital Investment Requirement</b>               | <b>381,727</b>  | <b>433,347</b>  |
| <b>Capital Investment</b>                                   |                 |                 |
| Property, Plant & Equipment – non PFI/PPP assets            | 76,794          | 53,007          |
| Property, Plant & Equipment – PFI/PPP/DBFM assets           | 26,841          | 1,242           |
| Intangible assets   | 0               | 0               |
|   | <b>103,635</b>  | <b>54,249</b>   |
| <b>Financed as follows:</b>                                 |                 |                 |
| Capital receipts  | 587             | 641             |
| Government grants & other contributions                     | 32,057          | 36,250          |
| Loans Fund principal  | 14,993          | 14,536          |
| Direct revenue contributions                                | 4,378           | 11,513          |
|   | <b>52,015</b>   | <b>62,940</b>   |
| <b>Closing Capital Requirement</b>                          | <b>433,347</b>  | <b>424,656</b>  |
| <b>Explanation of movements in the year:</b>                |                 |                 |
| Increase/(decrease) in underlying need to borrow            | 28,832          | 10,020          |
| Increase/(decrease) in relation to PFI/PPP contracts        | 22,788          | (18,711)        |
| <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>51,620</b>   | <b>(8,691)</b>  |

## 20. Long Term Debtors

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

|                                   | 2017/18          |                                     |                | 2018/19          |                                     |                |
|-----------------------------------|------------------|-------------------------------------|----------------|------------------|-------------------------------------|----------------|
|                                   | Gross<br>Debtors | Provision for<br>debt<br>impairment | Net<br>Debtors | Gross<br>Debtors | Provision<br>for debt<br>impairment | Net<br>Debtors |
|                                   | £000             | £000                                | £000           | £000             | £000                                | £000           |
| Scottish Police Authority         | 8,090            | 0                                   | 8,090          | 7,937            | 0                                   | 7,937          |
| Scottish Fire & Rescue<br>Service | 2,641            | 0                                   | 2,641          | 2,516            | 0                                   | 2,516          |
| National Housing Trust            | 6,518            | 0                                   | 6,518          | 6,518            | 0                                   | 6,518          |
| Other entities & individuals      | 292              | (212)                               | 80             | 81               | (13)                                | 68             |
| <b>Total Long Term Debtors</b>    | <b>17,541</b>    | <b>(212)</b>                        | <b>17,329</b>  | <b>17,052</b>    | <b>(13)</b>                         | <b>17,039</b>  |



## 21. Short Term Debtors

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

|                                 | Gross Debtors | 2017/18 Provision for debt impairment | Net Debtors   | Gross Debtors | 2018/19 Provision for debt impairment | Net Debtors   |
|---------------------------------|---------------|---------------------------------------|---------------|---------------|---------------------------------------|---------------|
|                                 | £000          | £000                                  | £000          | £000          | £000                                  | £000          |
| Scottish Government bodies      | 2,120         | 0                                     | 2,120         | 7,323         | 0                                     | 7,323         |
| Central Government bodies       | 4,911         | 0                                     | 4,911         | 3,753         | 0                                     | 3,753         |
| Other local authorities         | 1             | 0                                     | 1             | (10)          | 0                                     | (10)          |
| NHS bodies                      | 51            | 0                                     | 51            | 6             | 0                                     | 6             |
| Public corporations             | 2             | 0                                     | 2             | 0             | 0                                     | 0             |
| Other entities and individuals  | 22,424        | (6,315)                               | 16,109        | 19,293        | (5,741)                               | 13,552        |
|                                 | <b>29,509</b> | <b>(6,315)</b>                        | <b>23,194</b> | <b>30,365</b> | <b>(5,741)</b>                        | <b>24,624</b> |
| Council Tax                     | 14,858        | (13,726)                              | 1,132         | 15,538        | (13,887)                              | 1,651         |
| Non-Domestic Rates              | 392           | 0                                     | 392           | 2,989         | 0                                     | 2,989         |
| <b>Total Short Term Debtors</b> | <b>44,759</b> | <b>(20,041)</b>                       | <b>24,718</b> | <b>48,892</b> | <b>(19,628)</b>                       | <b>29,264</b> |

## 22. Cash & Cash Equivalents

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

|  | 2017/18       | 2018/19       |
|--|---------------|---------------|
|  | £000          | £000          |
| Cash held by the Council                 | 47            | 47            |
| Bank current accounts                    | 19,477        | 17,316        |
| Short-term deposits                      | 713           | 3,712         |
| <b>Total Cash &amp; Cash Equivalents</b> | <b>20,237</b> | <b>21,075</b> |

## 23. Short Term Creditors

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

|                                   | 2017/18         |                     |                 |                 | 2018/19         |                     |                 |                 |
|-----------------------------------|-----------------|---------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|
|                                   | Trade creditors | Receipts in advance | Other creditors | Total Creditors | Trade creditors | Receipts in advance | Other creditors | Total Creditors |
|                                   | £000            | £000                | £000            | £000            | £000            | £000                | £000            | £000            |
| Scottish Government bodies        | 0               | (1,926)             | (1,290)         | (3,216)         | 0               | (5,542)             | (1,271)         | (6,813)         |
| Central Government bodies         | 0               | (91)                | (3,685)         | (3,776)         | 0               | (47)                | (4,816)         | (4,863)         |
| Other Local Authorities           | 0               | 0                   | (21)            | (21)            | (27)            | 0                   | (1)             | (28)            |
| NHS bodies                        | 0               | 0                   | (21)            | (21)            | 0               | 0                   | 0               | 0               |
| Payroll                           | 0               | 0                   | (9,675)         | (9,675)         | 0               | 0                   | (11,912)        | (11,912)        |
| IJB                               | 0               | (3,522)             | 0               | (3,522)         | 0               | (4,135)             | 0               | (4,135)         |
| Other entities & individuals      | (19,326)        | (1,293)             | (11,368)        | (31,987)        | (14,222)        | (1,891)             | (9,960)         | (26,073)        |
| <b>Total Short Term Creditors</b> | <b>(19,326)</b> | <b>(6,832)</b>      | <b>(26,060)</b> | <b>(52,218)</b> | <b>(14,249)</b> | <b>(11,615)</b>     | <b>(27,960)</b> | <b>(53,824)</b> |

## 24. Short Term Liabilities

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

|                            | 2017/18<br>£000 | 2018/19<br>£000 |
|----------------------------|-----------------|-----------------|
| PPP liabilities            | (3,293)         | (2,836)         |
| Grants received in advance | (70)            | 0               |
|                            | <b>(3,363)</b>  | <b>(2,836)</b>  |

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## 25. Provisions

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

|                         | Balance at<br>31 March<br>2018<br>£000 | Amount<br>used in<br>year<br>£000 | Additional<br>provision made<br>in year<br>£000 | Balance at<br>31 March<br>2019<br>£000 |
|-------------------------|--|-----------------------------------|---|--|
| Holiday Pay             | 0                                      | 0                                 | (104)   | (104)                                  |
| ERVS                    | (1,540)                                | 1,540                             | (565)   | (565)                                  |
| <b>Total Provisions</b> | <b>(1,540)</b>                         | <b>1540</b>                       | <b>(669)</b>                                    | <b>(669)</b>                           |

### Holiday Pay

The Council currently have a number of cases lodged with the Employment Tribunal in relation to claims that overtime/shift allowances should have been applied as part of holiday payments made to individuals and/or where no holiday payments have been paid to individuals. A provision of £104k has been created in respect of the estimated settlement payments that may be made to these individuals over the course of 2019/20.

### Early Retirement/Voluntary Severance Scheme

In 2017/18 the Council agreed to a number of early retirements/voluntary severances (ERVS) in relation to savings agreed as part of the 2018/19 budget and created a provision of £1,540k in relation to these payments. All payments in respect of this provision were paid during 2018/19.

In 2018/19 the Council agreed to a number of early retirements/voluntary severances (ERVS) in relation to savings agreed as part of the 2019/20 budget. A number of individuals agreed as part of this process had a leaving date subsequent to 31 March 2019 and are anticipated to leave part way through 2019/20. A provision of £565k has therefore been created in respect of the estimated payments due to these individuals and strain on the Pension Fund payments.

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## 26. Private Finance Initiatives & Similar Contracts

### Smarter Schools PPP/DBFM Projects

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.

In January 2016 the Council also signed a 25 year DBFM contract with Hub SW Dalbeattie DBFM Co Limited to build a new Dalbeattie Learning Campus. Hub SW Dalbeattie DBFM Co Limited will also provide a degree of ongoing maintenance to October 2042.

