

2019/2020

Annual Accounts



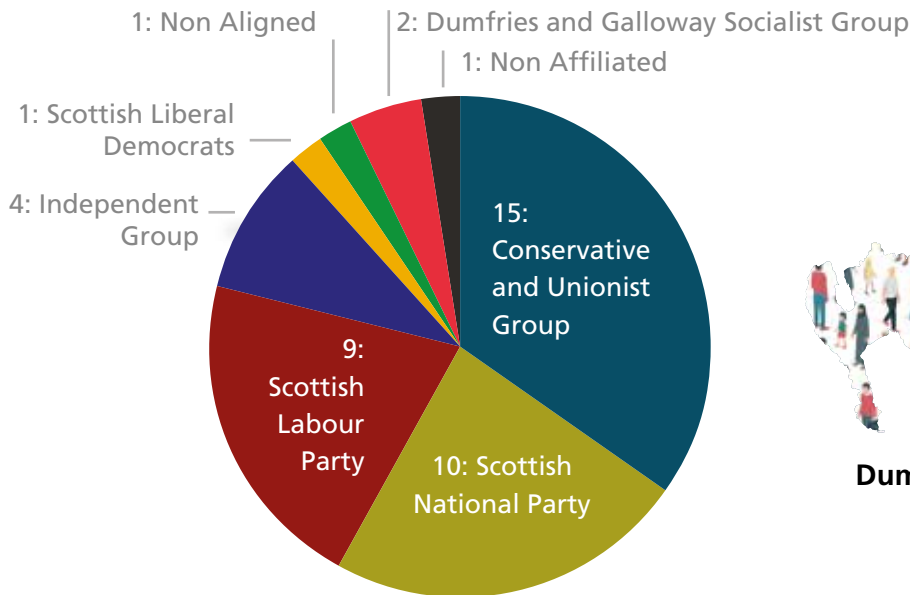
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Management Commentary

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 principal 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
148,860¹

Political Make-up of the Council

We have a majority administration of 19 - made up of Scottish Labour and SNP

Population is 148,860- with an estimation of 23 people for every square km, which is significantly lower than the Scottish average of 70. This reflects the regions sparsely populated rural areas

4,203km roads

312km trunk roads

68km motorway



4,203km 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 four Priorities focused on the most important areas of Council services to improve the region economically and to ensure 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

As the financial year closed, we entered lockdown for Covid-19. The overall economic impact of the Covid-19 pandemic and the emergency measures being taken to slow its spread will be significant, and the scale and duration of the impact on business is extremely difficult to predict. By the end of March 2020, we had set up an interim arrangement in a Team South of Scotland approach with the newly formed South of Scotland Enterprise and Scottish Borders Council. We also set up an Economic Recovery cell within Dumfries and Galloway Council to support our local businesses and economy.

During 2019/20 we progressed our work to ensure that Dumfries and Galloway continued to strengthen its economic position by focusing on tackling the underlying weaknesses in our economy – low pay, not having enough paid work that makes 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 this is now in its final year to be replaced by a new Economic Strategy in 2021.

Our Employability service has aligned and integrated delivery as agreed by the Scottish and Local Government Partnership Working Agreement for Employability. We also agreed to a supported transition from the delivery of the Employability & Skills element of the current Economic Inclusion Programme into a new delivery and funding model which will be delivered locally in support of Council Priorities and commitments through the outcomes required within the No One Left Behind and Parental Employability Support grant funding streams matched to European Social Funding.

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 in March 2019; since then we have continued to work with our partners on developing the projects in the Deal. 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 continuation of the South of Scotland Economic Partnership (SoSEP) as part of the emerging South of Scotland Enterprise has seen investment for projects to develop the skills of the region's future workforce, generate new income through tourism and support our community enterprises. South of Scotland Enterprise launched on 1 April 2020.

The vision in the RES aims 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 associated impacts.



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. Overall, schools across Dumfries and Galloway show an improving record over time of raised attainment in Literacy and Numeracy in both the Broad General Education and Senior Phase.

We aim to provide focused and better targeted support and collective interventions across all agencies about explicitly and collectively raising aspirations for our most vulnerable children and young people. These shared commitments are reflected in our Children’s Services Plan and the Local Child Poverty Action Plan and are supported through local Pupil Equity Fund Guidance with a focus on closing the poverty related attainment gap through targeted interventions in literacy, numeracy and health and wellbeing.

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 work is progressing on target through 2019/20.

As our Council transformation work develops, key pieces of policy work have been delivered which shape the future models of delivery for education in our region over the coming years. This has included a review of 2-18 delivery models, focussed work in schools in relation to senior phase pathways and the overview of core and curricular delivery and school models as part of long- term planning to respond to demographic and financial challenges across our rural area.

Transformation has also provided a renewed focus on digital. The South of Scotland Enterprise Partnership [SoSEP] has invested 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. Aligned with this, our Digital Learning Strategy, Senior Phase Strategy and Distance Learning strategy have been refreshed/ developed and aim to deliver flexible learning opportunities across the authority for all young people while developing their digital skills. Building on the progress to date, work to deliver this will continue in the coming year.

As a result of Covid-19 all schools closed on 20 March 2020. Working to Scottish Government advice, and a suite of guidance produced by the Council, we are progressing our Education Phasing Recovery Plan which will support all pupils to maximise their in-school attendance as part of blended learning from 12 August 2020.

Strategic Priorities

Priority 3

Protect our most vulnerable people



We continue to 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 continues to have multi agency responsibility to ensure effective joint arrangements are in place to manage risk across Adult Support and Protection, Child Protection and Violence Against Women and Girls and ensure that statutory requirements are met. This is undertaken through oversight by the Chief Officers Group – Public Protection (COG-PP), and the Public Protection Committee (PPC).

As part of commitment to ongoing review, in 2019/20 the COG-PP agreed to streamline PPC membership and revise sub-committees within the Public Protection Partnership.

In addition, the requirement for a formal sub-committee to provide oversight of multi-agency Case Reviews was agreed and was established last year. The establishment of a dedicated Case Review sub-committee came from a recognition of need that is symbiotic of our principle of continuous review of the public protection structure, to ensure that it is effective and appropriate for those who work in our Public Protection environment at all levels

Dumfries and Galloway Council and partners will continue to take 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 and is now an integral component of all protection activity across Dumfries and Galloway. 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.

The Community Justice Partnership, Alcohol and Drug Partnership, Violence Against Women and Girls Group (Public Protection Partnership) and Suicide Prevention Group agreed to collaborate more effectively at a time of decreasing resources. Recognising that there are a number of cross-cutting themes across various strategic partnerships, with many working across the same determinants and working towards broadly similar outcomes. It was agreed that there are significant opportunities to review and identify areas for collaboration.

Under the heading of “Moving from Partnership to Collaboration: Joint Developments” the aim was to bring partners together, both at a strategic and operational level to identify and discuss cross cutting issues and think about solutions where possible. The

outcomes and feedback from the workshop have informed a framework for greater collaborative working across strategic partnerships with greater focus and accountability.

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 55 evictions in 2019/20. Since the introduction of this service in 2018 we have prevented 111 customers from losing their homes. 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 £21.93 million for 2019/20. 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 third annual performance report of the Dumfries and Galloway Integration Joint Board was reviewed by the Council in September 2019. 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.

The COG-PP has highlighted to the Council and partner agencies, the significant risks to vulnerable people in Dumfries and Galloway which have, and which are likely to continue to increase due to Covid-19 and that it is crucial that Public Protection continues to be prioritised during restart and recovery.



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 part of this work. The Council has transferred 35 assets, buildings and land to date from across the region into community ownership and management and our Review in November 2019 identified a small number of improvements to our Procedure and arrangements which have now been made.

Communities are now maintaining and enhancing these assets for their local communities bringing a fresh approach and external funding to reinvigorate them to date. Our volunteering work has been thriving, with registration and training to achieve 'Investors in Volunteering' status; and sponsorship of an award at the Third Sector 'VOSCARS'.

Another example of citizens being at the heart of decision making is through Participatory Budgeting (PB). £500k of Tackling Poverty funding has now been distributed through PB, with £200k allocated for 2019/20, with volunteers and groups participating directly in priority setting and idea generation which look to tackle the specific poverty issues 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 have a say in what happens in their communities.

Our Council's involvement of volunteers with lived experience of poverty in our 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

During 2019/20 we have made significant improvements to our engagement arrangements with the agreement of a new Parental Involvement and Engagement Strategy; a new Scheme of Establishment for Parent Councils; #We Care and #Roots2.0 Conferences; and the election of our Youth Council on 1 April 2019 - along with two Councillors for each of our 12 Wards, there are seven specialist Councillors for Additional Support Needs/Disabilities; Carers; Care Experienced; Ethnic Minority; Gypsy/Traveller; LGBT; and Parents; and four Members of the Scottish Youth Parliament. The first joint Annual meeting with Dumfries and Galloway Council took place in February 2020.

The Council is working closely with local communities and third sector partners during the Covid-19 pandemic. This includes publishing a community bulletin twice a week which provides an update on Covid-19 related matters; providing an emergency food helpline; providing information about financial help for individuals; assistance for communities (including the co-ordination of volunteers through Third Sector Dumfries and Galloway); information on financial help for groups, organisations and charities; working with community resilience groups and helping communities to establish new groups; help and advice about community wellbeing; and additional support for young people

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
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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 2019/20

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

Beautiful Scotland Awards

The national Beautiful Scotland Awards were held in Dumfries in September 2019 and were attended by over 200 people from across Scotland. The Event involved afternoon tours, Exhibitions, Awards evening and surgeries for community groups. Three Dumfries and Galloway towns and villages were successful in securing Gold Medals and winning the trophy in their categories: New Luce Gardening Group won Best Wee Village; Brighten Up Kirkconnel won Best Small Village; and The People's Project Dumfries won Best Large Town.

Welfare and Housing Options Team

The creation of a Welfare and Housing Options Team which has prevented over 100 evictions and supported thousands of customers with issues including homelessness, securing additional benefits and accessing complementary services. The Team was awarded the Institute of Revenues Rating and Valuation performance Award for Social Inclusion in 2019.



Reopening of DG1

Our Council reopened the DG1 Leisure Complex in July 2019 and experienced an overwhelming positive public response. In excess of 500,000 customers attended the facility in the first nine months of operation; and Health and Fitness memberships rose by 162% in response to a reduced price membership programme. We also established a unique partnership with our award winning Youth Enquiry service who are located within DG1 offering our young people access to modern facilities for their issue based group work and one-to-one support.

Holiday Hunger Programme

This year the Holiday Food Programme format was re-aligned to be more responsive to the needs of children and young people within local communities. Local food providers are now local organisations and community groups which are able to apply for cash payments to deliver a substantial food programme in each Ward area during the school holiday periods. More than ten groups and organisations have been funded to date. This refreshed delivery model has been evaluated as having increased impact as we have seen a greater number of families in need utilising the provision. We continue to be committed to supporting local communities and ensure that provisions are flexible to the needs of children and young people.

Waste Strategy

The Council's Waste Services have commenced the process of transformation and this has seen a number of significant changes this year. Following the termination of the Waste PFI Contract at the end of 2018, this has provided opportunities to improve our Waste Services. The Council approved a new Waste Strategy to deliver the transformation of the service, along with providing significant capital investment to deliver the proposed regulatory compliant service, as well as developing proposals for a new region wide waste collection process and a new Zero Waste Park at Dumfries. The changes that we are seeking to deliver in 2020/21 will provide us with flexibility in the future to comply with regulatory change and also to respond to customer needs for the Council's Waste Service to deliver increased reuse and recycling along with reduced waste creation.

Budget Engagement Community Conversations held as part of the Budget Development Process



The Council set out to engage and involve Citizens, Customers, Staff and Partners in the budget setting process providing a range of ways to get involved. We asked about the Council services that mattered most, views on the Council Tax level for 2020/21 and for feedback on the individual Officer Budget Saving Options totalling £8.023m that related to services the public used most regularly. Through Community Conversations in each of the Council's 12 Wards, six Customer Conversations aimed at parents and a Webcast we were in touch with over 800 citizens, as well as all 84 established Community Councils who were provided the opportunity to share their views. Feedback from all those involved was shared with Councillors to inform their decision making on the budget for 2020/21 and will be used to shape the future Transformation of our Council.



Inclusive Play Parks

The Council is working in partnership with community groups and we are on schedule to open seven inclusive play parks in Annan, Castle Douglas, Dumfries, Kirkconnel, Lockerbie, Newton Stewart and Stranraer. The success of this work has been the considerable community and parental involvement which is helping to ensure the parks become valuable community assets to promote health and wellbeing.



DG STEM

Between August 2019 and March 2020 the Dumfries and Galloway Team (DG STEM) facilitated 132 Career Long Professional Learning (CLPL) sessions across Dumfries and Galloway. Over these sessions 1550 staff from early years, primary, secondary, Additional Support for Learning and Community Learning and Development participated in high quality professional learning, equating to 2849 cumulative hours.