### 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.

|   | PPP/DBFM Schools |                 |
|---|------------------|-----------------|
|   | 2017/18          | 2018/19         |
|   | £000             | £000            |
| <b>Cost or Valuation</b>                    |                  |                 |
| <b>At 1 April</b>                           | <b>118,373</b>   | <b>139,740</b>  |
| Additions                                   | 21,367           | 1,242           |
| <b>At 31 March</b>                          | <b>139,740</b>   | <b>140,982</b>  |
| <b>Accumulated Depreciation at 1 April</b>  | <b>(7,069)</b>   | <b>(11,109)</b> |
| Depreciation charge for year                | (4,040)          | (4,986)         |
| <b>Accumulated Depreciation at 31 March</b> | <b>(11,109)</b>  | <b>(16,095)</b> |
| <b>Net Book Value at 31 March</b>           | <b>128,631</b>   | <b>124,887</b>  |

#### Liabilities

Although the payments to the contractors 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 contractors for the capital expenditure (the outstanding finance lease obligation) is as follows:

|  | PPP/DBFM Schools |                |
|--|------------------|----------------|
|  | 2017/18          | 2018/19        |
|  | £000             | £000           |
| Balance outstanding at the start of the year | 93,147           | 116,366        |
| Additions during the year                    | 25,578           | 0              |
| Payments during the year                     | (2,359)          | (2,738)        |
| <b>Balance outstanding at year end</b>       | <b>116,366</b>   | <b>113,628</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 PPP and PFI agreements are as follows:

|   | Payments for Services | Finance Interest | Repayment of Liability | Contingent Rentals | Total          |
|---|-----------------------|------------------|------------------------|--------------------|----------------|
|   | £000                  | £000             | £000                   | £000               | £000           |
| Payments due within one year                    | 6,348                 | 7,724            | 2,837                  | 523                | 17,432         |
| Payments due within two to five years           | 27,517                | 28,806           | 13,086                 | 2,515              | 71,924         |
| Payments due within six to ten years            | 40,093                | 30,397           | 20,862                 | 3,929              | 95,281         |
| Payments due within eleven to fifteen years     | 45,924                | 22,240           | 28,550                 | 5,269              | 101,983        |
| Payments due within sixteen to twenty years     | 52,433                | 10,437           | 40,114                 | 6,584              | 109,568        |
| Payments due within twenty one to twenty five : | 7,552                 | 722              | 8,182                  | 262                | 16,718         |
|   | <b>179,867</b>        | <b>100,326</b>   | <b>113,631</b>         | <b>19,082</b>      | <b>412,906</b> |

#### **Waste Management/Recycling PFI Contract**

In November 2004 the Council signed a 25 year Waste Management/Recycling PFI contract with Shanks Dumfries and Galloway Ltd (Project Co). The key elements of the contract (the Project Agreement) were: the treatment, separation and disposal of household and commercial municipal solid waste; the provision and operation of recycling facilities; and the closure and aftercare of existing landfill sites. Service payments were based on the tonnage of waste being delivered for treatment and/or disposal.

It was agreed at Full Council on 3 September 2018 that the early termination of the Waste PFI Contract would take place following a negotiated agreement amongst the Council, Shanks Dumfries and Galloway Ltd (Project Co), Renewi UK Services Ltd (Service Co) and Project CO's lenders (NIBC Bank N.V. and Nord LB). The Project Agreement was terminated on 10 September 2018.

#### Property, Plant & Equipment

The assets previously 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 18.

|   | 2017/18        | 2018/19        |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Cost or Valuation</b>                    |                |                |
| <b>At 1 April</b>                           | <b>26,021</b>  | <b>26,042</b>  |
| Revaluations                                | 21             | 0              |
| Disposals                                   | 0              | (4,921)        |
| <b>At 31 March</b>                          | <b>26,042</b>  | <b>21,121</b>  |
| <b>Accumulated Depreciation at 1 April</b>  | <b>(8,149)</b> | <b>(9,305)</b> |
| Depreciation charge for year                | (1,160)        | (1,161)        |
| Depreciation written back on revaluation    | 4              | 0              |
| Depreciation Adjustment for Disposal        | 0              | 2,311          |
| <b>Accumulated Depreciation at 31 March</b> | <b>(9,305)</b> | <b>(8,155)</b> |
| <b>Net Book Value at 31 March</b>           | <b>16,737</b>  | <b>12,966</b>  |

#### Liabilities from PFI Arrangements

The payments to Project Co were described as Service payments in the Project Agreement and were calculated to compensate Project Co for the fair value of the services provided, the capital expenditure incurred and the interest payable whilst the capital expenditure remained to be reimbursed. The liability outstanding to pay Project Co for the capital expenditure (the outstanding finance lease obligation) was fully removed as part of the contract termination:

|  | 2017/18       | 2018/19  |        |
|--|---------------|----------|--------|
|  | £000          | £000     |        |
| Balance outstanding at the start of the year | 14,793        | 14,361   |        |
| Payments during the year                     | (432)         | (7,105)  | Note 1 |
| Donated Asset                                | 0             | (7,256)  | Note 2 |
| <b>Balance outstanding at year end</b>       | <b>14,361</b> | <b>0</b> |        |

**Note 1:** Payments during the year for 2018/19 represent the repayment of liability as part of the Service Payment from 1 April 2018 to 10 September 2018 (£0.23Million) plus the termination settlement payment (£6.87 Million).

**Note 2:** As part of the early termination of the contract, all assets in relation to the waste PFI contract remain on the Council Balance Sheet, however no further liability i.e. repayments for the assets, is due therefore under proper accounting practice the remainder of the assets should be treated as a donated asset, therefore removing all liability from the balance sheet.

## 27. Termination Benefits

In 2018/19 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 £3.46 Million were incurred in 2018/19, with £1.9 Million paid to individuals as termination benefits and £1.56 Million reimbursed to the Pension Fund in relation to the strain on the fund.

## 28. 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 29.

### 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:

|  | <b>LGPS</b>     |                 |
|--|-----------------|-----------------|
|  | <b>2017/18</b>  | <b>2018/19</b>  |
|  | <b>£000</b>     | <b>£000</b>     |
| <b><u>Comprehensive Income &amp; Expenditure Statement</u></b>   |                 |                 |
| Included within the Net Cost of Services:  |                 |                 |
| • current service cost   | 32,470          | 33,645          |
| • past service costs   | 13,850          | 9,532           |
| Included within Financing and Investment Income & Expenditure:   |                 |                 |
| • net interest expense   | 12,237          | 9,441           |
| <b>Total post-employment benefits charged to (Surplus) or Deficit on the Provision of Services</b>   | <b>58,557</b>   | <b>52,618</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)  | 34,521          | (20,681)        |
| • actuarial (gains) & losses arising on changes in demographic assumptions   | (6,137)         | 0               |
| • actuarial (gains) & losses arising on changes in financial assumptions   | (72,480)        | 88,801          |
| • other  | (108,444)       | (629)           |
| <b>Total Post Employment Benefit charged to CIES</b>   | <b>(93,983)</b> | <b>120,109</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 | <b>(58,557)</b> | <b>(52,618)</b> |
| Actual amount charged against the General Fund Balance for pensions in the year  |                 |                 |
| • employers' contributions payable to scheme   | <b>19,628</b>   | <b>20,135</b>   |

### 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           |                |
|--|----------------|----------------|
|  | 2017/18        | 2018/19        |
|  | £000           | £000           |
| Present value of the defined benefit obligation              | 1,101,469      | 1,236,432      |
| Fair value of plan assets                                    | (760,707)      | (801,182)      |
| <b>Net liability arising from defined benefit obligation</b> | <b>340,762</b> | <b>435,250</b> |

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

|  | LGPS           |                |
|--|----------------|----------------|
|  | 2017/18        | 2018/19        |
|  | £000           | £000           |
| <b>Opening fair value of scheme assets</b>   | <b>777,264</b> | <b>760,707</b> |
| Interest income  | 20,166         | 20,515         |
| Remeasurement gain/(loss):   |                |                |
| • the return on plan assets, excluding the amount included in the net interest expense | (34,521)       | 20,681         |
| • other  | (1,212)        | (864)          |
| Contributions from employers   | 25,077         | 25,621         |
| Contributions from employees into the scheme   | 5,164          | 5,157          |
| Benefits paid  | (31,231)       | (30,635)       |
| <b>Closing fair value of scheme assets</b>   | <b>760,707</b> | <b>801,182</b> |

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

|  | Funded Liabilities LGPS |                  |
|--|-------------------------|------------------|
|  | 2017/18                 | 2018/19          |
|  | £000                    | £000             |
| <b>Opening balance at 1 April</b>  | <b>1,237,086</b>        | <b>1,101,469</b> |
| Current service cost   | 32,470                  | 33,645           |
| Interest cost  | 32,403                  | 29,956           |
| Contribution from scheme participants                                      | 5,164                   | 5,157            |
| Remeasurement (gains) & losses:  |                         |                  |
| • actuarial (gains) & losses arising on changes in demographic assumptions | (6,137)                 | 0                |
| • actuarial (gains) & losses arising on changes in financial assumptions   | (72,480)                | 88,801           |
| • other experience   | (109,656)               | (1,493)          |
| Past service cost  | 13,850                  | 9,532            |
| Benefits paid  | (31,231)                | (30,635)         |
| <b>Closing balance at 31 March</b>   | <b>1,101,469</b>        | <b>1,236,432</b> |

### Local Government Pension Scheme assets comprised:

|                         | Fair value of scheme assets |            |                |                |            |                |
|-------------------------|-----------------------------|------------|----------------|----------------|------------|----------------|
|                         | 2017/18                     |            |                | 2018/19        |            |                |
|                         | Quoted                      | Unquoted   | TOTAL          | Quoted         | Unquoted   | TOTAL          |
|                         | £000                        | £000       | £000           | £000           | £000       | £000           |
| Cash & cash equivalents | 1,978                       | 0          | 1,978          | 589            | 0          | 589            |
| Other investment funds  |                             |            |                |                |            |                |
| • equities              | 501,768                     | 0          | 501,768        | 477,500        | 0          | 477,500        |
| • bonds                 | 115,053                     | 0          | 115,053        | 120,515        | 0          | 120,515        |
| • other                 | 141,548                     | 360        | 141,908        | 202,206        | 372        | 202,578        |
|                         | <b>758,369</b>              | <b>360</b> | <b>758,729</b> | <b>800,221</b> | <b>372</b> | <b>800,593</b> |
| <b>Total assets</b>     | <b>760,347</b>              | <b>360</b> | <b>760,707</b> | <b>800,810</b> | <b>372</b> | <b>801,182</b> |

## 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 interim valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary have been:

|  | <b>LGPS</b>    |                |
|--|----------------|----------------|
|  | <b>2017/18</b> | <b>2018/19</b> |
| Long term expected rate of return on assets in the scheme: |                |                |
| • equity investments                                       | 2.7%           | 2.4%           |
| • bonds  | 2.7%           | 2.4%           |
| • property   | 2.7%           | 2.4%           |
| • cash   | 2.7%           | 2.4%           |
| Mortality assumptions                                      |                |                |
| • longevity at 65 for current pensioners                   |                |                |
| o men  | 21.8 years     | 21.8 years     |
| o women  | 24.3 years     | 24.3 years     |
| • longevity at 65 for future pensioners                    |                |                |
| o men  | 23.0 years     | 23.0 years     |
| o women  | 26.2 years     | 26.2 years     |
| Rate of increase in salaries                               | 3.2%           | 3.3%           |
| Rate of increase in pensions                               | 2.4%           | 2.5%           |
| Rate for discounting scheme liabilities                    | 2.7%           | 2.4%           |

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 year 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 year.

|   | <b>Impact on the defined benefit obligation in the scheme</b> |  |
|---|---|--|
|   | <b>Increase in assumption<br/>£000</b>                        | <b>Decrease in assumption<br/>£000</b> |
| Rate of increase in salaries (increase or decrease by 0.5%)           | 23,261  | (23,261)                               |
| Rate of increase in pensions (increase or decrease by 0.5%)           | 98,845  | (98,845)                               |
| Rate of discounting scheme liabilities (increase or decrease by 0.5%) | 124,680   | (124,680)                              |

## 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 2020. The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2020 is £18.4 million. The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2019 is 18.4 years.

## 29. Pension Schemes Accounted for as Defined Contribution Schemes

(a) Dumfries and Galloway Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016, setting contribution rates from 1 April 2019. The next valuation will be as at 31 March 2020 and this will set contribution rates from 1 April 2023.

(b) Dumfries and Galloway Council has no liability for other employers obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

(d) (i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Dumfries and Galloway Council is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate from 1 September 2015 was 17.2% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

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

(v) Dumfries and Galloway Councils level of participation in the scheme is 2.38% based on the proportion of employer contributions paid in 2017-18.

The amounts paid to the Scottish Public Pensions Agency in 2018/19 amounted to £5.29 Million (£5.36 Million in 2017/18) being deducted from employees and £10.19 Million (£9.94 Million in 2017/18) 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 2018/19 amounted to £2.028 Million (£1.899 Million in 2017/18).

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## 30. 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), five 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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## 31. 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 15 Adjustments Between Accounting Basis and Funding Basis Under Regulations, and Note 16 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<br>31/3/18<br>£000 | Balance as at<br>31/3/19<br>£000 |
|--------------------------|----------------------------------|----------------------------------|
| Capital Receipts Reserve | 0                                | 0                                |
| Capital Fund             | (1,607)                          | (716)                            |
| Repairs & Renewals Fund  | (980)                            | (1,139)                          |
| Insurance Fund           | (1,673)                          | (1,384)                          |
| General Fund             | (49,696)                         | (44,957)                         |
|                          | <b>(53,956)</b>                  | <b>(48,196)</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.

|  | 2017/18<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>                      | <b>0</b>        | <b>0</b>        |
| Amounts received in year                       | (587)           | (661)           |
| Amounts applied to fund new capital investment | 587             | 641             |
| Amounts Transferred to the Capital Fund        | 0               | 20              |
| <b>Balance at 31 March</b>                     | <b>0</b>        | <b>0</b>        |

### Capital Fund

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

|  | 2017/18<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>                      | <b>(7,896)</b>  | <b>(1,607)</b>  |
| Transfers to/(from) General Fund               | 0               | (544)           |
| Amounts applied to fund new capital investment | 6,303           | 1,464           |
| Unapplied Capital Grants and Contributions     | 0               | (20)            |
| Interest on balances                           | (14)            | (9)             |
| <b>Balance at 31 March</b>                     | <b>(1,607)</b>  | <b>(716)</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.

|                                 | 2017/18<br>£000 | 2018/19<br>£000 |
|---------------------------------|-----------------|-----------------|
| <b>Balance at 1 April</b>       | <b>(1,016)</b>  | <b>(980)</b>    |
| Transfer to/(from) General Fund | 39              | (154)           |
| Interest on balances            | (3)             | (5)             |
| <b>Balance at 31 March</b>      | <b>(980)</b>    | <b>(1,139)</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.

|                                 | 2017/18<br>£000 | 2018/19<br>£000 |
|---------------------------------|-----------------|-----------------|
| <b>Balance at 1 April</b>       | <b>(2,170)</b>  | <b>(1,673)</b>  |
| Transfer to/(from) General Fund | 505             | 300             |
| Interest on balances            | (8)             | (11)            |
| <b>Balance at 31 March</b>      | <b>(1,673)</b>  | <b>(1,384)</b>  |

## 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<br>at 1<br>April<br>2017<br>£000 | Transfers<br>In<br>£000 | Transfers<br>Out<br>£000 | Balance<br>at 31<br>March<br>2018<br>£000 | Transfers<br>In<br>£000 | Transfers<br>Out<br>£000 | Balance<br>at 31<br>March<br>2019<br>£000 |
|--|--|-------------------------|--------------------------|---|-------------------------|--------------------------|---|
| Schools PPP Sinking Fund   | (15,118)                                 | (44)                    | 13                       | (15,149)                                  | (82)                    | 459                      | (14,772)                                  |
| Waste Review Reserve   | (2,492)                                  | (7)                     | 191                      | (2,308)                                   | (6)                     | 669                      | (1,645)                                   |
| Employment Issues  | (1,118)                                  | (419)                   | 78                       | (1,459)                                   | 0                       | 0                        | (1,459)                                   |
| Affordable Social Housing<br>(2 <sup>nd</sup> Homes Discount)        | (2,302)                                  | (1,299)                 | 444                      | (3,157)                                   | (1,346)                 | 1,022                    | (3,481)                                   |
| Devolved School<br>Management Reserve                                | (1,873)                                  | (277)                   | 0                        | (2,150)                                   | 0                       | 718                      | (1,432)                                   |
| Severe Weather Emergency<br>Fund                                     | (500)                                    | (500)                   | 500                      | (500)                                     | 0                       | 0                        | (500)                                     |
| Corporate Change Fund  | (6,204)                                  | (1,217)                 | 3,933                    | (3,488)                                   | (3,255)                 | 3,567                    | (3,176)                                   |
| Policy Development Funding   | (1,679)                                  | (354)                   | 415                      | (1,618)                                   | (148)                   | 596                      | (1,170)                                   |
| Social Work Support Fund   | (1,000)                                  | 0                       | 0                        | (1,000)                                   | 0                       | 0                        | (1,000)                                   |
| AEF Funding  | (764)                                    | (639)                   | 353                      | (1,050)                                   | (580)                   | 1,249                    | (381)                                     |
| Welfare Reform/Anti-Poverty<br>Children's Services<br>Transformation | (2,348)                                  | (519)                   | 307                      | (2,560)                                   | (520)                   | 1,364                    | (1,716)                                   |
| Earmarked/ Committed<br>Amounts                                      | (3,445)                                  | (1,064)                 | 295                      | (4,214)                                   | 0                       | 0                        | (4,214)                                   |
| Unallocated Balance  | (4,115)                                  | (923)                   | 820                      | (4,218)                                   | (521)                   | 1,553                    | (3,186)                                   |
|  | <b>(6,825)</b>                           | <b>0</b>                | <b>0</b>                 | <b>(6,825)</b>                            | <b>0</b>                | <b>0</b>                 | <b>(6,825)</b>                            |
|  | <b>(49,783)</b>                          | <b>(7,262)</b>          | <b>7,349</b>             | <b>(49,696)</b>                           | <b>(6,458)</b>          | <b>11,197</b>            | <b>(44,957)</b>                           |

## 32. 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 15 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.

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| Capital Adjustment Account                                | (104,370)       | (174,937)       |
| Revaluation Reserve                                       | (321,880)       | (293,625)       |
| Financial Instruments Adjustment Account                  | 601             | 524             |
| Pensions Reserve  | 340,762         | 435,250         |
| Employee Statutory Adjustment Account – Employee Benefits | 4,148           | 3,779           |
| <b>Total Unusable Reserves</b>                            | <b>(80,379)</b> | <b>(29,009)</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.

|   | 2017/18<br>£000  | 2018/19<br>£000  |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | <b>(120,601)</b> | <b>(104,370)</b> |
| Transfer from Revaluation Reserve to correct difference between fair value depreciation & historical cost depreciation (Note 1) | 0                | (52,667)         |
| Depreciation & impairment of non-current assets   | 67,835           | 55,716           |
| Amortisation of intangible assets   | 322              | 254              |
| Value of assets sold, disposed or decommissioned  | 164              | 3,357            |
| Adjusting amounts written out of the Revaluation Reserve  | (333)            | (14,565)         |
| Capital receipts applied to finance new capital expenditure   | (6,890)          | (2,105)          |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement                                   | (25,917)         | (34,903)         |
| Loans Fund principal repayments   | (14,993)         | (14,536)         |
| Statutory repayment of debt (PFI/PPP)   | (2,791)          | (9,843)          |
| Capital expenditure financed from current revenue   | (1,166)          | (1,275)          |
| <b>Balance at 31 March</b>  | <b>(104,370)</b> | <b>(174,937)</b> |

**Note 1** - During 2018/19 an error was identified where the adjustment for the difference between fair value depreciation and historical cost depreciation had not been deducted from the revaluation reserve correctly since 2012/13. This has resulted in a transfer of £52.667 Million being required between the Revaluation Reserve and the Capital Adjustment Account to correct opening balances between the reserves. It should be noted that this adjustment has no impact on the core statements or asset valuations.