The DG STEM Team also worked with primary aged learners in The Bridge, Dumfries. Learning visits were planned over a series of three weekly inputs to support learners with STEM learning back at school. 358 primary children visited and were provided with a range of challenges and opportunities to apply their learning across the themes of Food and Drink, Colour and Light, Energy Sources and Sustainability, Construction and Engineering, Visual Programming and Genetics, Inheritance and Forensics.



Staff from visiting schools participated in the STEM learning taking place and valued the opportunity as further professional learning. 80% of teachers believed the Bridge input greatly improved their confidence in planning and delivering high-quality STEM experiences for their learners, a further 20% identified improved confidence to some extent. 100% of teachers reported the children were engaged in the learning to a great extent.

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 first Annual Report on the LOIP was agreed in November 2019 and evidenced good progress across the eight Outcomes.

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.



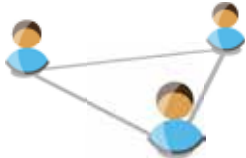
Outcome 6
People are safe and feel safe.




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.

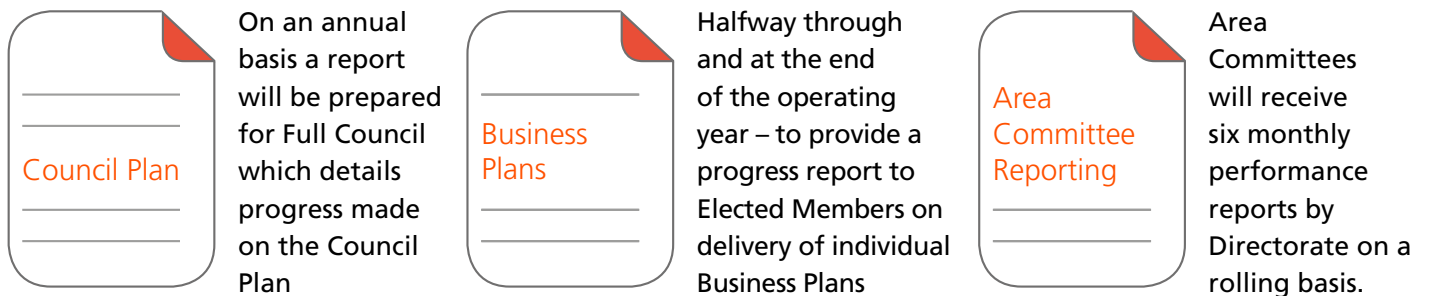


Business Planning and Performance Monitoring

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 are prepared for Committees as follows:



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 Departments

- Communities
- Economy and Resources
- Skills, Education and Learning
- Social Work

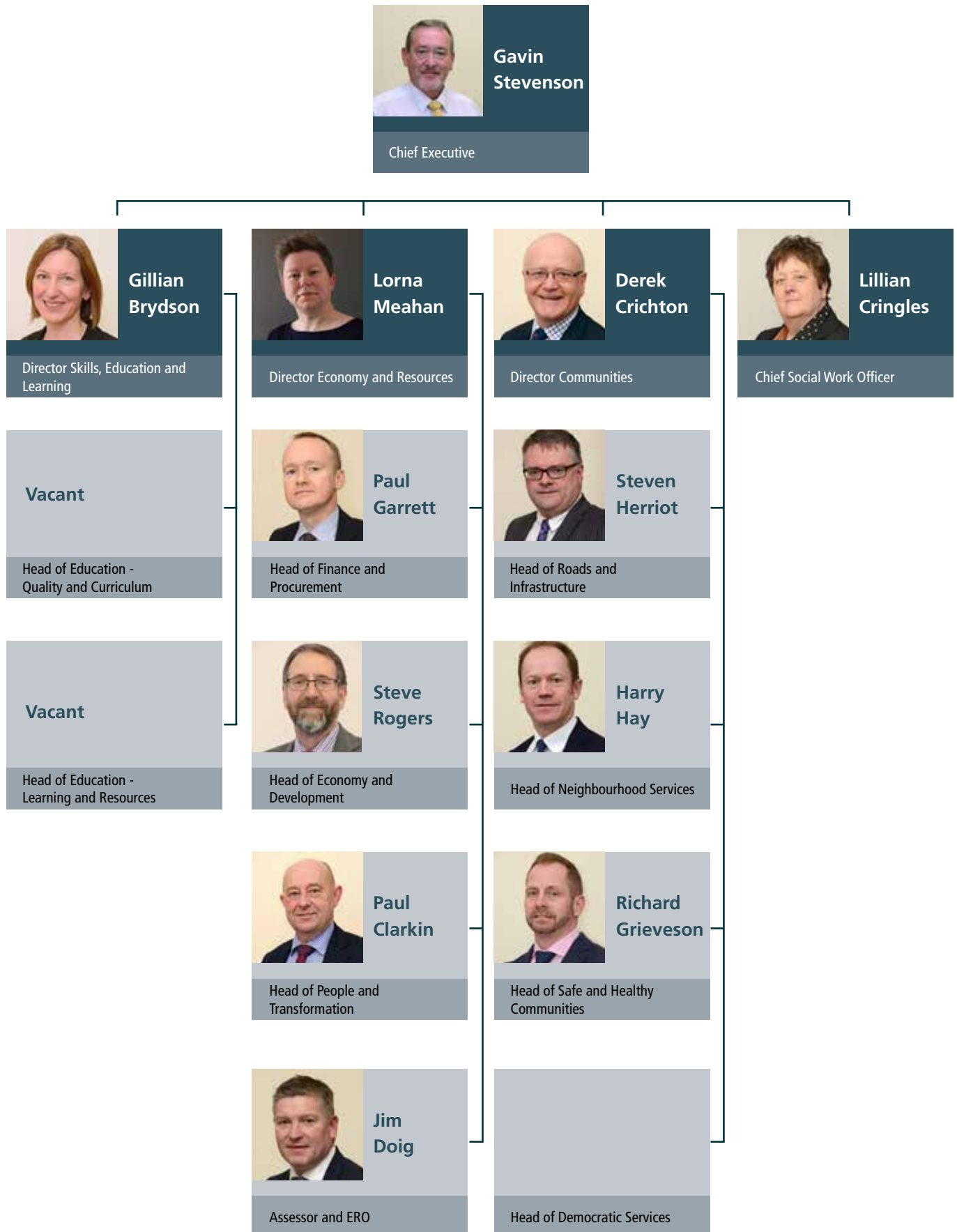
Trade Union Activities

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	24.11	2.4	£86,214	0.04%
Teaching	8	1.2	£59,471	0.03%

Chief Officers

as at 3 February 2020



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.

We have made significant progress in our Transformation journey in 2019/20, developing detailed programmes of work to transform important areas of service, following customer and citizen consultation. While we have made early progress on these, the impact of COVID-19 late in the financial year has meant we have had to accelerate the pace of transformation on areas such as digital and customer services to meet essential needs of our citizens.

The impact of COVID-19 on the Council's finances, including loss of income and additional expenditure, will have a significant and longer term effect on our future plans. A fundamental reassessment of our financial position will be required early in 2020, alongside a review of how best to support the Council's Priorities with an increased focus on economic and social recovery. Accelerating transformation by building this into essential restart and recovery processes will be an important part of our approach.

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



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. During 2019/20, the financial strategy was reviewed and updated, with the Capital Investment Strategy and revised Revenue Budget for 2020/21 agreed by Members in February 2020.

2020/21 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 2020/21 to 2022/23, including a clear direction for both service and financial planning purposes. A key element of the 2020/21 revenue budget plan was the agreement of savings measures of £5.908 Million required to balance the budget.

The receipt of £2.912M additional Scottish Government funding, after the submission of the agreed budget proposal, resulted in surplus funding of £1.912M being available within the 20/21 budget to support Members priorities. Decisions on the utilisation of this funding, including the release of further one-off resources from unallocated budget pressures funding and consideration of further agreed savings, was due to be considered by Full Council on 26 March 2020. However, due to the Covid 19 pandemic these decisions have been delayed and it is anticipated that further consideration of the utilisation of this funding will take into account the implications of Covid-19.

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. The latest 10 year Capital Investment Strategy was agreed at Full Council in February 2020 and reflects total planned Council investment of £397 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, 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, Dumfries Zero Waste Park and Dumfries Learning Town Phase 2.



Financial Review 2019/20

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 2019/20 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 unallocated balances at a minimum of 2% of annual planned expenditure (£7.2 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 and 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 2019/20 are £46.2 Million (£45.0 Million in 2018/19).

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

- £14.6 Million is being held in a Sinking Fund to be used on the Smarter Schools PPP project,
- Waste Review Reserve of £2.0 Million which is being held to support the costs of the Council's ongoing waste collection, treatment and disposal service,
- £3.5 Million is being held in a Corporate Change Fund to support the delivery of change, savings and efficiencies over the upcoming financial year, and
- £2.6 Million is being held to fund affordable housing projects.

As indicated above, Services faced a significant challenge in 2019/20, in terms of containing spending within reduced budgets and Service Management Teams continued their approach of active budget management and tight spending controls to seek to ensure the avoidance of overspending and also to identify further efficiencies during the course of the year.

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

Service	Outturn Budget 2019/20 £000	Final Outturn 2019/20 £000	Variance £000
Education & Learning	141,648	141,980	332
Social Work	23,408	23,993	585
Release of Unallocated Budget Pressures Funding	0	(917)	(917)
Communities	63,356	63,204	(152)
Economy & Resources	32,334	31,670	(664)
Integration Joint Board	77,906	77,906	0
Social Care Funding (to support IJB expenditure)	(11,080)	(11,080)	0
Total Operational Budgets	327,572	326,756	(816)

As highlighted within the above table, the overall performance by Services at the end of the financial year was positive, with the main areas of pressure restricted to those areas previously highlighted to Members within Education & Learning and Social Work. These pressures were primarily associated with increased demand/expenditure within Additional Support for Learning, Residential Placements and Payments to Support Looked After Children (including Kinship Care). While both services have progressed mitigating measures to reduce the financial impact of these pressures, an allocation of budget pressure funding of £917k was required at the end of the financial year.

Active budget management and tight spending control ensured that all other Council Services achieved small surpluses in 2019/20 and that 88% (£8.943 Million) of agreed savings were delivered.

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 £291.8 Million was received in 2019/20 through the Revenue Support Grant, through distributions from the National Non-Domestic Rates pool and allocations from the Business Rates Incentivisation Scheme. In addition, the net Council Tax yield for the year was £67.3 Million.

Capital Programme and Borrowing Facilities

Note 18 to these accounts provide summary information on capital expenditure and funding for 2019/20.

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. This is assessed over a 10 year period. The net Capital Spending in 2019/20 of £27.9 Million (ie. gross capital spend less direct funding for specific projects) reflects the utilisation of 88.6% of the agreed funding available. This spend is lower than previous years, primarily because we are in a period of spending restraint following the significant investment in Dumfries Learning Town projects.

Major capital investment supported during the year included:-

- £9.1 Million invested in our key infrastructure including roads and bridges
- £6.3 Million invested in our school property estate
- £3.7 Million invested in our non-school property estate
- £2.0 Million invested in our ICT and Vehicles/Fleet
- £2.0 Million invested in the refurbishment of DGOne
- £1.7 Million invested in Economic Development Projects
- £1.0 Million invested in our Land (inc Burial Grounds, Play Parks and Sports Pitches)

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	2019-20	2018-19
Reserves			
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 2019-20	No Change	No Change
Council Tax			
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.	96.7%	96.1%
Financial Management			
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.	98.96%	99.26%
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. The deterioration in 2016/17 was due to system issues that resulted in payments taking longer than normal to process. This has now been resolved.	96.1%	91.9%
Debt/Long Term Borrowing			
Loans Fund Interest Rate	Indicated the effectiveness of treasury management activities through showing the average cost of servicing the councils net debt	3.11%	3.05%

Balance Sheet

The balance sheet (page 43) summarises the assets and liabilities of the Council. During the course of the year the Net Assets of the Council have increased from £77.2 Million to £164.3 Million but it is important to recognise that this increase is primarily due to a decrease in the actuarially assessed value of the pensions liability (which has decreased by £35.2 Million) and a decrease in the level of borrowing outstanding. The decrease in the pensions liability is due to an increase 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 the decrease 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.

Financial Outlook and Principal Risks

The impact of COVID-19 on the Council's finances, including loss of income and additional expenditure, will have a significant and longer term effect on our future plans. A fundamental reassessment of our financial position will be required early in 2020, alongside a review of how best to support the Council's Priorities with an increased focus on economic and social recovery.

While the Council has identified and secured annual savings of £112 Million over the 10 financial years up to and including 2020/21 which equates to around 30% of annual revenue spend, 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 level of funding support provided by the Scottish Government - the impact of the Covid-19 on the UK and Scottish Government's financial position and borrowing levels is unprecedented and will significantly impact future fiscal policy and levels of funding available to support public spending including local government.
- 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.
- 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

The financial implications of Covid-19 are likely to extend well beyond the initial emergency response measures currently being progressed by the Council, with revised service delivery requirements during a period of ongoing restrictions and social distancing, expected to have significant financial implications. The extent to which Scottish Government will provide additional funding to fully address these increased costs is highly uncertain, and therefore presents a significant financial risk for the Council.