### 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.

|   | 2017/18<br>£000  | 2018/19<br>£000  |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | <b>(301,865)</b> | <b>(321,880)</b> |
| Transfer to Capital Adjustment Account to correct difference between fair value & historical cost depreciation. | 0                | 52,667           |
| Upward revaluations of assets   | (29,134)         | (44,166)         |
| Downward revaluation of assets & impairments not charged to the (Surplus)/ Deficit on the Provision of Services | 7,593            | 4,760            |
| Difference between fair value depreciation and historical cost depreciation                                     | 333              | 14,566           |
| Accumulated gains on assets disposed of   | 1,193            | 428              |
| <b>Balance at 31 March</b>  | <b>(321,880)</b> | <b>(293,625)</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.

|  | 2017/18    | 2018/19    |
|--|------------|------------|
|  | £000       | £000       |
| <b>Balance at 1 April</b>  | 678        | 601        |
| 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 | (77)       | (77)       |
| <b>Balance at 31 March</b>   | <b>601</b> | <b>524</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.

|  | 2017/18        | 2018/19        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Balance at 1 April</b>  | 459,822        | 340,762        |
| Remeasurement of net defined liability/ (asset)  | (152,540)      | 67,491         |
| 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 | 58,557         | 52,618         |
| Employer's pension contributions payable in year   | (25,077)       | (25,621)       |
| <b>Balance at 31 March</b>   | <b>340,762</b> | <b>435,250</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.

|   | 2017/18      | 2018/19      |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Balance at 1 April</b>   | 4,781        | 4,148        |
| 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 | (633)        | (369)        |
| <b>Balance at 31 March</b>  | <b>4,148</b> | <b>3,779</b> |

### 33. Leases

#### Council as Lessee

No assets were leased under finance leases in 2018/19.

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<br>2018 | At 31 March<br>2019 |
|---|---------------------|---------------------|
|   | £000                | £000                |
| Not later than one year                           | 1,023               | 839                 |
| Later than one year and not later than five years | 894                 | 983                 |
| Later than five years                             | 339                 | 403                 |
|   | <b>2,256</b>        | <b>2,225</b>        |

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

|                        | 2017/18      | 2018/19      |
|------------------------|--------------|--------------|
|                        | £000         | £000         |
| Minimum lease payments | 2,608        | 2,779        |
|                        | <b>2,608</b> | <b>2,779</b> |

#### 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 Council received income of £0.872 Million (£0.874 Million 2017/18) from operating leases related to land and buildings.

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

|   | At 31 March<br>2018 | At 31 March<br>2019 |
|---|---------------------|---------------------|
|   | £000                | £000                |
| Not later than one year                           | (365)               | (370)               |
| Later than one year and not later than five years | (162)               | (101)               |
| Later than five years                             | (68)                | (47)                |
|   | <b>(595)</b>        | <b>(518)</b>        |

### **34. 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<br>2018<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |
| <u>Loans &amp; receivables</u>                 |                          |                          |                          |                          |                          |                          |
| Investments                                    | 1,030                    | 998                      | 0                        | 0                        | 1,030                    | 998                      |
| Debtors  | 17,329                   | 17,039                   | 23,194                   | 24,624                   | 40,523                   | 41,663                   |
| Cash & cash equivalents                        | 0                        | 0                        | 20,237                   | 21,075                   | 20,237                   | 21,075                   |
| <b>Total Financial Assets</b>                  | <b>18,359</b>            | <b>18,037</b>            | <b>43,431</b>            | <b>45,699</b>            | <b>61,790</b>            | <b>63,736</b>            |
| <u>Financial Liabilities at Amortised Cost</u> |                          |                          |                          |                          |                          |                          |
| Borrowing                                      | (185,998)                | (195,417)                | (62,050)                 | (72,550)                 | (248,048)                | (267,967)                |
| PFI/PPP liabilities                            | (127,434)                | (110,793)                | (3,293)                  | (2,836)                  | (130,727)                | (113,629)                |
| PFI deferred income                            | (1,613)                  | 0                        | 0                        | 0                        | (1,613)                  | 0                        |
| Grants received in advance                     | 0                        | 0                        | (70)                     | 0                        | (70)                     | 0                        |
| Creditors                                      | 0                        | 0                        | (52,218)                 | (53,824)                 | (52,218)                 | (53,824)                 |
| <b>Total Financial Liabilities</b>             | <b>(315,045)</b>         | <b>(306,210)</b>         | <b>(117,631)</b>         | <b>(129,210)</b>         | <b>(432,676)</b>         | <b>(435,420)</b>         |

#### **Reclassifications Between Categories**

The Council did not reclassify any financial assets or liabilities between categories during the year, or during 2017/18.

### 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<br>Loans and<br>receivables |                 | Financial Liabilities<br>Liabilities measured<br>at amortised cost |                 | Total           |                 |
|---|--|-----------------|--|-----------------|-----------------|-----------------|
|   | 2017/18<br>£000                              | 2018/19<br>£000 | 2017/18<br>£000  | 2018/19<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 |
| Interest expense  | 0  | 0               | 19,559   | 18,595          | 19,559          | 18,595          |
| <b>Total expense in (Surplus) or<br/>Deficit on the Provision of Services</b> | <b>0</b>                                     | <b>0</b>        | <b>19,559</b>  | <b>18,595</b>   | <b>19,559</b>   | <b>18,595</b>   |
| Interest income   | (152)  | (279)           | 0  | 0               | (152)           | (279)           |
| <b>Total income in (Surplus) or Deficit<br/>on the Provision of Services</b>  | <b>(152)</b>                                 | <b>(279)</b>    | <b>0</b>   | <b>0</b>        | <b>(152)</b>    | <b>(279)</b>    |
| <b>Net (gain)/ loss for year</b>  | <b>(152)</b>                                 | <b>(279)</b>    | <b>19,559</b>  | <b>18,595</b>   | <b>19,407</b>   | <b>18,316</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. Financial assets and liabilities are required to be calculated at fair value based on the fair value hierarchy. All assets and liabilities are measured at level 1 i.e. quoted prices. 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 2018              |                    | 31 March 2019              |                    |
|-------------------------------|----------------------------|--------------------|----------------------------|--------------------|
|                               | Carrying<br>amount<br>£000 | Fair Value<br>£000 | Carrying<br>amount<br>£000 | Fair Value<br>£000 |
| <u>Financial assets</u>       |                            |                    |                            |                    |
| Investments                   | 1,030                      | 1,030              | 998                        | 998                |
| Debtors                       | 40,523                     | 40,523             | 41,663                     | 41,663             |
| Cash & cash equivalents       | 20,237                     | 20,237             | 21,075                     | 21,075             |
| <b>Total Financial Assets</b> | <b>61,790</b>              | <b>61,790</b>      | <b>63,736</b>              | <b>63,736</b>      |

The fair value of the financial assets is higher than the carrying amount because the Council's portfolio of temporary 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 2018              |                    | 31 March 2019              |                    |
|------------------------------------|----------------------------|--------------------|----------------------------|--------------------|
|                                    | Carrying<br>amount<br>£000 | Fair Value<br>£000 | Carrying<br>amount<br>£000 | Fair Value<br>£000 |
| <u>Financial liabilities</u>       |                            |                    |                            |                    |
| Borrowing                          | (248,048)                  | (336,249)          | (267,967)                  | (359,743)          |
| PFI/PPP liabilities                | (130,727)                  | (130,728)          | (113,629)                  | (113,629)          |
| PFI deferred income                | (1,613)                    | (1,613)            | 0                          | 0                  |
| Grants received in advance         | (70)                       | (70)               | 0                          | 0                  |
| Creditors                          | (52,218)                   | (52,218)           | (53,824)                   | (53,824)           |
| <b>Total Financial Liabilities</b> | <b>(432,676)</b>           | <b>(520,878)</b>   | <b>(435,420)</b>           | <b>(527,196)</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. The figures above are based on market rates, however, PWLB loans have special characteristics in that the interest rates are based on the government's cost of borrowing, rather than market rates, and a penalty charge is payable on early repayment, over and above the economic cost to the lender. In this instance the fair value of borrowing above would change to £418,793.

### 35. 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 defines maximum periods and amounts that can be deposited with specific counterparties. The Council has a policy of not lending more than £25 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<br/>at 31<br/>March<br/>2019</b> | <b>Historical<br/>experience<br/>of default</b> | <b>Historical<br/>experience<br/>adjusted for<br/>market<br/>conditions<br/>at 31 March<br/>2019</b> | <b>Estimated<br/>maximum<br/>exposure to<br/>default &amp;<br/>uncollectability<br/>at 31 March<br/>2019</b> | <b>Estimated<br/>maximum<br/>exposure to<br/>default &amp;<br/>uncollectability<br/>at 31 March<br/>2018</b> |
|---|--|---|--|--|--|
|   | <b>£000</b>                                | <b>%</b>  | <b>%</b>   | <b>£000</b>  | <b>£000</b>  |
| Deposits with banks &<br>financial institutions | 21,028                                     | 0   | 0  | 0  | 0  |
| Customers                                       | 3,817                                      | 10  | 10   | 382  | 415  |

No credit limits were exceeded during the reporting year 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 £3.817 Million of which £2.828 Million is past its date for payment. The past due date amount can be analysed by age as follows:

| <b>Age</b>         | <b>2017/18<br/>£000</b> | <b>2018/19<br/>£000</b> |
|--------------------|-------------------------|-------------------------|
| Less than 3 months | 2,174                   | 1,922                   |
| 3 – 6 months       | 91                      | 65                      |
| 6 months – 1 year  | 819                     | 516                     |
| More than 1 year   | 1,069                   | 1,314                   |
| <b>Total</b>       | <b>4,153</b>            | <b>3,817</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>2017/18<br/>£000</b> | <b>2018/19<br/>£000</b> |
|----------------------------|-------------------------|-------------------------|
| Less than one year         | 62,050                  | 72,550                  |
| Between one and two years  | 7,854                   | 1,470                   |
| Between two and five years | 14,888                  | 26,250                  |
| More than five years       | 163,256                 | 167,697                 |
|                            | <b>248,048</b>          | <b>267,967</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.