Plans to Address Principal Risks

The Council's 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 2020, continued the progression of the Transformation programme which will change how we deliver services and close the projected budget gap. The themes of the agreed Transformation 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

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 and Accounts

Dumfries and Galloway Council is the administering authority for the Dumfries and Galloway Council Pension Fund and produces a separate Pension Fund Annual Report and 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

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 Audited Annual Accounts were approved for signature by the Dumfries and Galloway Audit, Risk & Scrutiny Committee at its meeting on 22 September 2020.

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 2020.

Paul Garrett
Head of Finance & Procurement
22 September 2020

Annual Governance Statement 2019/20

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
- 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 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.

2.2 It enables the Council to monitor achievement of the Council Plan and also Community Planning Vision and Principles and the Outcomes which are set out in the region's Local Outcomes Improvement Plan and Locality Plan on food sharing.

Local Code of Corporate Governance

2.3 The Council's governance arrangements are reviewed and reported in accordance with statutory requirements and under a framework and guidance for Scotland called Delivering Good Governance in Local Government" (CIPFA, 2016). The Council's Local Code of Corporate Governance was agreed in 2019. It provides details of our key documents, policies and evidence which support our Governance Framework.

2.4 The Local Code adopts the seven core principles from the Framework:-

- Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity. Including the capability of leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

2.5 These principles and are broken down into sub-principles which facilitates a focussed evaluation of each element of our Local Code. A list of supporting evidence and documentation assists with determining the self-assessment and identifying improvement actions.

2.6 During 2019/20 we undertook an evaluation of our compliance with our Local Code of Corporate Governance. This was considered by the Senior Leadership Team prior to officer recommendations being

published and reviewed on 22 May 2020 by the Ad Hoc COVID-19 Sub Committee. The identified improvement actions and evaluation agreed by Members inform this Governance Statement.

[Review of Council's Code of Corporate Governance](#)

[Minute - Ad Hoc Covid-19 sub committee 22 May 2020](#)

2.7 In the last month of 2019/2020, the Ad Hoc COVID-19 Sub Committee was established by Full Council on 20 March 2020 in response to the COVID19 Pandemic. The Council remains confident sound governance continues to operate during the period of disruption and is fully committed to maintaining the system to deliver this. The suspension of the Scheme of Administration and Delegation to Committees, and operation of the Sub Committee, is subject to review on a monthly basis and will be for a short a time as possible.

[Minute - Dumfries and Galloway Council 20 March 2020](#)

3. Improvements and changes to Governance arrangements during 2019/20

The areas for Improvement identified in the 2018/19 Annual Governance Assurance Statement were:

- Elected Member Training
- Transformation Programme
- Integration Joint Board – Governance Arrangements
- Public Engagement in Budget Process
- The Best Value Audit Improvement Plan
- Community Councils

The progress we have made in these six issues is set out below, along with other actions undertaken during 2019/20.

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

Innovative approaches to sharing information about the Council's Priorities, Transformation Programme and Budget were introduced in 2019, using animation and webinars

[Council-budget-2019-20](#)

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

- During 2019/20, the Council agreed a Climate Emergency Declaration which included within its Action Plan, the addition of an additional Priority for the Council Plan.

[Climate Emergency Declaration](#)

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

- During 2019, our approach to Business Planning saw a move from four Directorate Plans to 11 Service Business Plans with each one being agreed by the relevant Service Committee. Each Plan sets out how the Service is contributing to the Council Plan; resources (including staff and assets); risk register; and key performance measures.

[Service Business Plans](#)

3.4 Measuring the Quality of Services for Users, ensuring they are delivered in accordance with the Authority's Objectives and ensuring that they represent the best use of resources and Value for Money

A range of benchmarking and qualitative comparison is carried out in individual Services, through professional organisations, national groups and dedicated quality and benchmarking organisations.

[Local Government Benchmarking Framework](#)

- School Inspection Reports were circulated to Elected Members and summaries reported in Business Plan performance monitoring reports to Committees.

[Education Inspectorate Reports](#)

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 Scheme of Delegation to Officers and Statutory Appointments was updated in June 2019.

[Updating of the Scheme of Delegation – June 2019](#)

- Information about the relationship between the Council and the Integration Joint Board was set out in a report to Full Council September 2019
[IJB report to Full Council](#)

The Community Council Elections took place in October 2019 and the first meetings during November were supported by over 20 Council Officers and Members acting as Returning Officers/Depute Returning Officers

[Community Councils webpage on dumgal.gov.uk](#)

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

- Training for the new Members elected in By-Elections in 2019 and early 2020 was undertaken by the Democratic Services Manager

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 Review of Standing Orders Sub-Committee met twice during 2019/20
[Meetings of the Review of Standing Orders Sub Committee in 2019/20](#)
- The Council's generic Impact Assessment toolkit was updated in September 2019 to enhance the section on climate change, following the adoption of the Climate Emergency Declaration in June 2019.
[Updated Impact Assessment toolkit](#)
- A Review of the arrangements for the quarterly meetings of the Area Committee Chairs and Vice Chairs and the Senior Leadership Team, and the Senior Leadership Team meeting annually with the Members of each of the four Area Committees in their locality, took place in February 2020 and refinements were agreed.
- A Review of our Appointments to strategic Outside Bodies was undertaken in 2019 and reported to Full Council in September 2019.
[Appointments to Outside Bodies Report](#)
- Elected Member Champions for Armed Forces and Young People Annual Reports were submitted and approved in September 2019 and February 2020 respectively.
[Armed Forces Champion Annual Report](#)
[Young Persons Champion Annual Report](#)
- The first joint meeting between Dumfries and Galloway Council and the Dumfries and Galloway Youth Council took place on 18 February 2020
[Joint meeting of DGC and D&GYC – February 2020](#)
- The introduction of an Action Tracker for Committee decisions was agreed as a project in the Democratic Services Business Plan in November 2019 and after a pilot in autumn/winter is now being rolled out
[Democratic Services Business Plan](#)

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

- Each of the new 11 Business Plans includes a Risk Register for the Service.
- A Risk Register was developed for the region in relation to the UK Exiting the EU and reported to Full Council in September 2019
[UK Exiting the EU Report – September 2019](#)
- The Corporate Risk Register was agreed as a project in the Democratic Services Business Plan in November 2019, which sees a refreshed Risk Register presented to Members for approval by 30 June 2020.
[Democratic Services Business Plan](#)

3.9 Ensuring Effective Counter-Fraud and Anti-Corruption Arrangements are Developed and Maintained

- To implement the Corporate Anti-Fraud and Corruption Policy, the Integrity Group which met regularly during 2019/20 has developed an online awareness course which is now mandatory for all staff and Members.

3.10 Ensuring Effective Management of Change and Transformation

- The Council's Transformation Programme has been developed during 2019 with regular reports to the Finance, Procurement and Transformation Committee. A key achievement was a series of Stakeholder Events for areas of change
[Finance Procurement and Transformation meetings](#)
- A Transformation Engagement Group made up of officers from across Services and Trades Unions developed and implemented a Communications Plan that ensured all stakeholders (citizens, customers, Members, staff and partners) were appropriately engaged.
- The COVID19 emergency which was declared in March 2020 demanded significant change in the arrangements for the conduct and management of Council business. This required an update to Standing Orders, agreed on 20 March 2020 and regular meetings of an Ad Hoc COVID-19 Sub Committee; as well as the establishment of a management structure to co-ordinate the work of different 'Cells' dealing with the Council's Response
[Ad Hoc COVID19 Sub Committee meetings](#)

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 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).
- The draft Annual Accounts were approved by the Full Council in June 2019
- Annual Reports on Treasury Management and Procurement were approved by the FPT Committee in September 2019
[Annual Reports](#)
- The External Audit Plan for 2019/20 was considered by Members in February 2020 and is now being implemented
[External Audit Plan for 2020/21](#)

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 Strategic Internal Audit Plan for 2019-22 and the Annual Plan for 2019/20 was agreed by Members in February 2019 and has been progressed at each meeting of the Audit Risk and Scrutiny Committee.
[Internal Audit Plan](#)
- PSIAS external quality assessment of internal audit was agreed by Members in December 2019
[Internal Audit Conformance with Professional Standards](#)

3.13 Ensuring Effective Arrangements Are in Place for the Discharge of the Monitoring Officer Function

- The Chief Executive meets with the Monitoring Officer, and other statutory appointments monthly to consider and recommend action in connection with current governance issues and other matters of concern regarding probity.

- Interim arrangements were put in place in October 2019 and homologated by Full Council November 2019.

[Interim arrangements for Monitoring Officer and Deputies](#)

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 and Statutory Appointments which was updated in June 2019

[Scheme of Delegation and Responsibilities and Statutory Appointments to Officers](#)

3.15 Undertaking the Core Functions of an Audit Committee, as Identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities

- The membership of the Audit, Risk and Scrutiny Committee was amended in June 2019 following detailed consideration of this aspect of our Council's business by the Review of Standing Orders Sub Committee. The membership is now on a proportional basis from all political groups, whereas previously the administration had been excepted.

[Scheme of Administration and Delegation to Committees](#)

3.16 Ensuring Compliance with Relevant Laws and Regulations, Internal Policies and Procedures, and that Expenditure is Lawful

Annual Reports on key aspects of our business are presented to Members for approval, including Procurement, Treasury Management, Internal Audits, Scrutiny Reviews.

3.17 Whistleblowing and for Receiving and Investigating Complaints from the Public

- The Council has implemented the national Complaints Handling Procedure for Council's services and we are in the process of implementing the updated one that has to be in place by April 2021.
- An Information Governance Team was established as part of Democratic Services and the full staffing complement was in place by end 2019.

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

- The Elected Member training and development arrangements were updated as part of the Best Value Assurance Improvement Plan and refreshed arrangements agreed in November 2019.

[Elected Member training programme – November 2019](#)

- An annual Performance Development Review was undertaken for all Members of the Corporate Management Team during 2019/20.

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

- Consultation Mandates are now submitted for forthcoming consultation to the relevant Committee or senior manager as appropriate in line with our Consultation Guidance
- Four Ward Events took place during 2019/20 and feedback published [Ward Events page](#)
- A monthly Community Council newsletter has been published since 2019
- The Consultation Institute awarded Dumfries and Galloway Council 'Council of the Year' presenting the award before the meeting of Full Council on 17 December 2019.

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

- The Local Outcomes Improvement Plan first full year Annual Report was agreed by the Community Planning Partnership Board in November 2019.

[CPPB meetings](#)

Our Full Council and the Social Work Committee has considered reports about the relationship with the Integration Joint Board, including the Annual Report and the Clinical and Care Governance report, required as part of the Scheme for Integration.

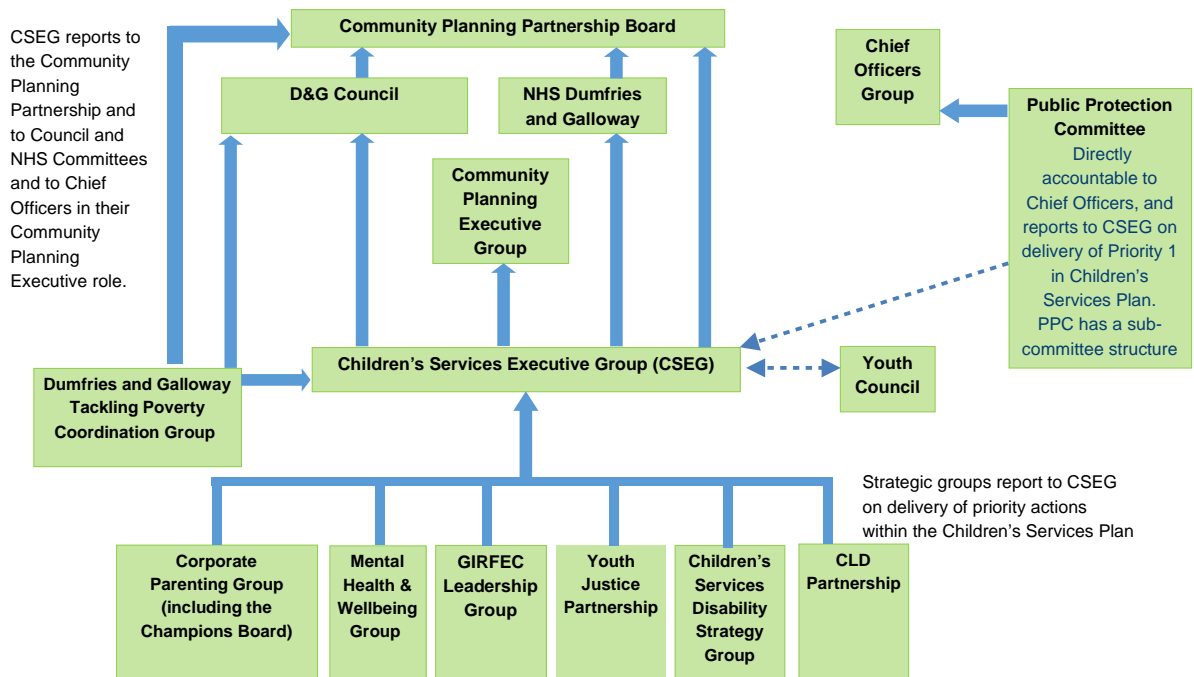
[Social Work Services Committee Annual Report 2018/19](#)

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

- 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.
[CP Operating Protocol](#)
- The Community Planning Partnership Improvement Plan for 2019/20 and Risk Register 2019/20 were agreed by the Executive Group in October 2019 and noted by the CPP Board in November 2019
- A new Employability and Skills Partnership was agreed by the CPP Board in March 2020; and a new structure for dealing with Children’s Issues was developed in early 2020.
- A new planning and reporting structure for Public Protection and Children’s Services was supported by the CPP Board in March 2020

[CPPB meetings](#)

Children’s Services, Child Poverty and Public Protection Planning Structure



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 Senior Leadership Team (Chief Executive, three Directors and the Chief Social Work Officer) which meets weekly ;and the Corporate Management Team (all Heads of Service) meets fortnightly with a rotating chair.
- 4.2 The agendas of these management groupings during 2019/20 covered all aspects of the Council’s corporate arrangements particularly finance, OD and HR; property; business planning; Health and Safety; participation and engagement; key strategic projects and programmes.