According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|  | 2017/18<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Increase in interest payable on variable rate borrowings   | 15              | 18              |
| Increase in interest receivable on variable rate investments   | (7)             | (7)             |
| Impact on (Surplus) or Deficit on Provision of Services  | 8               | 11              |
| Decrease in fair value of fixed rate borrowings – Market Risk (no impact on the (Surplus) or Deficit on Provision of Services or Other Comprehensive Income & Expenditure)           | 44,284          | <b>47,402</b>   |
| Decrease in fair value of fixed rate borrowings - Redemption Rate (PWLB)(no impact on the (Surplus) or Deficit on Provision of Services or Other Comprehensive Income & Expenditure) | <b>58,884</b>   | <b>63,175</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.

### 36. Cash Flow Operating Activities

The cash flows from operating activities include the following items:

|                                       | 2017/18<br>£000 | 2018/19<br>£000 |
|---------------------------------------|-----------------|-----------------|
| Interest received                     | (152)           | (279)           |
| Interest paid                         | 8,225           | 8,753           |
| Interest element of PFI/ PPP payments | 11,334          | 9,842           |
| <b>Net cash flow from interest</b>    | <b>19,407</b>   | <b>18,316</b>   |

### 37. 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 14 (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).

During 2018/19, three senior officers of the Council declared close family members with significant influence over companies out with those controlled or significantly influenced by the Council but with whom the Council had transacted with. Care Solutions provided care services procured by Social Work Services to the value of £1,296K (£1,403K in 2017/18) and a creditor balance of £153K (£166K in 2016/17) was recognised on the

balance sheet. Loreburn Housing Association provided services in relation to the care and repair, along with other housing services to the value of £1,855K (£409k in 2017/18) and a debtor balance of £48K (£16K 2017/18). The Council also provides Building Maintenance Services to Loreburn Housing Association as part of the Trading Accounts. The amount received for these works was £1,705K (£1,357K 2017/18) and a creditor balance of £543k (£413K 2017/18). People Smart Solutions provided training and leadership courses to the value of £12K (£7K in 2017/18) and there was no outstanding balance.

### **Other Public Bodies**

The Council along with NHS Dumfries & Galloway established a Health and Social Care Integrated Joint Board (IJB). Fully Integrated Services began operation on 1 April 2016. In 2018/19 the Council contributed £62,513k to the IJB (£58,628K in 2017/18), received £62,975K (£60,076K in 2017/18) from the IJB to support the provision of services and had a creditor of £3,982K (£3,522K in 2017/18) relating to income due to the IJB. The Health and Social Care Integrated Joint Board is also included in the Group Accounts.

During the year the Council provided funding of £3.395 Million (£3.401 Million in 2017/18) to the South West Scotland Transport Partnership (SWestrans) which is an associate organisation of the Council. The Council also provided £100k (£100k in 2017/18) as match funding to a Scottish Government grant for core running costs and a capital grant of £233K (£117k 2017/18). SWestrans does not employ its own staff and during 2018/19 the Council charged SWestrans £167k (£167k in 2017/18) in respect of staff support, supplies and other support services.

The Council is also an equal partner in a National Housing Trust Limited Liability Partnership (Marchfield LLP), jointly with the Scottish Futures Trust and Robertson Homes to assist with the building of additional affordable housing. The Council has a debtor on the balance sheet of £6.518 Million (£6,518 Million in 2017/18) in relation to this partnership. This debt will be repaid when the houses are subsequently sold.

### **Pension Fund**

The Council charged the Pension Fund a total of £306k (£285k in 2017/18) for expenses incurred in administering the Fund.

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## **38. Contingent Liabilities**

### **Equal Pay**

The Council has a contingent liability relating to the further risk that groups of workers may come forward to claim compensation under the terms of the legislation.

### **Historical Childhood Abuse**

The Council also has a contingent liability relating to the risk of potential compensation payments due for childhood abuse. At this stage, we have not been able to quantify the potential impact this will have in Dumfries and Galloway; however this will continue to be monitored.

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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.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 79,711          | Gross Council Tax Charge   | 82,404          |
|                 | <b>Less Deductions</b>   |                 |
| (1,963)         | Exemptions   | (2,143)         |
| (133)           | Disabled relief  | (133)           |
| (6,644)         | Discounts  | (6,995)         |
| 12              | Council Tax Benefits (net of government grant)   | 6               |
| (826)           | Provision for doubtful debts   | (588)           |
| (281)           | Previous year adjustments  | (297)           |
| <b>69,876</b>   |  | <b>72,254</b>   |
| (8,422)         | Council Tax Reduction Scheme   | (8,491)         |
| <b>61,454</b>   | <b>Net Council Tax Income per the Comprehensive Income &amp; Expenditure Statement</b> | <b>63,763</b>   |

### 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.

From 1 April 2017, the rate of Council Tax applied to the 4 highest bands (E, F, G & H) was increased through changes to the Council Tax Multiplier (i.e. the proportion of the Band D Council Tax), as follows: -

|                     | <b>Band D</b> | <b>Band E</b> | <b>Band F</b> | <b>Band G</b> | <b>Band H</b> |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Previous Multiplier | 9/9           | 11/9          | 13/9          | 15/9          | 18/9          |
| New Multiplier      | 360/360       | 473/360       | 585/360       | 705/360       | 882/360       |

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). 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 dwellings in each valuation band and the corresponding number of Band D dwellings in 2018/19 were as follows:

| 2017/18 |   | 2018/19 Bands |              |               |               |              |               |              |              |            |               |         |
|---------|---|---------------|--------------|---------------|---------------|--------------|---------------|--------------|--------------|------------|---------------|---------|
| Total   |   | A*            | A            | B             | C             | D            | E             | F            | G            | H          | Total         |         |
| 74,453  | Properties                              |               | 11,287       | 22,771        | 12,024        | 10,088       | 10,647        | 5,242        | 2,471        | 157        | 74,687        |         |
| (2,248) | Exemptions                              |               | (663)        | (678)         | (332)         | (199)        | (212)         | (93)         | (37)         | (3)        | (2,217)       |         |
| (655)   | Disabled Reliefs (to lower band)        |               | (54)         | (171)         | (89)          | (100)        | (134)         | (66)         | (31)         | (1)        | (646)         |         |
| 655     | Disabled Reliefs (from higher band)     | 54            | 171          | 89            | 100           | 134          | 66            | 31           | 1            | 0          | 646           |         |
| (6,517) | Discounts (25% (equivalent properties)) | (9)           | (1,705)      | (2,173)       | (987)         | (690)        | (624)         | (252)        | (108)        | (5)        | (6,553)       |         |
| (1,584) | Discounts (50% (equivalent properties)) | 0             | (280)        | (402)         | (313)         | (238)        | (190)         | (89)         | (58)         | (11)       | (1,581)       |         |
| 64,104  | <b>Total Equivalent Ratio</b>           | <b>45</b>     | <b>8,756</b> | <b>19,436</b> | <b>10,403</b> | <b>8,995</b> | <b>9,553</b>  | <b>4,773</b> | <b>2,238</b> | <b>137</b> | <b>64,336</b> |         |
|         |   | 200/360       | 240/360      | 280/360       | 320/360       | 360/360      | 473/360       | 585/360      | 705/360      | 882/360    |               |         |
| 63,958  | <b>Band D Equivalents</b>               | <b>25</b>     | <b>5,837</b> | <b>15,117</b> | <b>9,247</b>  | <b>8,995</b> | <b>12,550</b> | <b>7,756</b> | <b>4,383</b> | <b>336</b> | <b>64,246</b> |         |
| (1,167) | Bad Debt Provision                      |               |              |               |               |              |               |              |              |            |               | (1,175) |
| 62,791  |   |               |              |               |               |              |               |              |              |            | 63,071        |         |

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

The Council Tax freeze was also lifted from 1 April 2017, with Councils able to increase council tax by up to a maximum of 3% per annum. In accordance with this change, the charge per Band D household for 2018/19 was increased by 3%, from 2017/18 levels, to £1,112.88. Applying this to the Band D equivalent tax base of 63,071 the total sum to be raised through the Council Tax in 2018/19 was £70.190 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 240/360 of the Band D charge (£741.92) and the Band H charge equivalent to 882/360 of the Band D charge (£2,726.56).

| Valuation Band         | Charge per Dwelling |              |
|------------------------|---------------------|--------------|
|                        | 2017/18<br>£        | 2018/19<br>£ |
| A up to £27,000        | 720.31              | 741.92       |
| B £27,000 to £35,000   | 840.37              | 865.57       |
| C £35,000 to £45,000   | 960.42              | 989.23       |
| D £45,000 to £58,000   | 1,080.47            | 1,112.88     |
| E £58,000 to £80,000   | 1,419.62            | 1,462.20     |
| F £80,000 to £106,000  | 1,755.76            | 1,808.43     |
| G £106,000 to £212,000 | 2,115.92            | 2,179.39     |
| H over £212,000        | 2,647.15            | 2,726.56     |

## 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>2017/18</b> |  | <b>2018/19</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 60,967         | Gross Rates Charged  | 66,237         |
|                | <b>Less Deductions</b>   |                |
| (1,064)        | Vacant properties  | (1,151)        |
| (11,680)       | Mandatory relief   | (13,824)       |
| (754)          | Discretionary relief   | (758)          |
| (1,124)        | Disabled relief  | (1,387)        |
| (286)          | Provision for bad debts  | (265)          |
| <b>46,059</b>  | <b>Contribution to National Non-Domestic Rate Pool</b>                                   | <b>48,852</b>  |
| (530)          | Contribution from/ (to) National Non-Domestic Rate Pool                                  | (4,623)        |
| <b>45,529</b>  | <b>Net Non-Domestic Rates Income to Comprehensive Income &amp; Expenditure Statement</b> | <b>44,229</b>  |

### Notes

#### 1. Analysis of Rateable Subjects and Values as at 1 April 2018

| As at 1 April 2017 |                | As at 1 April 2018 |                |        |
|--------------------|----------------|--------------------|----------------|--------|
| Subjects           | Values<br>£000 | Subjects           | Values<br>£000 |        |
| 6,697              | 65,195         | Commercial         | 6,817          | 65,587 |
| 189                | 20,053         | Industrial         | 188            | 20,384 |
| 35                 | 8,451          | Public Utilities   | 40             | 10,423 |
| 3,338              | 33,911         | Miscellaneous      | 3,247          | 38,414 |
| <b>10,259</b>      | <b>127,610</b> | <b>10,292</b>      | <b>134,808</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 poundage to the rateable value of each property and in 2018/19 the Scottish Government set the poundage rate at 48p for properties with a rateable value below £51,000. A supplement on the poundage rate of 2.6p was applied to properties with rateable values above this value. (2017/18, 46.6p for rateable values below £51,000 and 49.2p for rateable values above £51,000).