4.3 Elected Members are central to the Council's governance arrangements and there is a healthy culture of questions and challenge, evidenced by some modernisation in adopting remote access.

5. Improvement Plan for 2020/21

5.1 Four Improvement Actions were identified as part of the Annual Review of the Code of Corporate Governance with timescales and responsible Directors set out below:-

- Ensure consistent process for early stage legal advice as appropriate – to review legal advice and input across the Council, such as committee papers, Procurement Strategy, business planning and key programmes and projects. Work with procurement already in progress – by December 2020 – Director Communities.
- Review of Committee report arrangements (also referenced in the Best Value Assurance Action Plan) - including consultation with Legal and other Services – by December 2020 – Director Communities
- Re-establishing regular senior-level review and refresh of the Corporate Risk Register – The Corporate Risk Register is due to be refreshed by 30 June 2020; Implementation will be monitored.– Director Communities
- Develop the Council's understanding of balancing conflicting interests (including the roll out of social value assessment) – training and use of a Social Value online tool will be rolled out across a wider range of service areas and projects, building on the Member Briefing and staff training already undertaken to date and its use for Community Asset Transfers and some funding applications - Director Communities

5.2 In addition to the Improvement Actions above agreed on 22 May 2020, the following work is being undertaken which relates to Governance Assurance

- Mid point Review and updating of the Corporate Plan to include the Climate Change Priority – by end 2020 – Director Economy and Resources
- Review of Member Appointments to Outside Bodies – by May 2021 – Director Communities
- Permanent arrangements agreed for Monitoring Officer, Democratic, Legal and Internal Audit and Risk Services - by October 2020 – Director Communities

6. Conclusion

On the basis of the review of governance arrangements for 2019/20, it is confirmed that the Council:

- has continued to focus on its Council Plan and appropriately committed to add a Priority on Climate Change
- has introduced an improvement to its business planning arrangements with new Service Business Plans in place that will deliver the Priorities and Commitments in the Council Plan
- has worked with its partners to deliver shared outcomes for its citizens and customers, notwithstanding a challenging budget environment
- 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
- has managed its risks effectively
- has responded appropriately when performance has not been adequate
- has made good progress in the Best Value Assurance Report Improvement Plan;

- and it has ensured Elected Members and Officers 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 2020.

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 2019/20 the salary for the Leader of Dumfries & Galloway Council was £30,575. 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 £321k. 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 2019/20 Dumfries & Galloway Council had 14 senior councillors, excluding the Leader and the Depute Leader, and the remuneration paid to these councillors totalled £303k. 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 2019/20 for the responsibilities they held.

Senior Councillors	Role	2019/20		2018/19	
		Salary & Allowances	Expenses	Total Remuneration	Total Remuneration
		£	£	£	£
Elaine Murray	Leader	30,575	0	30,575	29,742
Rob Davidson	Depute Leader	30,575	1,205	31,780	30,158
Archie Dryburgh	Vice Chair - Economy & Resources Committee (Note 1)	22,889	3,575	26,464	25,577
Jeff Leaver	Chair - Education & Learning Committee	21,839	0	21,839	21,244
Ros Surtees	Vice Chair - Education & Learning Committee	21,839	3,206	25,045	24,166
Jim Dempster	Chair of Planning Applications Committee	21,839	2,403	24,242	23,162
John Campbell	Vice Chair of Planning Applications Committee (Note 2)	13,896	97	13,993	0
Andy Ferguson	Chair - Communities Committee	21,839	777	22,616	21,899
John Martin	Vice Chair - Communities Committee	21,839	0	21,839	21,244
Stephen Thompson	Chair - Social Work Services Committee	21,839	2,819	24,658	23,980
David McKie	Vice Chair - Social Work Services Committee (Note 2)	13,896	0	13,896	0
Adam Wilson	Chair Finance, Procurement and Transformation Committee	21,839	922	22,761	22,255
Henry McClelland	Vice Chair Finance, Procurement and Transformation Committee (Note 2)	13,896	733	14,629	0
Iain Carruthers	Chair - Audit, Risk and Scrutiny Committee	21,839	3,691	25,530	25,446
Jane Maitland	Vice Chair - Audit, Risk and Scrutiny Committee (Note 2)	13,896	450	14,346	0
Tracey Little	Provost	21,839	0	21,839	21,244
John Young	(see note 3)	7,944	0	7,944	21,244
Tommy Sloan	(see note 3)	7,944	1,177	9,121	25,501
Dougie Campbell	(see note 3)	7,944	1,304	9,248	24,360
Andrew Wood	(see note 4)	5,459	0	5,459	23,494
Total		365,465	22,359	387,824	384,716

1. Senior Councillor Archie Dryburgh received an additional payment of £1k for his appointment as the Chair of Scottish Commercialisation Advisory Group.
2. These are Councillors who became Senior Councillors from 12/08/2019 after the Committee restructures.
3. These were Councillors who were Senior Councillors before the Committee restructures and received this remuneration up until 12/08/2019.
4. Councillor Wood received remuneration as Vice Chair - Economy, Environment & Infrastructure until 01/07/2019.

Members' Remuneration

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

	2018/19 £000	2019/20 £000
Salaries	728	744
Allowances	85	89
Expenses	82	76
Totals	895	909

The annual return of Councillors' salaries and expenses for 2019/20 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.

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) £	Expense allowances £	Total remuneration excluding pension contributions 2019/20 £	Note	Total remuneration excluding pension contributions 2018/19 £
Gavin Stevenson	Chief Executive	155,473	663	156,136	1	142,945
Lorna Meahan	Director of Economy and Resources	109,122	0	109,122	2	104,679
Derek Crichton	Director of Communities	108,022	0	108,022		104,939
Colin Grant	Director of Education and Learning	70,720	120	70,840	3	105,150
Gillian Brydson	Director of Skills, Education and Learning	97,455	115	97,570	4	96,917
Lillian Cringles	Head of Social Work	93,078	53	93,131		90,660
Paul Garrett	Head of Finance and Procurement	84,971	0	84,971		82,544
Rhona Lewis	Head of Democratic Services	43,276	0	43,276	5	82,544
Nick Evans	Democratic Services Manager (Interim Monitoring Officer)	29,270	0	29,270	6	
		791,387	951	792,338		810,378

Note:

1. The remuneration of the Chief Executive includes a payment of £9,420 in 2019/20 for his role as Returning Officer for Elections.
2. The remuneration of the Director of Economy and Resources includes payment of £1,100 in 2019/20 for her supervision role in elections.
3. Director of Education and Learning left the Council on 26 November 2019.
4. Acting Director of Education and Learning till 23 June 2019, Head of Education between 24 June 2019 to 02 February 2020, Director of Skills, Education and Learning from 03 February 2020.
5. The remuneration of the Head of Democratic Services reflects her only being in post part of the financial year and includes a payment of £2,495 in respect of her supervision role in the 2019/20 elections.
6. Interim Monitoring Officer was in place from 07 October 2019. The remuneration for this officer includes a payment of £850 in 2019/20 for his role in elections.

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.

Salary	Teachers			Council			Total		
	2018/19	2019/20 (Adjust)	2019/20 (Actual)	2018/19	2019/20 (Adjust)	2019/20 (Actual)	2018/19	2019/20 (Adjust)	2019/20 (Actual)
£235,000 to £239,999	0	0	0	1	0	0	1	0	0
£180,000 to £184,999	0	0	0	1	0	0	1	0	0
£155,000 to £159,999	0	0	0	0	1	1	0	1	1
£145,000 to £149,999	0	0	0	0	0	1	0	0	1
£140,000 to £144,999	0	0	0	1	0	1	1	0	1
£120,000 to £124,999	0	0	0	1	0	1	1	0	1
£105,000 to £109,999	0	0	0	1	2	2	1	2	2
£100,000 to £104,999	0	0	0	2	0	0	2	0	0
£95,000 to £99,999	1	0	0	2	1	2	3	1	2
£90,000 to £94,999	0	0	0	1	1	2	1	1	2
£85,000 to £89,999	0	1	1	0	1	3	0	2	4
£80,000 to £84,999	0	0	3	4	5	5	4	5	8
£75,000 to £79,999	3	6	5	6	7	6	9	13	11
£70,000 to £74,999	2	1	2	6	4	3	8	5	5
£65,000 to £69,999	6	7	17	9	8	8	15	15	25
£60,000 to £64,999	10	25	34	11	19	19	21	44	53
£55,000 to £59,999	27	69	97	30	32	31	57	101	128
£50,000 to £54,999	75	109	112	34	23	23	109	132	135
Total FTE	124	218	271	110	104	108	234	322	379

The above table provides a comparable 2019/20 position which makes adjustments for where employees have been in receipt of an Early Retirement package and/or Teachers Back Dated Pay Awards, that has resulted in them being placed within different bandings in the 2019/20 (Actual) column. This column, reflected as "2019/20 Adjusted" provides a fairer overview of the movement of employees remuneration on a year on year basis.

Exit Packages

A number of employees left the Council in the year 1 April 2019 to 31 March 2020 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 2019/20 but will not leave until 2020/21.

Range	Total Amount Paid		Number of people in range	
	2018/19	2019/20	2018/19	2019/20
	£	£		
£0 - £20,000	721,213	193,968	99	28
£20,000 - £40,000	700,931	465,075	24	16
£40,000 - £60,000	655,911	356,798	13	7
£60,000 - £80,000	756,581	255,510	11	4
£80,000 - £100,000	265,782	263,760	3	3
£100,000 - £150,000	247,753	361,614	2	3
£150,000 - £200,000	0	537,084	0	3
£200,000 - £250,000	215,502	282,624	1	1
	3,563,673	2,716,433	153	65

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 2019/20 are as follows:

Actual Pensionable Pay	Contribution Rate 2018/19	Actual Pensionable Pay	Contribution Rate 2019/20
On earnings up to and including £21,300	5.50%	On earnings up to and including £21,800	5.50%
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £21,800 and up to £26,700	7.25%
On earnings above £26,100 and up to £35,700	8.50%	On earnings above £26,700 and up to £36,600	8.5%
On earnings above £35,700 and up to £47,600	9.50%	On earnings above £36,600 and up to £48,800	9.5%
On earnings above £47,600	12%	On earnings above £48,800	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 2019/20.

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 2020 £	to 31 March 2019 £		31 March 2020 £000's	31 March 2019 £000's	Difference £000's
Elaine Murray	Leader	6,574	6,395	Pension	2	1	1
				Lump Sum	0	0	0
Rob Davidson	Depute Leader	6,574	6,395	Pension	4	3	1
				Lump Sum	0	0	0
Archie Dryburgh	Vice Chair - Economy & Resources Committee	4,695	4,568	Pension	5	4	1
				Lump Sum	2	2	0
Jeff Leaver	Chair - Education & Learning Committee	4,695	4,568	Pension	6	5	1
				Lump Sum	2	2	0
Ros Surtees	Vice Chair - Education & Learning Committee	4,695	4,568	Pension	1	1	0
				Lump Sum	0	0	0
Jim Dempster	Chair of Planning Applications Committee	4,695	4,568	Pension	7	6	1
				Lump Sum	1	1	0
John Campbell	Vice Chair of Planning Applications Committee - Note 2	2,979		Pension	1		
				Lump Sum	0		
Andy Ferguson	Chair - Communities Committee	4,695	4,568	Pension	4	3	1
				Lump Sum	0	0	0
John Martin	Vice Chair - Communities Committee	4,695	4,568	Pension	4	3	1
				Lump Sum	0	0	0
Stephen Thompson	Chair - Social Work Services Committee	4,695	4,568	Pension	3	3	0
				Lump Sum	0	0	0
Adam Wilson	Chair Finance, Procurement and Transformation Committee	4,695	4,552	Pension	1	1	0
				Lump Sum	0	0	0
Henry McClelland	Vice Chair Finance, Procurement and Transformation Committee - Note 2	2,979		Pension	1		
				Lump Sum	0		
Ian Carruthers	Chair - Audit, Risk and Scrutiny Committee	4,695	4,568	Pension	3	3	0
				Lump Sum	0	0	0
Jane Maitland	Vice Chair - Audit, Risk and Scrutiny Committee - Note 2	2,979		Pension	3		
				Lump Sum	0		
Tracey Little	Provost	4,695	4,568	Pension	1	1	0
				Lump Sum	0	0	0
John Young	See Note 3	1,699	4,568	Pension	1	1	0
				Lump Sum	0	0	0
Andrew Wood	See Note 4	1,174	4,568	Pension	5	4	1
				Lump Sum	1	1	0
Total		71,908	67,590		58		

Note:

1. There were three Senior Councillor's (T Sloan, D Campbell and D McKie) that do not appear in the above table as they have opted out of the Local Government Pension Scheme.
2. These are Councillors who became Senior Councillors from 12/08/2019 after the Committee restructures.
3. Councillor Young Senior Councillor role finished on 12/08/2019.
4. Councillor Wood Senior Councillor role finished on 01/07/2019.