## 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 statements below have been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006 (as amended) and the principles of Accounting and Reporting By Charities: A Statement of Recommended Practice (revised 2015).

### Statement of Financial Activities

| 2017/18<br>Total<br>£000                  | 2018/19             |                    | Total<br>£000  |
|---|---------------------|--------------------|----------------|
|   | Educational<br>£000 | Charitable<br>£000 |                |
| <b>Incoming Resources</b>                 |                     |                    |                |
| Income from generated funds:              |                     |                    |                |
| 0   | 0                   | 0                  | 0              |
| (69)                                      | (29)                | (20)               | (49)           |
| <b>(69)</b>                               | <b>(29)</b>         | <b>(20)</b>        | <b>(49)</b>    |
| <b>Total incoming resources</b>           |                     |                    |                |
| <b>Resources Expended</b>                 |                     |                    |                |
| 63  | 45                  | 19                 | 64             |
| 55  | 0                   | 42                 | 42             |
| <b>118</b>                                | <b>45</b>           | <b>61</b>          | <b>106</b>     |
| <b>Total resources expended</b>           |                     |                    |                |
| 49  | 16                  | 41                 | 57             |
| <b>Net (incoming)/ outgoing resources</b> |                     |                    |                |
| 0   |                     |                    |                |
| <b>Other Recognised Gains</b>             |                     |                    |                |
|   | 0                   | (199)              | (199)          |
| 19  | (24)                | (22)               | (46)           |
| <b>68</b>                                 | <b>(8)</b>          | <b>(180)</b>       | <b>(188)</b>   |
| <b>Net movement in funds</b>              |                     |                    |                |
| <b>Reconciliation of Funds</b>            |                     |                    |                |
| (1,945)                                   | (810)               | (1,067)            | (1,877)        |
| <b>(1,877)</b>                            | <b>(818)</b>        | <b>(1,247)</b>     | <b>(2,065)</b> |
| <b>Total funds brought forward</b>        |                     |                    |                |
| <b>Total funds carried forward</b>        |                     |                    |                |

### Trust Funds Balance Sheet

| 2017/18<br>Total<br>£000                         | 2018/19             |                    | Total<br>£000 |
|--|---------------------|--------------------|---------------|
|  | Educational<br>£000 | Charitable<br>£000 |               |
| 719  | 0                   | 876                | 876           |
| 918  | 810                 | 154                | 964           |
| Current Assets                                   |                     |                    |               |
| 240  | 8                   | 217                | 225           |
| Temporary Deposits with Loans Fund               |                     |                    |               |
| 0  | 0                   | 0                  | 0             |
| Current Liabilities                              |                     |                    |               |
| <b>1,877</b>                                     | <b>818</b>          | <b>1,247</b>       | <b>2,065</b>  |
| <b>Net Assets</b>                                |                     |                    |               |
| <b>Financed by:</b>                              |                     |                    |               |
| 276  | 170                 | 152                | 322           |
| Available for Sale Financial Instruments Reserve |                     |                    |               |
| 352  | 0                   | 551                | 551           |
| Revaluation Reserve                              |                     |                    |               |
| 1,298  | 664                 | 585                | 1,249         |
| Balance in Funds at 1 April                      |                     |                    |               |
| 0  | 0                   | 0                  | 0             |
| Recalculation of investment values               |                     |                    |               |
| (49)   | (16)                | (41)               | (57)          |
| Surplus/ (Deficit) for year                      |                     |                    |               |
| <b>1,877</b>                                     | <b>818</b>          | <b>1,247</b>       | <b>2,065</b>  |
| <b>Balance on Trust Funds at 31 March</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. 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 2019.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £876,000. 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 2018/19 for individual Funds is provided in Note 1.

### Common Good Comprehensive Income & Expenditure Statement

| 2017/18<br>£000 |  | 2018/19<br>£000 | £000         |
|-----------------|--|-----------------|--------------|
| 563             | Gross expenditure  | 442             |              |
| (163)           | Gross income   | (77)            |              |
| <b>400</b>      | <b>Net Cost of Services</b>  |                 | <b>365</b>   |
| (51)            | Financing & Investment Income and Expenditure<br>- interest income       |                 | (54)         |
| (85)            | Taxation & Non Specific Grant Income<br>- capital grants & contributions |                 | (366)        |
| <b>264</b>      | <b>(Surplus) or Deficit on the Provision of Services</b>                 |                 | <b>(55)</b>  |
| (4)             | (Surplus) or deficit on revaluation of non-current assets                | (18)            |              |
| 54              | Other unrealised (gains)/ losses   | (67)            |              |
| <b>50</b>       | <b>Other Comprehensive Income &amp; Expenditure</b>                      |                 | <b>(85)</b>  |
| <b>314</b>      | <b>Total Comprehensive Income &amp; Expenditure</b>                      |                 | <b>(140)</b> |

### Movements in Reserves Statement

|   | Total Usable<br>Reserves<br>£000 | Total Unusable<br>Reserves<br>£000 | Total<br>Reserves<br>£000 |
|---|----------------------------------|------------------------------------|---------------------------|
| <b>Balance at 31 March 2017</b>                     | <b>(553)</b>                     | <b>(8,443)</b>                     | <b>(8,996)</b>            |
| <b>Movements in Reserves during 2017/18</b>         |                                  |                                    |                           |
| (Surplus) or Deficit on provision of services       | 264                              | 0                                  | 264                       |
| Other Comprehensive Income & Expenditure            | 0                                | 50                                 | 50                        |
| <b>Total Comprehensive Income &amp; Expenditure</b> | <b>264</b>                       | <b>50</b>                          | <b>314</b>                |
| <b>(Increase)/ decrease in year</b>                 | <b>264</b>                       | <b>50</b>                          | <b>314</b>                |
| <b>Balance at 31 March 2018 carried forward</b>     | <b>(289)</b>                     | <b>(8,393)</b>                     | <b>(8,682)</b>            |
| <b>Movements in Reserves during 2018/19</b>         |                                  |                                    |                           |
| (Surplus) or Deficit on provision of services       | (55)                             | 0                                  | (55)                      |
| Other Comprehensive Income & Expenditure            | 0                                | (85)                               | (85)                      |
| <b>Total Comprehensive Income &amp; Expenditure</b> | <b>(55)</b>                      | <b>(85)</b>                        | <b>(140)</b>              |
| <b>(Increase)/ decrease in year</b>                 | <b>(55)</b>                      | <b>(85)</b>                        | <b>(140)</b>              |
| <b>Balance at 31 March 2019 carried forward</b>     | <b>(344)</b>                     | <b>(8,478)</b>                     | <b>(8,822)</b>            |



## Common Good Balance Sheet

| <b>31 March<br/>2018<br/>£000</b> |   | <b>31 March<br/>2019<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 6,269                             | Property, Plant & Equipment                           | 6,373                             |
| 1,490                             | - other land & buildings                              | 1,557                             |
| <b>7,759</b>                      | <b>Long Term Assets</b>                               | <b>7,930</b>                      |
| 65                                | Short Term Debtors                                    | 63                                |
| 862                               | Cash & Cash Equivalents                               | 833                               |
| <b>927</b>                        | <b>Current Assets</b>                                 | <b>896</b>                        |
| (4)                               | Short Term Creditors                                  | (4)                               |
| <b>(4)</b>                        | <b>Current Liabilities</b>                            | <b>(4)</b>                        |
| <b>8,682</b>                      | <b>Net Assets</b>                                     | <b>8,822</b>                      |
| 287                               | Usable Reserves                                       | 342                               |
| 7,244                             | Unusable Reserves                                     | 7,239                             |
| 903                               | - Revaluation Reserve                                 | 926                               |
| 248                               | - Capital Adjustment Account                          | 315                               |
| 8,395                             | - Available for Sale Financial Instruments<br>Account | 8,480                             |
| <b>8,682</b>                      | <b>Total Reserves</b>                                 | <b>8,822</b>                      |