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 2020 £	For year to 31 March 2019 £	As at 31 March 2020 £000	As at 31 March 2019 £000	Difference from 31 March 2019 £000
Gavin Stevenson	Chief Executive	31,401	30,453	Pension 66 Lump sum 110	62 107	4 3
Lorna Meahan	Director of Economy and Resources	23,225	22,467	Pension 39 Lump sum 52	36 50	3 2
Derek Crichton	Director of Communities	23,225	22,562	Pension 53 Lump sum 92	49 90	4 2
Colin Grant	Director of Education and Learning - Note 1	15,205	22,562	Pension 30 Lump sum 199	57 113	-27 86
Gillian Brydson	Director of Skills, Education and Learning	20,953	20,822	Pension 43 Lump sum 71	41 71	2 0
Lillian Cringles	Head of Social Work	20,012	19,441	Pension 26 Lump sum 20	23 20	3 0
Paul Garrett	Head of Finance and Procurement	18,269	17,747	Pension 35 Lump sum 53	32 51	3 2
Rhona Lewis	Head of Democratic Services - Note 2	8,768	17,747	Pension 28 Lump sum 37	27 37	1
Nick Evans	Democratic Services Manager (Interim Monitoring Officer) - Note 3	6,110		Pension 25 Lump sum 34		
Total		167,168	173,801			

Note:

1. Director of Education and Learning left the Council on 26 November 2019 and the in-year pension contribution and Accrued Pension Benefits are calculated from this date.
2. Monitoring Officer was only in post for part of the 19/20 financial year with calculations reflective of this.
3. Interim Monitoring Officer from 07 October 2019 with the calculations reflective of this.
4. The Director of Economy, Environment & Infrastructure left the Council on 31 March 2019. Pension contributions totalling £21,959 were paid in 2018/19 with accrued pensions benefits of Pension £50k and Lump Sum £90k being estimated at that time.

Gavin Stevenson
Chief Executive

Elaine Murray
Leader of the Council

22 September 2020

Independent auditor's report to the 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 report of Dumfries and Galloway Council and its group for the year ended 31 March 2020 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-only Council Tax Income Account, the Non-domestic Rate Account, and Council-only and group 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 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Council and its group as at 31 March 2020 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 2019/20 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 four 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.

Emphasis of matter – effects of Covid 19 on the valuation of property, plant and equipment

We draw attention to Note 5 to the financial statements, which describes the assumptions made about future and other major sources of estimation uncertainty in relation to property, plant and equipment valuations. Our opinion is not modified in respect of this matter.

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 report in a separate Annual Audit Report, 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 Dumfries and Galloway 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. 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. This description forms part of our auditor's report.

Other information in the annual report

The Head of Finance and Procurement is responsible for the other information in the annual report. The other information comprises the information other than the financial statements 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 report 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, 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.

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

Date: 25th September 2020 |

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.

Restated *			2019/20			Note	
2018/19			2019/20				
Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000		
163,354	(9,489)	153,865	Education & Learning	167,548	(12,243)	155,305	
26,818	(3,860)	22,958	Social Work Services	27,927	(4,279)	23,648	
154,668	(89,759)	64,909	Integrated Joint Board (IJB)	161,931	(91,661)	70,270	
147,551	(59,593)	87,958	Communities	149,359	(52,675)	96,684	
47,380	(9,308)	38,072	Economy & Resources	56,573	(13,518)	43,055	
11,157	(786)	10,371	Non Distributable Costs	6,345	(601)	5,744	
0	(771)	(771)	Support Service Recharges	0	(407)	(407)	
550,928	(173,566)	377,362	Net Cost of Services	569,683	(175,384)	394,299	7
		3,103	Other Operating Expenditure			1,244	
		27,820	Financing and Investment Income & Expenditure			27,620	9
		(379,863)	Taxation & Non-Specific Grant Income			(385,756)	10
		28,422	(Surplus) /Deficit on the Provision of Services			37,407	
		(38,723)	(Surplus)/deficit on revaluation of non-current assets			(63,265)	
		0	Impairment losses on non-current assets charged to Revaluation Reserve			0	
		67,491	Remeasurement of net defined liability/ (asset)			(64,700)	
		300	Other unrealised (gains)/ losses			0	
		29,068	Other Comprehensive Income & Expenditure			(127,965)	
		57,490	Total Comprehensive Income & Expenditure			(90,558)	

* Dumfries & Galloway Council undertook a service restructure in 2019/20, which required the 2018/19 comparators 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 £000	Total Unusable Reserves £000	Total Reserves £000	Note
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Fund £000	Repairs & Renewals Fund £000	Insurance Fund £000				
Balance at 31 March 2018	(49,696)	0	(1,607)	(980)	(1,673)	(53,956)	(80,739)	(134,695)	
Movements in Reserves during 2018/19									
(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	
Total Comprehensive Income & Expenditure	28,422	0	0	0	300	28,722	28,768	57,490	
Adjustments between accounting basis & funding basis under regulations	(24,406)	(20)	1,464	0	0	(22,962)	0	(22,962)	14
Net (increase)/ decrease before transfers to /(from) other statutory reserves	4,016	(20)	1,464	0	300	5,760	28,768	34,528	
Transfers to/ (from) Other Statutory Reserves	723	20	(573)	(159)	(11)	0	22,962	22,962	15
(Increase)/ decrease in year	4,739	0	891	(159)	289	5,760	51,730	57,490	
Balance at 31 March 2019 carried forward	(44,957)	0	(716)	(1,139)	(1,384)	(48,196)	(29,009)	(77,205)	
Movements in Reserves during 2019/20									
(Surplus) or Deficit on provision of services	37,407	0	0	0	0	37,407	0	37,407	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(127,965)	(127,965)	
Total Comprehensive Income & Expenditure	37,407	0	0	0	0	37,407	(127,965)	(90,558)	
Adjustments between accounting basis & funding basis under regulations	(41,203)	(519)	0	0	0	(41,722)	0	(41,722)	14
Net (increase)/ decrease before transfers to /(from) other statutory reserves	(3,796)	(519)	0	0	0	(4,315)	(127,965)	(132,280)	
Transfers to/ (from) Other Statutory Reserves	2,599	519	(988)	(621)	(1,510)	(1)	41,722	41,721	15
(Increase)/ decrease in year	(1,197)	0	(988)	(621)	(1,510)	(4,316)	(86,243)	(90,559)	
Balance at 31 March 2020 carried forward	(46,154)	0	(1,704)	(1,760)	(2,894)	(52,512)	(115,252)	(167,764)	

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”.

31 March 2019		31 March 2020	Note
£000		£000	
876,583	Property, Plant & Equipment	905,365	16
2,258	Heritage Assets	2,310	17
261	Intangible Assets	145	17
998	Long Term Investments	965	
17,039	Long Term Debtors	10,338	19
897,139	Long Term Assets	919,123	
307	Assets Held For Sale	841	17
759	Inventories	834	
29,264	Short Term Debtors	24,462	20
21,075	Cash & Cash Equivalents	17,972	21
51,405	Current Assets	44,109	
(72,550)	Short Term Borrowing	(41,020)	33
(53,824)	Short Term Creditors	(47,521)	22
(2,836)	Short Term Liabilities	(3,038)	23
(669)	Short Term Provisions	(348)	24
(129,879)	Current Liabilities	(91,927)	
(195,417)	Long Term Borrowing	(199,203)	33
(110,793)	Other Long Term Liabilities	(107,755)	33
(435,250)	Other Long Term Liabilities (Pensions)	(396,583)	27
(741,460)	Long Term Liabilities	(703,541)	
77,205	Net Assets/ (Liabilities)	167,764	
48,196	Usable Reserves	52,512	30
29,009	Unusable Reserves	115,252	31
77,205	Total Reserves	167,764	

The Audited accounts were issued on 22 September 2020.

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.

2018/19 £000		2019/20 £000	£000	Note
28,422	Net (surplus) or deficit on the provision of services	37,407		
(81,640)	Adjustments to net (surplus) or deficit on the provision of services for non- cash movements	(93,122)		
(53,218)	Net cash flow from operating activities	—	(55,715)	
	Investing activities			
54,249	- purchase of property, plant & equipment, heritage assets & intangible assets	28,848		
(661)	- proceeds from the sale of property, plant, equipment	(610)		
53,588		—	28,238	
	Financing activities			
(299,604)	- cash receipts from short & long term borrowing	(180,621)		
0	- other receipts from financing activities	0		
9,843	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	2,836		
288,573	- repayments of short & long term borrowing	208,424		
(20)	- other payments for financing activities	(59)		
(1,208)		—	30,580	
(838)	Net (increase) or decrease in cash and cash equivalents	—	(3,103)	
20,237	Cash and cash equivalents at the beginning of the year		21,075	
21,075	Cash and cash equivalents at the end of the reporting year	—	17,972	21

Notes to Financial Statements

1. Summary of Significant Accounting Policies

a) General Principles

The Annual Accounts summarise the Council's transactions for the 2019/20 financial year and its financial position at the year end of 31 March 2020. They have been prepared on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Code is based on the International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector. The statements are designed to provide a 'true and fair view' of the financial performance and position of the Council and its group.

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 2019/20,
- 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 2020 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 2.3%, based on market yields at the end of the financial year on AA-rated corporate bonds,
- the assets of the Dumfries & Galloway Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value of current bid prices for securities,
- the change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year, allocated to the Comprehensive Income & Expenditure Statement to the services for which the employee worked,
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is charged to Non Distributable Costs in the Comprehensive Income & Expenditure Statement,
 - net interest on the net defined benefit liability/ (asset) – the change during the 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 2019/20.

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 2019/20 (SeRCoP). This is in line with the practice outlined in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 – current 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 carrying value of assets is reviewed annually and where there has been significant investment in an asset, or where there are indications of impairment or significant change in RICS indices for a category of asset the revaluation of assets will be brought forward in the revaluation cycle to ensure the carrying value is not materially different to that if all assets had been revalued at 31 March of the reporting year.

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 2019/20 was revised to take into account the latest International Financial Reporting Standards (IFRS) coming into effect.

Amendments to IAS 40 Investment Property; Transfers of Investment Property
Annual Improvements to the IFRS Standards 2014-16 Cycle

Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation

These changes have been considered as part of the preparation of the Council's accounts for 2019/20 and none are considered to have a material impact on the financial statement.

2. Adjustments to 2018/19 Audited Annual Accounts

Due to the Council restructure of services during the 2019/20 financial year, the figures within the Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis (note 7) and the Group accounts for 2018/19 have been restated. This restatement is presentational only and does not impact on the overall financial position of the Council, as shown within the table below:

	2018/19			2018/19 (restated)			
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure	
	£000	£000	£000	£000	£000	£000	
Children, Young People & Lifelong Learning	205,941	(16,408)	189,533	Education & Learning	163,354	(9,489)	153,865
Integrated Joint Board	154,852	(89,759)	65,093	Integrated Joint Board	154,668	(89,759)	64,909
Economy, Environment & Infrastructure	71,275	(15,175)	56,100	Social Work Services	26,818	(3,860)	22,958
Communities	83,673	(48,933)	34,740	Communities	147,551	(59,593)	87,958
Corporate Services	24,030	(1,734)	22,296	Economy & Resources	47,380	(9,308)	38,072
Non Distributable Costs	11,157	(786)	10,371	Non Distributable Costs	11,157	(786)	10,371
Support Service Recharges	-	(771)	(771)	Support Service Recharges		(771)	(771)
Net Cost of Services	550,928	(173,566)	377,362	Net Cost of Services	550,928	(173,566)	377,362

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 will require local authorities that are lessees to recognise these leases on their balance sheets as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. As a result of the current Covid-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021.

IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures. This amendment clarifies that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate of joint venture. This will have no impact on the Council as it already complies.

IAS 19 Employee Benefits: Plan amendment, curtailment or settlement – this specifies how organisations determine pension expenses when changes to a defined benefit pension plan occur.