Notes

1. Common Good Funds 2018/19

Comprehensive Income & Expenditure Account for year ended 31 March 2019

|  | 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  | 87            | 15             | 9         | 62         | 0         | 1          | 111          | 11       | 4          | 131        | 11       | 442          |
| Gross Income   | (9)           | (13)           | (2)       | (7)        | 0         | (2)        | (11)         | (2)      | 0          | (28)       | (3)      | (77)         |
| <b>Net Cost of Services</b>                                | <b>78</b>     | <b>2</b>       | <b>7</b>  | <b>55</b>  | <b>0</b>  | <b>(1)</b> | <b>100</b>   | <b>9</b> | <b>4</b>   | <b>103</b> | <b>8</b> | <b>365</b>   |
| <u>Financing &amp; Investment Income &amp; Expenditure</u> |               |                |           |            |           |            |              |          |            |            |          |              |
| - interest income  | (30)          | (1)            | 0         | (2)        | 0         | 0          | (19)         | 0        | 0          | 0          | (2)      | (54)         |
| <u>Taxation &amp; Non Specific Grant Income</u>            |               |                |           |            |           |            |              |          |            |            |          |              |
| - capital grants & contributions                           | 0             | 0              | 0         | 0          | 0         | 0          | (299)        | 0        | (7)        | (60)       | 0        | (366)        |
| <b>(Surplus) or Deficit on the Provision of Services</b>   | <b>48</b>     | <b>1</b>       | <b>7</b>  | <b>53</b>  | <b>0</b>  | <b>(1)</b> | <b>(218)</b> | <b>9</b> | <b>(3)</b> | <b>43</b>  | <b>6</b> | <b>(55)</b>  |
| (Surplus) or Deficit on revaluation of non-current assets  | (11)          | 0              | 0         | (7)        | 0         | 0          | 0            | 0        | 0          | 0          | 0        | (18)         |
| Other unrealised (gains)/losses                            | (52)          | 0              | 0         | 0          | 0         | 0          | (15)         | 0        | 0          | 0          | 0        | (67)         |
| <b>Other Comprehensive Income &amp; Expenditure</b>        | <b>(63)</b>   | <b>0</b>       | <b>0</b>  | <b>(7)</b> | <b>0</b>  | <b>0</b>   | <b>(15)</b>  | <b>0</b> | <b>0</b>   | <b>0</b>   | <b>0</b> | <b>(85)</b>  |
| <b>Total Comprehensive Income &amp; Expenditure</b>        | <b>(15)</b>   | <b>1</b>       | <b>7</b>  | <b>46</b>  | <b>0</b>  | <b>(1)</b> | <b>(233)</b> | <b>9</b> | <b>(3)</b> | <b>43</b>  | <b>6</b> | <b>(140)</b> |

## Balance Sheet as at 31 March 2019

|                            | Kirkcudbright | Castle Douglas | Gatehouse  | Annan      | Lochmaben | Lockerbie  | Stranraer    | Whithorn   | Wigtown    | Dumfries     | Sanguhar   | Total        |
|----------------------------|---------------|----------------|------------|------------|-----------|------------|--------------|------------|------------|--------------|------------|--------------|
|                            | £000          | £000           | £000       | £000       | £000      | £000       | £000         | £000       | £000       | £000         | £000       | £000         |
| <b>Long Term Assets</b>    |               |                |            |            |           |            |              |            |            |              |            |              |
| Other Land & Buildings     | 692           | 204            | 244        | 609        | 0         | 150        | 1,959        | 188        | 108        | 2,033        | 186        | 6,373        |
| Long term investments      | 916           | 0              | 0          | 1          | 0         | 0          | 632          | 0          | 0          | 0            | 8          | 1,557        |
|                            | <b>1,608</b>  | <b>204</b>     | <b>244</b> | <b>610</b> | <b>0</b>  | <b>150</b> | <b>2,591</b> | <b>188</b> | <b>108</b> | <b>2,033</b> | <b>194</b> | <b>7,930</b> |
| <b>Current Assets</b>      |               |                |            |            |           |            |              |            |            |              |            |              |
| Short term debtors         | 0             | 0              | 0          | 0          | 1         | 0          | 57           | 0          | 0          | 0            | 5          | 63           |
| Cash & cash equivalents    | (62)          | 193            | 36         | 250        | 17        | 17         | 6            | 42         | 20         | 150          | 164        | 833          |
|                            | <b>(62)</b>   | <b>193</b>     | <b>36</b>  | <b>250</b> | <b>18</b> | <b>17</b>  | <b>63</b>    | <b>42</b>  | <b>20</b>  | <b>150</b>   | <b>169</b> | <b>896</b>   |
| <b>Current Liabilities</b> |               |                |            |            |           |            |              |            |            |              |            |              |
| Short term creditors       | 0             | 0              | 0          | 0          | 0         | 0          | 0            | 0          | 0          | (4)          | 0          | (4)          |
|                            | <b>0</b>      | <b>0</b>       | <b>0</b>   | <b>0</b>   | <b>0</b>  | <b>0</b>   | <b>0</b>     | <b>0</b>   | <b>0</b>   | <b>(4)</b>   | <b>0</b>   | <b>(4)</b>   |
| <b>Net Assets</b>          | <b>1,546</b>  | <b>397</b>     | <b>280</b> | <b>860</b> | <b>18</b> | <b>167</b> | <b>2,654</b> | <b>230</b> | <b>128</b> | <b>2,179</b> | <b>363</b> | <b>8,822</b> |
| Usable Reserves            | 78            | 33             | (14)       | 34         | 18        | 17         | 260          | 53         | (163)      | (5)          | 31         | 342          |
| Unusable reserves          | 1,468         | 364            | 294        | 826        | 0         | 150        | 2,394        | 177        | 291        | 2,184        | 332        | 8,480        |
|                            | <b>1,546</b>  | <b>397</b>     | <b>280</b> | <b>860</b> | <b>18</b> | <b>167</b> | <b>2,654</b> | <b>230</b> | <b>128</b> | <b>2,179</b> | <b>363</b> | <b>8,822</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 2019.

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

## **Group Accounts**

### **Introduction to Group Accounts**

The code of practice on Local Authority Accounting in the United Kingdom 2018-19 (the code) and relevant accounting standards require local authorities to consider all of their interests in other organisations and to prepare a full set of group financial statements where they have material interests in subsidiary, associated entities and joint arrangements. Prior to the implementation of the Dumfries and Galloway Integration Joint Board in 2016/17, the Council's interest in other organisations was deemed to be immaterial and therefore group accounts were not required.

The Local Authority group is defined as the Local Authority and its interests in entities which would be regarded as its subsidiaries or associates or joint arrangements were it subject to the Companies Act. The Code requires that group financial statements include the following statements:

- a Group Movement in Reserves Statement
- a Group Comprehensive Income and Expenditure Statement
- a Group Balance Sheet
- a Group Cash Flow Statement

For the purposes of consolidation and incorporation within the Local Authority group, the Council has consolidated the following entities:

### **Subsidiaries**

Subsidiary entities are those over which the Council has been deemed to have control. The Council administers Common Good Fund and Charitable Trust Funds, whereby accounts are included on page 92 to 97 of these accounts. However, the impact of consolidating these is deemed to be immaterial and they have therefore been excluded from the Group Accounts.

The South West of Scotland Transport Partnership (SWestrans) has been recognised as a subsidiary. The Partnership 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). A copy of the annual accounts for SWestrans is available on the Council website.

### **Joint Arrangements**

Joint arrangements can be either joint operations or joint ventures. Joint operations are joint arrangements where the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Council along with NHS Dumfries & Galloway established a Health and Social Care Integrated Joint Board (IJB) on 3 October 2015. The Council is able to influence control of the IJB through the council having five voting members on the board (out of a total voting board membership of ten), and therefore has a group relationship with the IJB, which is considered to be a joint venture. Annual Accounts for the IJB can be found at <http://www.dg-change.org.uk/>.

## Group Comprehensive Income & Expenditure Statement

| Gross Expenditure<br>£000 | Restated*                 | Net Expenditure<br>£000 |  | 2018/19                   |                  |                         |
|---------------------------|---------------------------|-------------------------|--|---------------------------|------------------|-------------------------|
|                           | 2017/18<br>Income<br>£000 |                         |  | Gross Expenditure<br>£000 | Income<br>£000   | Net Expenditure<br>£000 |
| 209,557                   | (12,163)                  | 197,394                 | Children, Young People & Lifelong Learning                         | 205,941                   | (16,408)         | 189,533                 |
| 148,804                   | (87,734)                  | 61,070                  | Integrated Joint Board (IJB) Economy, Environment & Infrastructure | 154,852                   | (89,759)         | 65,093                  |
| 67,014                    | (8,959)                   | 58,055                  | Communities  | 67,546                    | (15,175)         | 52,371                  |
| 84,744                    | (52,157)                  | 32,587                  | Corporate Services   | 83,673                    | (48,933)         | 34,740                  |
| 26,053                    | (2,586)                   | 23,467                  | Non Distributed Costs  | 24,030                    | (1,734)          | 22,296                  |
| 16,185                    | (870)                     | 15,315                  | Support Service Recharges  | 11,157                    | (786)            | 10,371                  |
| 0                         | (969)                     | (969)                   | SWestrans  | 0                         | (771)            | (771)                   |
| 4,810                     | (788)                     | 4,022                   |  | 4,900                     | (821)            | 4,079                   |
| <b>557,167</b>            | <b>(166,226)</b>          | <b>390,941</b>          | <b>Net Cost of Services</b>  | <b>552,099</b>            | <b>(174,387)</b> | <b>377,712</b>          |
|                           |                           | 827                     | Other Operating Expenditure  |                           |                  | 3,103                   |
|                           |                           | 31,818                  | Financing and Investment Income & Expenditure                      |                           |                  | 27,820                  |
|                           |                           | (367,200)               | Taxation & Non Specific Grant Income                               |                           |                  | (379,863)               |
|                           |                           | <b>56,386</b>           | <b>Deficit on the Provision of Services</b>                        |                           |                  | <b>28,772</b>           |
|                           |                           | (1,257)                 | Share of Surplus on the Provision of Services by Joint Venture     |                           |                  | (808)                   |
|                           |                           | <b>55,129</b>           | <b>Group Deficit on the Provision of Services</b>                  |                           |                  | <b>27,964</b>           |
|                           |                           | (21,011)                | Surplus on revaluation of non-current assets                       |                           |                  | (38,723)                |
|                           |                           | (152,540)               | Remeasurement of net defined liability                             |                           |                  | 67,491                  |
|                           |                           | 505                     | Other unrealised (gains)/ losses                                   |                           |                  | 300                     |
|                           |                           | <b>(173,046)</b>        | <b>Other Comprehensive Income &amp; Expenditure</b>                |                           |                  | <b>29,068</b>           |
|                           |                           | <b>(117,917)</b>        | <b>Total Comprehensive Income &amp; Expenditure</b>                |                           |                  | <b>57,032</b>           |

\* As a result of the need to exclude internal recharges from the 2018/19 annual accounts this has required the 2017/18 accounts to be restated. As referenced at note 2.