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:

- 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 2020 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.
COVID 19 – Valuation Uncertainty	The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Annual Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market.	Any significant change in market valuations would require categories of asset (in particular Other Land and Building and Surplus Property) to be revalued and would therefore impact on the asset valuations on the Council Balance Sheet. The risk of movement is uncertain and an upwards or downwards revaluation is possible.
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 £114.123 Million. However, the assumptions interact in complex ways.
Debtor provisions	The Council has made provision of £6.5 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. However, it is recognised that the Covid 19 pandemic may have a further impact on the recovery of these balances.	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 £13.8 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. However, it is recognised that the Covid 19 pandemic may have a further impact on the recovery of these balances	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.

As reflected within the above table, the severity and duration of the effects of the Covid 19 pandemic will have a range of implications across the public sector, including funding levels, additional expenditure and loss of income. Both the duration and the full financial impact of the pandemic are currently unknown.

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.

6. Events After the Balance Sheet Date

The Audited Annual Accounts were issued by the Head of Finance and Procurement on 22 September 2020.

On 23 March 2020 the UK entered "lockdown" in response to the COVID-19 outbreak. The unprecedented health crisis has had a significant impact on Council service provision. The full extent of the pandemic and the Council's response to COVID-19 continues to be monitored with Recovery, Renewal and Restart plans in place to facilitate the resumption of Council Services. The financial sustainability of the Council remains a critical focus with the financial pressures associated with the COVID-19 response and the Recovery, Renewal and Restart plans being fully monitored and reported to Members on a regular basis. No adjustment has been made to the financial position of the Council within the 2019/20 accounts in respect of COVID-19.

There have been no other material events since the date of the Balance Sheet which necessitates revision to the figures in the financial statements

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.

2018/19 (restated)				2019/20		
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
133,464	20,401	153,865	Education & Learning	135,303	20,002	155,305
21,337	1,621	22,958	Social Work Services	21,157	2,491	23,648
62,514	2,395	64,909	Integrated Joint Board (IJB)	66,826	3,444	70,270
71,628	16,461	88,089	Communities	63,204	33,480	96,684
29,259	8,682	37,941	Economy & Resources	31,670	11,385	43,055
10,099	272	10,371	Non Distributable Costs	5,385	359	5,744
(771)	0	(771)	Support Service Recharges	(407)	0	(407)
327,530	49,832	377,362	Net Cost Of Services	323,138	71,161	394,299
21,508	9,415	30,923	Other Operating Income & Expenditure	34,828	(5,964)	28,864
(344,299)	(35,564)	(379,863)	Taxation & Non Specific Grant Income	(359,163)	(26,593)	(385,756)
4,739	23,683	28,422	(Surplus)/Deficit on the Provision of Services	(1,197)	38,604	37,407
(49,696)			Opening General Fund Balance at 1 April	(44,957)		
4,739			Add/Less Surplus or Deficit for the Year	(1,197)		
(44,957)			Closing General Fund Balance at 31 March	(46,154)		

Note 1: Breakdown of Adjustments between Funding and Accounting Basis

2018/19 (restated)					2019/20					
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
28,909	3,076	(11,145)	(439)	20,401	Education & Learning	27,708	4,474	(11,083)	(1,097)	20,002
170	1,488	0	(37)	1,621	Social Work Services	184	2,227	0	80	2,491
420	1,951	0	24	2,395	Integrated Joint Board (IJB)	412	2,992	0	40	3,444
20,571	4,383	(8,538)	45	16,461	Communities	26,750	6,608	0	122	33,480
5,135	3,510	0	37	8,682	Economy & Resources	6,292	5,164	0	(71)	11,385
272	0	0	0	272	Non Distributable Costs	270	89	0	0	359
0	0	0	0	0	Support Service Recharges	0	0	0	0	0
55,477	14,408	(19,683)	(370)	49,832	Net Cost Of Services	61,616	21,554	(11,083)	(926)	71,161
(16,040)	12,589	9,840	3,026	9,415	Other Operating Income and Expenditure	(19,857)	4,479	8,247	1,167	(5,964)
(35,564)	0	0	0	(35,564)	Taxation & Non Specific Grant Income	(26,593)	0	0	0	(26,593)
3,873	26,997	(9,843)	2,656	23,683	Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Surplus/Deficit	15,166	26,033	(2,836)	241	38,604

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.

Service Income & Expenditure 2018/19 (restated)	Education & Learning £000	Social Work Services £000	Integrated Joint Board £000	Communities £000	Economy & Resources £000	Non Distributable Costs £000	Support Service Recharges £000	Total £000
Fees, charges & other service income	(2,986)	(834)	(97,266)*	(27,337)	(10,747)	(525)	(771)	(140,466)
Grants	(6,622)	(3,031)	0	(47,048)	(2,316)	0	0	(59,017)
Total Income	(9,608)	(3,865)	(97,266)	(74,385)	(13,063)	(525)	(771)	(199,483)
Employee expenses	101,749	12,794	16,594	37,003	24,261	10,873	0	203,274
Other service expenses	41,323	12,408	143,186	109,010	18,061	(249)	0	323,739
Total Expenditure	143,072	25,202	159,780	146,013	42,322	10,624	0	527,013
Net Expenditure	133,464	21,337	62,514	71,628	29,259	10,099	(771)	327,530

Service Income & Expenditure 2019/20	Education & Learning £000	Social Work Services £000	Integrated Joint Board £000	Communities £000	Economy & Resources £000	Non Distributable Costs £000	Support Service Recharges £000	Total £000
Fees, charges & other service income	(2,803)	(1,234)	(99,412)*	(28,479)	(21,463)	(154)	(407)	(153,952)
Grants	(9,504)	(3,047)	0	(38,097)	(3,952)	(309)	0	(54,909)
Total Income	(12,307)	(4,281)	(99,412)	(66,576)	(25,415)	(463)	(407)	(208,861)
Employee expenses	109,526	12,756	17,253	39,320	29,693	5,281	0	210,316
Other service expenses	38,084	12,682	148,985*	90,460	27,392	567	0	321,683
Total Expenditure	147,610	25,438	166,238	129,780	57,085	5,848	0	531,999
Net Expenditure	135,303	21,157	66,826	63,204	31,670	5,385	(407)	323,138

*The IJB income and expenditure figures are increased by £65,138 (£62,975 in 2018/19) 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.

	2018/19	2019/20
	£000	£000
Fee, charges & other service income	(140,466)	(153,952)
Interest & investment income	(279)	(393)
Income from Council Tax	(63,763)	(67,323)
Income from NDR	(44,229)	(55,712)
Grants & Contributions	(330,888)	(317,630)
Total Income	(579,625)	(595,010)
Employee expenses	217,312	230,944
Other service expenses	304,056	310,600
Depreciation, amortisation & impairment	55,477	61,616
Interest payments	28,036	28,013
Other (gains)/Losses	3,166	1,244
Total Expenditure	608,047	632,417
(Surplus) or deficit on the Provision of Services	28,422	37,407

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.

	2018/19	2019/20
	£000	£000
Education & Learning	(818)	(539)
Social Work Services	(71)	(34)
Integrated Joint Board	(12,569)	(12,115)
Communities	(4,628)	(8,097)
Economy & Resources	(3,459)	(3,549)
	(21,545)	(24,334)

9. Financing and Investment Income & Expenditure

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

	2018/19	2019/20
	£000	£000
(Surplus)/ Deficit on trading accounts	63	0
Interest payable & similar charges	18,595	17,344
Net interest on the net defined benefit liability/ (asset)	9,441	10,669
Interest receivable & similar income	(279)	(393)
	27,820	27,620

10. Taxation and Non Specific Grant Income

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

	2018/19 £000	2019/20 £000
Council Tax income	(63,763)	(67,323)
Non-domestic rates redistribution	(44,229)	(55,712)
Non ring fenced government grants	(236,307)	(236,128)
Capital grants & contributions	(35,564)	(26,593)
	(379,863)	(385,756)

The Non-domestic rates income includes £51.156 Million in relation to funding due as part of the Non-domestic rates redistribution, and an additional £4.556 Million in relation to the Business Rates Incentivisation Scheme.

11. Agency Services

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2019/20 the Council collected £52.725 Million (£48.852 Million in 2018/19) and transferred £1.569 Million of this to the NDR pool (£4.623 Million was transferred to the NDR pool in 2018/19). These transactions resulted in a Net Non-Domestic Rates benefit to the Council totalling £51.156 Million in 2019/20 (£44.229 Million in 2018/19). As noted above, the Council is also due to receive funding of £4.556 Million from the Scottish Government's Business Rates Incentivisation Scheme.

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 2019/20 (£488K in 2018/19) for providing this service.

12. External Audit Fees

The external audit fee payable for 2019/20 was £331k (£324k in 2018/19). There were no non-audit fees payable in the year.

13. Grant Income

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

	2018/19 £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax income	(63,763)	(67,323)
Non-domestic rates redistribution	(44,229)	(55,712)
Capital grants & contributions	(35,564)	(26,593)
Non ring fenced Government grants	(236,307)	(236,128)
Total	(379,863)	(385,756)
Credited to Services		
DWP Housing Benefits	(39,775)	(36,024)
Criminal Justice Service	(2,823)	(2,836)
Universal Credit	(420)	(2,150)
Attainment Fund	(3,003)	(2,593)
Early Learning and Childcare	(1,019)	(4,083)
Dalbeattie DBFM	(1,973)	(1,971)
DWP Housing Benefit Administration	(672)	(661)
Total	(49,685)	(50,318)

14. 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 2018/19	£000	£000	£000	£000	£000	£000	£000	£000
• 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)
Total Adjustments	(24,406)	(20)	1,464	(3,589)	(77)	26,997	(369)	22,962

	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
Adjustments during 2019/20								
• Charges for depreciation and impairment of non-current assets	(61,501)	0	0	61,501	0	0	0	61,501
• Amortisation of intangible assets	(116)	0	0	116	0	0	0	116
• Capital grants and contributions applied	26,593	(610)	0	(25,983)	0	0	0	(25,983)
• Net gain/(loss) on disposal of non-current assets	(1,244)	0	0	1,244	0	0	0	1,244
• Statutory repayment of debt (Loans Fund advances)	14,484	0	0	(14,484)	0	0	0	(14,484)
• Statutory repayment of debt (/PPP)	2,836	0	0	(2,836)	0	0	0	(2,836)
• Capital expenditure charged in year to General Fund balance	2,775	0	0	(2,775)	0	0	0	(2,775)
• Use of the Capital Reserves to finance new capital expenditure	0	91	0	(91)	0	0	0	(91)
• 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	(52,014)	0	0	0	0	52,014	0	52,014
• Employers' pension contributions and direct payments to pensioners payable in the year	25,981	0	0	0	0	(25,981)	0	(25,981)
• 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	926	0	0	0	0	0	(926)	(926)
Total Adjustments	(41,203)	(519)	0	16,692	(77)	26,033	(926)	41,722

15. 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.

Movements in 2018/19	General Fund	Capital Receipts Reserve	Capital Fund	Repairs & Renewals Fund	Insurance Fund
	£000	£000	£000	£000	£000
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)
	<u>723</u>	<u>20</u>	<u>(573)</u>	<u>(159)</u>	<u>(11)</u>

Movements in 2019/20	General Fund	Capital Receipts Reserve	Capital Fund	Repairs & Renewals Fund	Insurance Fund
	£000	£000	£000	£000	£000
Contribution from Repairs & Renewals to General Fund	(144)	0	0	144	0
Transfer to Repairs & Renewals from General Fund	758	0	0	(758)	0
Amount applied to fund new Capital Investment	464	0	(464)	0	0
Capital Receipts Transfer to Capital Fund	0	519	(519)	0	0
Transfer to Insurance from General Fund	1,500	0	0	0	(1,500)
Interest on balances	22	0	(5)	(7)	(10)
	<u>2,600</u>	<u>519</u>	<u>(988)</u>	<u>(621)</u>	<u>(1,510)</u>

16. Property, Plant & Equipment

The movements on balances for Property, Plant & Equipment are shown in the following tables. Figures for 2018/19 are provided for comparison.

Movements in 2018/19	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Gross Book Value at 1 April 2018	690,165	46,131	193,602	4,226	58,467	7,238	999,829
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
Gross Book Value at 31 March 2019	751,674	47,933	210,235	4,657	28,901	8,190	1,051,590
Accumulated Depreciation at 1 April 2018	(68,464)	(29,289)	(60,024)	(356)	(36)	(94)	(158,263)
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
Accumulated Depreciation at 31 March 2019	(72,431)	(32,584)	(69,294)	(514)	(35)	(149)	(175,007)
Net Book Value at 31 March 2019	679,243	15,349	140,941	4,143	28,866	8,041	876,583
Net Book Value at 31 March 2018	621,701	16,842	133,578	3,870	58,431	7,144	841,566

Movements in 2019/20	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Gross Book Value at 1 April 2019	751,674	47,933	210,235	4,657	28,901	8,190	1,051,590
Reclassifications of assets	21,955	70	0	0	(24,154)	2,129	0
Assets reclassified (to)/ from Held for Sale	(1,293)	0	0	0	0	(691)	(1,984)
Additions	11,051	2,372	12,645	129	2,288	315	28,800
Derecognition – disposals	0	(1,281)	0	0	0	0	(1,281)
Revaluation increase/ (decreases) recognised in the Revaluation Reserve	20,851	(3,231)	120	183	8	(400)	17,531
Revaluation losses recognised in the (surplus)/deficit on the provision of services	(15,019)	0	0	(163)	(13)	(415)	(15,610)
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	(20)	(20)
Gross Book Value at 31 March 2020	789,219	45,863	223,000	4,806	7,030	9,108	1,079,026
Accumulated Depreciation at 1 April 2019	(72,431)	(32,584)	(69,294)	(514)	(35)	(149)	(175,007)
Depreciation on reclassifications	0	(34)	0	0	34	0	0
Depreciation on reclassification to Assets Held for Sale	126	0	0	0	0	46	172
Depreciation charge for year	(32,739)	(4,373)	(10,392)	(162)	0	(92)	(47,758)
Depreciation written back on disposals	0	920	0	0	0	0	920
Depreciation written out to the Revaluation Reserve on revaluations	42,427	3,513	31	15	0	139	46,125
Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services	1,851	0	0	12	1	20	1,884
Depreciation written out on impairments recognised in the (Surplus)/ Deficit on the Provision of Services	0	0	0	0	0	3	3
Accumulated Depreciation at 31 March 2020	(60,766)	(32,558)	(79,655)	(649)	0	(33)	(173,661)
Net Book Value at 31 March 2020	728,453	13,305	143,345	4,157	7,030	9,075	905,365
Net Book Value at 31 March 2019	679,243	15,349	140,941	4,143	28,866	8,041	876,583

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	Current 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 31 surplus assets valued at fair value measurement and these were measured using level 1 inputs in the fair value hierarchy.

The carrying value of assets is reviewed annually and where there has been significant investment in an asset, or where there are indications of impairment or significant change in RICS indices/market valuations for a category of asset the revaluation of assets will be brought forward in the revaluation cycle to ensure the carrying value is not materially different to that if all assets had been revalued at 31 March of the reporting year.

Valuation Uncertainty due to COVID 19

The valuer has identified levels of uncertainty with regards to the 31 March 2020 asset valuations, noting that the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value.

The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Annual Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market, the valuations will be kept under frequent review.

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

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastru- cture Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	292	13,305	142,900	0	6,975	0	163,472
Valued at fair value as at:							
31 March 2020	243,320	0	440	562	42	2,909	247,273
31 March 2019	181,994	0	5	573	0	704	183,276
31 March 2018	92,475	0	0	1,241	8	5,188	98,912
31 March 2017	65,686	0	0	2	5	113	65,806
31 March 2016	144,686	0	0	1,779	0	161	146,626
Total Cost or Valuation	728,453	13,305	143,345	4,157	7,030	9,075	905,365

Capital Commitments

At 31 March 2020, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment. In 2020/21 this is budgeted to cost £2.021m. The major commitments are:

Property	Project Description	Commitment £000
Maxwelltown High School & St Ninians Primary School	Demolition	346
Barlochart Travellers Site, Glenluce	Upgrading of Facilities	435
Kelloholm Road Extension	Road extension	1,095
Stranraer Flood Protection Scheme - Spoutwells Farm	Drainage Works	145

17. 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 2018/19 have been provided for comparison.

	Intangible Assets		Heritage Assets		Assets Held For Sale	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>						
Balance at 1 April	2,965	2,965	2,258	2,258	1,210	314
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	168	1,984
Additions	0	0	0	48	0	0
Derecognition - Disposals	0	0	0	0	(1,077)	(1,442)
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	0	0	4	2	0
Revaluation increases/ (decreases) in the CIES	0	0	0	0	11	0
Balance at 31 March	2,965	2,965	2,258	2,310	314	856
<u>Accumulated Depreciation</u>						
Balance at 1 April	(2,450)	(2,704)	0	0	(40)	(7)
Eliminated on the reclassification of Assets Held For Sale	0	0	0	0	(1)	(172)
Depreciation / Amortisation Charge	(254)	(116)	0	0	0	0
Depreciation - Disposals	0	0	0	0	29	164
Depreciation written out to the Revaluation Reserve	0	0	0	0	5	0
Balance at 31 March	(2,704)	(2,820)	0	0	(7)	(15)
Net Book Value at 31 March	261	145	2,258	2,310	307	841

18. 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.

	2018/19 £000	2019/20 £000
Opening Capital Investment Requirement	433,347	424,656
Capital Investment		
Property, Plant & Equipment – non PFI/PPP assets	53,007	28,799
Property, Plant & Equipment – PFI/PPP/DBFM assets	1,242	1
Intangible assets	0	48
	54,249	28,848
Financed as follows:		
Capital receipts	641	91
Government grants & other contributions	36,250	32,586
Loans Fund principal	14,536	14,484
Direct revenue contributions	11,513	5,851
	62,940	53,012
Closing Capital Requirement	424,656	400,492
Explanation of movements in the year:		
Increase/(decrease) in underlying need to borrow	10,020	(21,328)
Increase/(decrease) in relation to PFI/PPP contracts	(18,711)	(2,836)
Increase/(decrease) in Capital Financing Requirement	(8,691)	(24,164)

19. Long Term Debtors

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

	Gross Debtors £000	2018/19 Provision for debt impairment £000	Net Debtors £000	Gross Debtors £000	2019/20 Provision for debt impairment £000	Net Debtors £000
Scottish Police Authority	7,937	0	7,937	7,744	0	7,744
Scottish Fire & Rescue Service	2,516	0	2,516	2,383	0	2,383
National Housing Trust	6,518	0	6,518	0	0	0
Other entities & individuals	81	(13)	68	260	(49)	211
Total Long Term Debtors	17,052	(13)	17,039	10,387	(49)	10,338

The National Housing Trust partnership debt was repaid in full during 2019/20

20. Short Term Debtors

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

	Gross Debtors	2018/19 Provision for debt impairment	Net Debtors	Gross Debtors	2019/20 Provision for debt impairment	Net Debtors
	£000	£000	£000	£000	£000	£000
Scottish Government bodies	7,323	0	7,323	2,524	0	2,524
Central Government bodies	3,753	0	3,753	2,006	0	2,006
Other local authorities	(10)	0	(10)	0	0	0
NHS bodies	6	0	6	1	0	1
Public corporations	0	0	0	0	0	0
Other entities and individuals	19,293	(5,741)	13,552	18,367	(6,475)	11,892
	30,365	(5,741)	24,624	22,898	(6,475)	16,423
Council Tax	15,538	(13,887)	1,651	16,147	(13,822)	2,325
Non-Domestic Rates	2,989	0	2,989	5,714	0	5,714
Total Short Term Debtors	48,892	(19,628)	29,264	44,759	(20,297)	24,462

21. Cash & Cash Equivalents

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

	2018/19 £000	2019/20 £000
Cash held by the Council	47	47
Bank current accounts	17,316	17,215
Short-term deposits	3,712	710
Total Cash & Cash Equivalents	21,075	17,972

22. Short Term Creditors

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

	2018/19				2019/20			
	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	(5,542)	(1,271)	(6,813)	0	(9,375)	(1,732)	(11,107)
Central Government bodies	0	(47)	(4,816)	(4,863)	0	(299)	(3,954)	(4,253)
Other Local Authorities	(27)	0	(1)	(28)	0	(264)	(20)	(284)
NHS bodies	0	0	0	0	0	(11)	(2)	(13)
Payroll	0	0	(11,912)	(11,912)	0	0	(8,876)	(8,876)
IJB	0	(4,135)	0	(4,135)	0	(2,294)	0	(2,294)
Other entities & individuals	(14,222)	(1,891)	(9,960)	(26,073)	(11,007)	(2,695)	(6,992)	(20,694)
Total Short Term Creditors	(14,249)	(11,615)	(27,960)	(53,824)	(11,007)	(14,938)	(21,576)	(47,521)

23. Short Term Liabilities

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

	2018/19 £000	2019/20 £000
PPP/DBFM liabilities	(2,836)	(3,038)
	(2,836)	(3,038)

24. 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 31 March 2019 £000	Amount used in year £000	Additional provision made in year £000	Balance at 31 March 2020 £000
Holiday Pay	(104)	0	0	(104)
ERVS	(565)	565	(244)	(244)
Total Provisions	(669)	565	(244)	(348)

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 2020/21.

Early Retirement/Voluntary Severance Scheme

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 and created a provision of £565k in relation to these payments. All payments in respect of this provision were paid during 2019/20.

In 2019/20 the Council agreed to a number of early retirements/voluntary severances (ERVS) in relation to savings agreed as part of the 2020/21 budget. A number of individuals agreed as part of this process had a leaving date subsequent to 31 March 2020 and are anticipated to leave part way through 2020/21. A provision of £244k has therefore been created in respect of the estimated payments due to these individuals and strain on the Pension Fund payments.

25. 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 16.

	PPP/DBFM Schools	
	2018/19	2019/20
	£000	£000
Cost or Valuation		
At 1 April	139,740	140,982
Additions	1,242	1
Revaluations	0	11,325
At 31 March	140,982	152,308
Accumulated Depreciation at 1 April	(11,109)	(16,095)
Depreciation charge for year	(4,986)	(5,062)
Depreciation Written Out on Revaluations	0	10,738
Accumulated Depreciation at 31 March	(16,095)	(10,419)
Net Book Value at 31 March	124,887	141,889

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	
	2018/19	2019/20
	£000	£000
Balance outstanding at the start of the year	116,367	113,629
Payments during the year	(2,738)	(2,836)
Balance outstanding at year end	113,629	110,793

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 DBFM 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	6,496	7,529	3,038	581	17,644
Payments due within two to five years	28,490	27,907	13,777	2,655	72,829
Payments due within six to ten years	41,778	28,952	21,864	3,951	96,545
Payments due within eleven to fifteen years	46,156	20,221	31,052	5,985	103,414
Payments due within sixteen to twenty years	48,333	7,643	37,059	5,351	98,386
Payments due within twenty one to twenty five :	2,236	349	4,003	19	6,607
	173,489	92,601	110,793	18,542	395,425

26. Termination Benefits

In 2019/20 the Council had an Early Retirement/Voluntary Severance Scheme to assist in securing future savings through a reduction in staff costs. In relation to this scheme one-off costs of £2.6 Million were incurred in 2019/20, with £1.1 Million paid to individuals as termination benefits and £1.5 Million reimbursed to the Pension Fund in relation to the strain on the fund.

27. 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 liabilities detailed in the tables below include the potential additional liabilities in relation to the McCloud Ruling.

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 28.

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:

	LGPS	
	2018/19	2019/20
	£000	£000
<u>Comprehensive Income & Expenditure Statement</u>		
Included within the Net Cost of Services:		
• current service cost	33,645	41,148
• past service costs	9,532	197
Included within Financing and Investment Income & Expenditure:		
• net interest expense	9,441	10,669
Total post-employment benefits charged to (Surplus) or Deficit on the Provision of Services	52,618	52,014
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)	(20,681)	101,263
• actuarial (gains) & losses arising on changes in demographic assumptions	0	(41,880)
• actuarial (gains) & losses arising on changes in financial assumptions	88,801	(123,248)
• other	(629)	(835)
Total Post Employment Benefit charged to CIES	120,109	(12,686)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus) or Deficit on Provision of Services for post-employment benefits in accordance with the Code	(52,618)	(52,014)
Actual amount charged against the General Fund Balance for pensions in the year		
• employers' contributions payable to scheme	20,135	21,317

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	
	2018/19 £000	2019/20 £000
Present value of the defined benefit obligation	1,236,432	1,116,292
Fair value of plan assets	(801,182)	(719,709)
Net liability arising from defined benefit obligation	435,250	396,583

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

	LGPS	
	2018/19 £000	2019/20 £000
Opening fair value of scheme assets	760,707	801,182
Interest income	20,515	19,235
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	20,681	(101,263)
• other	(864)	144
Contributions from employers	25,621	25,981
Contributions from employees into the scheme	5,157	5,515
Benefits paid	(30,635)	(31,085)
Closing fair value of scheme assets	801,182	719,709

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

	Funded Liabilities LGPS	
	2018/19 £000	2019/20 £000
Opening balance at 1 April	1,101,469	1,236,432
Current service cost	33,645	41,148
Interest cost	29,956	29,904
Contribution from scheme participants	5,157	5,515
Remeasurement (gains) & losses:		
• actuarial (gains) & losses arising on changes in demographic assumptions	0	(41,880)
• actuarial (gains) & losses arising on changes in financial assumptions	88,801	(123,248)
• other experience	(1,493)	(691)
Past service cost	9,532	197
Benefits paid	(30,635)	(31,085)
Closing balance at 31 March	1,236,432	1,116,292

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets					
	2018/19			2019/20		
	Quoted £000	Unquoted £000	TOTAL £000	Quoted £000	Unquoted £000	TOTAL £000
Cash & cash equivalents	589	0	589	5,591	0	5,591
Other investment funds						
• equities	477,500	0	477,500	414,923	0	414,923
• bonds	120,515	0	120,515	110,910	0	110,910
• other	202,206	372	202,578	187,979	306	188,285
	800,221	372	800,593	713,812	306	714,118
Total assets	800,810	372	801,182	719,403	306	719,709

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:

	LGPS	
	2018/19	2019/20
Long term expected rate of return on assets in the scheme:		
• equity investments	2.4%	2.3%
• bonds	2.4%	2.3%
• property	2.4%	2.3%
• cash	2.4%	2.3%
Mortality assumptions		
• longevity at 65 for current pensioners		
o men	21.8 years	21.1 years
o women	24.3 years	23.4 years
• longevity at 65 for future pensioners		
o men	23.0 years	22.0 years
o women	26.2 years	25.0 years
Rate of increase in salaries	3.3%	2.6%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting scheme liabilities	2.4%	2.3%

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.