## Group Movement in Reserves Statement

|  | Authority Usable Reserves | Authority Unusable Reserves | Total Reserves   | Authorities Share of Group Entities Reserves | Total Group Reserves |
|--|---------------------------|-----------------------------|------------------|--|----------------------|
|  | £000                      | £000                        | £000             | £000   | £000                 |
| <b>Balance at 31 March 2017</b>  | <b>(60,865)</b>           | <b>42,815</b>               | <b>(18,050)</b>  | <b>(3,949)</b>                               | <b>(21,999)</b>      |
| <b>Movements in Reserves during 2017/18</b>  |                           |                             |                  |  |                      |
| (Surplus) or Deficit on provision of services  | 56,401                    | 0                           | 56,401           | (1,272)                                      | 55,129               |
| Other Comprehensive Income & Expenditure   | 505                       | (173,551)                   | (173,046)        | 0  | (173,046)            |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                  | <b>56,906</b>             | <b>(173,551)</b>            | <b>(116,645)</b> | <b>(1,272)</b>                               | <b>(117,917)</b>     |
| Adjustments between accounting basis & funding basis under regulations               | (49,997)                  | 0                           | (49,997)         | 0  | (49,997)             |
| <b>Net (increase) before transfers to /(from) other statutory reserves</b>           | <b>6,909</b>              | <b>(173,551)</b>            | <b>(166,642)</b> | <b>(1,272)</b>                               | <b>(167,914)</b>     |
| Transfers to/ (from) Other Statutory Reserves  | 0                         | 49,997                      | 49,997           | 0  | 49,997               |
| <b>(Increase) in year</b>  | <b>6,909</b>              | <b>(123,554)</b>            | <b>(116,645)</b> | <b>(1,272)</b>                               | <b>(117,917)</b>     |
| <b>Balance at 31 March 2018 carried forward</b>                                      | <b>(53,956)</b>           | <b>(80,739)</b>             | <b>(134,695)</b> | <b>(5,221)</b>                               | <b>(139,916)</b>     |
| <b>Movements in Reserves during 2018/19</b>  |                           |                             |                  |  |                      |
| (Surplus) or Deficit on provision of services  | 28,422                    | 0                           | 28,422           | (458)  | 27,964               |
| Other Comprehensive Income & Expenditure   | 300                       | 28,768                      | 29,068           | 0  | 29,068               |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                  | <b>28,722</b>             | <b>28,768</b>               | <b>57,490</b>    | <b>(458)</b>                                 | <b>57,032</b>        |
| Adjustments between accounting basis & funding basis under regulations               | (22,962)                  | 0                           | (22,692)         | 0  | (22,962)             |
| <b>Net (increase)/ decrease before transfers to /(from) other statutory reserves</b> | <b>5,760</b>              | <b>28,768</b>               | <b>34,528</b>    | <b>(458)</b>                                 | <b>34,070</b>        |
| Transfers to/ (from) Other Statutory Reserves  | 0                         | 22,962                      | 22,962           | 0  | 22,962               |
| <b>(Increase)/ decrease in year</b>  | <b>5,760</b>              | <b>51,730</b>               | <b>57,490</b>    | <b>(458)</b>                                 | <b>57,032</b>        |
| <b>Balance at 31 March 2019 carried forward</b>                                      | <b>(48,196)</b>           | <b>(29,009)</b>             | <b>(77,205)</b>  | <b>(5,679)</b>                               | <b>(82,884)</b>      |

## Group Balance Sheet

| 31 March 2018<br>£000 |   | 31 March 2019<br>£000 |
|-----------------------|---|-----------------------|
| 843,380               | Property, Plant & Equipment                 | 878,047               |
| 2,258                 | Heritage Assets                             | 2,258                 |
| 515                   | Intangible Assets                           | 261                   |
| 1,030                 | Long Term Investments                       | 998                   |
| 17,329                | Long Term Debtors                           | 17,039                |
| 3,407                 | Investment in Joint Ventures and Associates | 4,215                 |
| <b>867,919</b>        | <b>Long Term Assets</b>                     | <b>902,818</b>        |
| 1,170                 | Assets Held For Sale                        | 307                   |
| 850                   | Inventories                                 | 759                   |
| 24,928                | Short Term Debtors                          | 29,454                |
| 20,237                | Cash & Cash Equivalents                     | 21,075                |
| <b>47,185</b>         | <b>Current Assets</b>                       | <b>51,595</b>         |
| (62,050)              | Short Term Borrowing                        | (72,550)              |
| (52,428)              | Short Term Creditors                        | (54,014)              |
| (3,363)               | Short Term Liabilities                      | (2,836)               |
| (1,540)               | Short Term Provisions                       | (669)                 |
| <b>(119,381)</b>      | <b>Current Liabilities</b>                  | <b>(130,069)</b>      |
| (185,998)             | Long Term Borrowing                         | (195,417)             |
| (129,047)             | Other Long Term Liabilities                 | (110,793)             |
| (340,762)             | Other Long Term Liabilities (Pensions)      | (435,250)             |
| <b>(655,807)</b>      | <b>Long Term Liabilities</b>                | <b>(741,460)</b>      |
| <b>139,916</b>        | <b>Net Assets</b>                           | <b>82,884</b>         |
| 53,956                | Usable Reserves                             | 48,196                |
| 80,739                | Unusable Reserves                           | 29,009                |
| 3,407                 | Group Usable Reserves                       | 4,215                 |
| 1,814                 | Group Unusable Reserves                     | 1,464                 |
| <b>139,916</b>        | <b>Total Reserves</b>                       | <b>82,884</b>         |

The audited accounts were issued on 24 September 2019.

**Paul Garrett**  
Head of Finance and Procurement

## Group Cash Flow Statement

| 2017/18              |   | 2018/19   |               |
|----------------------|---|-----------|---------------|
| £000                 |   | £000      | £000          |
| 55,129               | Net deficit on the provision of services  | 28,422    |               |
| (103,520)            | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | (81,640)  |               |
| <b>(48,391)</b>      | <b>Net cash flow from operating activities</b>  |           | (53,218)      |
| Investing activities |   |           |               |
| 103,635              | - purchase of property, plant & equipment, heritage assets & intangible assets              | 54,249    |               |
| (587)                | - proceeds from the sale of property, plant, equipment                                      | (661)     |               |
| 103,048              |   |           | 53,588        |
| Financing activities |   |           |               |
| (389,388)            | - cash receipts from short & long term borrowing  | (299,604) |               |
| 2,547                | - cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts | 9,843     |               |
| 323,357              | - repayments of short & long term borrowing   | 288,573   |               |
| (40)                 | - other payments for financing activities   | (20)      |               |
| (63,524)             |   |           | (1,208)       |
| <b>(8,867)</b>       | <b>Net (increase) or decrease in cash and cash equivalents</b>                              |           | <b>(838)</b>  |
| 11,370               | Cash and cash equivalents at the beginning of the year                                      |           | 20,237        |
| <b>20,237</b>        | <b>Cash and cash equivalents at the end of the reporting year</b>                           |           | <b>21,075</b> |

## Notes to the Group Accounts

### Group Accounting Policies

The financial statements in the group accounts have been prepared in accordance with the Councils Accounting Policies. Where applicable consolidation adjustments have been made in eliminate inter group transactions.

All entities have the same reporting date as the Council.

The Council has accounted for its interest in subsidiaries (Swestrans) on a line by line basis. The Joint Venture has been accounted for using the equity method of accounting. Where appropriate consolidation adjustments have been made to eliminate inter-group transactions.

Details of the Council's share of each entity are shown in the table below:

|                         | % Share | 2018/19         |                      |                         | 2017/18         |                      |                         |
|-------------------------|---------|-----------------|----------------------|-------------------------|-----------------|----------------------|-------------------------|
|                         |         | Share of assets | Share of Liabilities | Share of (Profit)/ Loss | Share of assets | Share of Liabilities | Share of (Profit)/ Loss |
|                         |         | £000            | £000                 | £000                    | £000            | £000                 | £000                    |
| <b>Subsidiaries</b>     |         |                 |                      |                         |                 |                      |                         |
| Swestrans               | 100%    | 1,654           | (190)                | 350                     | 2,024           | (210)                | (15)                    |
| <b>Joint Ventures</b>   |         |                 |                      |                         |                 |                      |                         |
| Integration Joint Board | 50%     | 0               | 0                    | (808)                   | 0               | 0                    | (1,257)                 |

### Financial Impact of Consolidation

The inclusion of the group entities results in an increase of £5.7 Million in the net assets and reserves from that shown on the Council's single entity Balance Sheet. This represents the inclusion of Swestrans assets and our investment in the IJB. The inclusion of group entities has also reduced the deficit on the provision of service from £28.4 Million to £27.9 Million.