	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £000	Decrease in assumption £000
Rate of increase in salaries (increase or decrease by 0.5%)	20,071	(20,071)
Rate of increase in pensions (increase or decrease by 0.5%)	92,379	(92,379)
Rate of discounting scheme liabilities (increase or decrease by 0.5%)	114,123	(114,123)

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 2021 is £19.7 million.

28. Pension Schemes Accounted for as Defined Contribution Schemes

(a) Dumfries and Galloway Council participates in the Scottish Teachers' Pension 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. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

(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 for the period from 1 April 2019 is 17.2% increasing from 1 September to 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

(v) Dumfries and Galloway level of participation in the scheme is 2.32% based on the proportion of employer contributions paid in 2018-19.

The amounts paid to the Scottish Public Pensions Agency in 2019/20 amounted to £6.04 Million (£5.29 Million in 2018/19) being deducted from employees and £13.11 Million (£10.19 Million in 2018/19) 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 2019/20 amounted to £2.16 Million (£2.028 Million in 2018/19).

29. 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.

30. 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 14 Adjustments Between Accounting Basis and Funding Basis Under Regulations, and Note 15 Transfers to/(from) Other Statutory Reserves. Further information on the purpose and movements on each reserve is detailed after the following table.

	Balance as at 31/3/19 £000	Balance as at 31/3/20 £000
Capital Receipts Reserve	0	0
Capital Fund	(716)	(1,704)
Repairs & Renewals Fund	(1,139)	(1,760)
Insurance Fund	(1,384)	(2,894)
General Fund	(44,957)	(46,154)
	(48,196)	(52,512)

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.

	2018/19 £000	2019/20 £000
Balance at 1 April	0	0
Amounts received in year	(661)	(610)
Amounts applied to fund new capital investment	641	91
Amounts Transferred to the Capital Fund	20	519
Balance at 31 March	0	0

Capital Fund

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

	2018/19 £000	2019/20 £000
Balance at 1 April	(1,607)	(716)
Transfers to/(from) General Fund	(544)	(464)
Amounts applied to fund new capital investment	1,464	0
Unapplied Capital Grants and Contributions	(20)	(519)
Interest on balances	(9)	(5)
Balance at 31 March	(716)	(1,704)

Repairs & Renewals Fund

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

	2018/19 £000	2019/20 £000
Balance at 1 April	(980)	(1,139)
Transfer to/(from) General Fund	(154)	(614)
Interest on balances	(5)	(7)
Balance at 31 March	(1,139)	(1,760)

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.

	2018/19 £000	2019/20 £000
Balance at 1 April	(1,673)	(1,384)
Transfer to/(from) General Fund	300	(1,500)
Interest on balances	(11)	(10)
Balance at 31 March	(1,384)	(2,894)

General Fund

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

	Balance at 1 April 2018 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2019 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2020 £000
Schools PPP Sinking Fund	(15,149)	(82)	459	(14,772)	(97)	228	(14,641)
Waste Review Reserve	(2,308)	(6)	669	(1,645)	(349)	0	(1,994)
Employment Issues	(1,459)	0	0	(1,459)	0	0	(1,459)
Affordable Social Housing (2 nd Homes Discount)	(3,157)	(1,346)	1,022	(3,481)	(1,423)	2,262	(2,642)
Devolved School Management Reserve	(2,150)	0	718	(1,432)	0	656	(776)
Severe Weather Emergency Fund	(500)	0	0	(500)	0	0	(500)
Corporate Change Fund	(3,488)	(3,255)	3,567	(3,176)	(3,664)	3,374	(3,466)
Policy Development Funding	(1,618)	(148)	596	(1,170)	(1,677)	771	(2,076)
Social Work Support Fund	(1,000)	0	0	(1,000)	0	0	(1,000)
AEF Funding	(1,050)	(580)	1,249	(381)	(1,280)	55	(1,606)
Welfare Reform/Anti-Poverty	(2,560)	(520)	1,364	(1,716)	0	1,017	(699)
Children's Services Transformation	(4,214)	0	0	(4,214)	0	2,248	(1,966)
BRIS	0	0	0	0	(3,074)	0	(3,074)
Earmarked/ Committed Amounts	(4,218)	(521)	1,553	(3,186)	(839)	970	(3,055)
Unallocated Balance	(6,825)	0	0	(6,825)	(375)	0	(7,200)
	(49,696)	(6,458)	11,197	(44,957)	(12,778)	11,581	(46,154)

31. 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 14 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.

	2018/19 £000	2019/20 £000
Capital Adjustment Account	(174,937)	(175,139)
Revaluation Reserve	(293,625)	(339,996)
Financial Instruments Adjustment Account	524	447
Pensions Reserve	435,250	396,583
Employee Statutory Adjustment Account – Employee Benefits	3,779	2,853
Total Unusable Reserves	(29,009)	(115,252)

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.

	2018/19 £000	2019/20 £000
Balance at 1 April	(104,370)	(174,937)
Transfer from Revaluation Reserve to correct difference between fair value depreciation & historical cost depreciation (Note 1)	(52,667)	0
Depreciation & impairment of non-current assets	55,716	61,501
Amortisation of intangible assets	254	116
Value of assets sold, disposed or decommissioned	3,357	487
Adjusting amounts written out of the Revaluation Reserve	(14,565)	(16,137)
Capital receipts applied to finance new capital expenditure	(2,105)	(91)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	(34,903)	(25,983)
Loans Fund principal repayments	(14,536)	(14,484)
Statutory repayment of debt (PFI/PPP)	(9,843)	(2,836)
Capital expenditure financed from current revenue	(1,275)	(2,775)
Balance at 31 March	(174,937)	(175,139)

Note 1 - During 2018/19 there was a transfer from the CAA to revaluation reserve to correct the difference between fair value depreciation and historical cost depreciation not previously deducted from the revaluation reserve. As appropriate deductions are made no adjustment is required in 2019/20.

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.

	2018/19 £000	2019/20 £000
Balance at 1 April	(321,880)	(293,625)
Transfer to Capital Adjustment Account to correct difference between fair value & historical cost depreciation.	52,667	0
Upward revaluations of assets	(44,166)	(73,886)
Downward revaluation of assets & impairments not charged to the (Surplus)/		
Deficit on the Provision of Services	4,760	10,226
Difference between fair value depreciation and historical cost depreciation	14,566	16,137
Accumulated gains on assets disposed of	428	1,152
Balance at 31 March	(293,625)	(339,996)

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.

	2018/19	2019/20
	£000	£000
Balance at 1 April	601	524
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)
Balance at 31 March	524	447

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.

	2018/19	2019/20
	£000	£000
Balance at 1 April	340,762	435,250
Remeasurement of net defined liability/ (asset)	67,491	(64,700)
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	52,618	52,014
Employer's pension contributions payable in year	(25,621)	(25,981)
Balance at 31 March	435,250	396,583

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.

	2018/19	2019/20
	£000	£000
Balance at 1 April	4,148	3,779
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	(369)	(926)
Balance at 31 March	3,779	2,853

32. Leases

Council as Lessee

No assets were leased under finance leases in 2019/20.

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 2019	At 31 March 2020
	£000	£000
Not later than one year	839	657
Later than one year and not later than five years	983	868
Later than five years	403	401
	2,225	1,926

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

	2018/19	2019/20
	£000	£000
Minimum lease payments	2,779	2,358
	2,779	2,358

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 £0.824 Million (£0.872 Million 2018/19) 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	At 31 March
	2019	2020
	£000	£000
Not later than one year	(370)	(329)
Later than one year and not later than five years	(101)	(87)
Later than five years	(47)	(23)
	(518)	(439)

33. 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	31 March	31 March	31 March	31 March	31 March
	2019	2020	2019	2020	2019	2020
	£000	£000	£000	£000	£000	£000
<u>Loans & receivables</u>						
Investments	998	965	0	0	998	965
Debtors	17,039	10,338	24,624	16,423	41,663	26,761
Cash & cash equivalents	0		21,075	17,972	21,075	17,972
Total Financial Assets	18,037	11,303	45,699	34,395	63,736	45,698
<u>Financial Liabilities at Amortised Cost</u>						
Borrowing	(195,417)	(199,203)	(72,550)	(41,020)	(267,967)	(240,223)
PFI/PPP liabilities	(110,793)	(107,755)	(2,836)	(3,038)	(113,629)	(110,793)
Creditors	0	0	(53,824)	(47,521)	(53,824)	(47,521)
Total Financial Liabilities	(306,210)	(306,958)	(129,210)	(91,579)	(435,420)	(398,537)

Reclassifications Between Categories

The Council did not reclassify any financial assets or liabilities between categories during the year, or during 2018/19.

Income, Expense, Gains and Losses

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

	Financial Assets		Financial Liabilities		Total	
	Loans and receivables		Liabilities measured at amortised cost			
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Interest expense	0	0	18,595	17,344	18,595	17,344
Total expense in (Surplus) or Deficit on the Provision of Services	0	0	18,595	17,344	18,595	17,344
Interest income	(279)	(393)	0	0	(279)	(393)
Total income in (Surplus) or Deficit on the Provision of Services	(279)	(393)	0	0	(279)	(393)
Net (gain)/ loss for year	(279)	(393)	18,595	17,344	18,316	16,951

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 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
<u>Financial assets</u>				
Investments	998	998	965	965
Debtors	41,663	41,663	26,761	26,761
Cash & cash equivalents	21,075	21,075	17,972	17,972
Total Financial Assets	63,736	63,736	45,698	45,698

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 2019		31 March 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
<u>Financial liabilities</u>				
Borrowing	(267,967)	(359,743)	(240,223)	(319,312)
PFI/PPP liabilities	(113,629)	(113,629)	(110,793)	(165,376)
Creditors	(53,824)	(53,824)	(47,521)	(47,521)
Total Financial Liabilities	(435,420)	(527,196)	(398,537)	(532,209)

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 £451,544.

34. 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.

	Amount at 31 March 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default & uncollectability at 31 March 2020	Estimated maximum exposure to default & uncollectability at 31 March 2019
	£000	%	%	£000	£000
Deposits with banks & financial institutions	17,925	0	0	0	0
Customers	4,145	10	10	415	382

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 £4.145 Million of which £2.777 Million is past its date for payment. The past due date amount can be analysed by age as follows:

Age	2018/19 £000	2019/20 £000
Less than 3 months	1,922	1,993
3 – 6 months	65	276
6 months – 1 year	516	589
More than 1 year	1,314	1,287
Total	3,817	4,145

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:

	2018/19 £000	2019/20 £000
Less than one year	72,550	41,020
Between one and two years	1,470	10,004
Between two and five years	26,250	31,250
More than five years	167,697	157,949
	267,967	240,223

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:

	2018/19 £000	2019/20 £000
Increase in interest payable on variable rate borrowings	18	17
Increase in interest receivable on variable rate investments	(7)	(7)
Impact on (Surplus) or Deficit on Provision of Services	11	10
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)	47,402	43,735
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)	63,175	79,373

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.

35. Cash Flow Operating Activities

The cash flows from operating activities include the following items:

	2018/19 £000	2019/20 £000
Interest received	(279)	(393)
Interest paid	8,753	9,097
Interest element of PFI/ PPP payments	9,842	8,247
Net cash flow from interest	18,316	16,951

36. 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 13 (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.

During 2019/20, 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 £1,318K (£1,296K in 2018/19) and a creditor balance of £129K (£153K in 2018/19) was recognised on the balance sheet. Loreburn Housing Association provided services in relation to care and repair, along with other housing services to the value of £1,822K (£1,855k in 2018/19). People Smart Solutions provided training and leadership courses to the value of £13K (£12K in 2018/19) 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 2019/20 the Council contributed £66,826k to the IJB (£62,513K in 2018/19), received £65,138K (£62,975K in 2018/19) from the IJB to support the provision of services and had a creditor of £2,294K (£3,982K in 2018/19) 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 £3.416 Million (£3.395 Million in 2018/19) to the South West Scotland Transport Partnership (SWestrans) which is an associate organisation of the Council. The Council also provided £100k (£100k in 2018/19) as match funding to a Scottish Government grant for core running costs and a capital grant of £190K (£233k 2018/19). SWestrans does not employ its own staff and during 2019/20 the Council charged SWestrans £142k (£167k in 2018/19) in respect of staff support, supplies and other support services. At the year end, £71k (£3k in 18/19) was outstanding as a payment from SWestrans.

The Council was 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 had a debtor of £6.518 Million in 2018/19 in relation to this partnership which was fully repaid in March 2020.

Pension Fund

The Council charged the Pension Fund a total of £344k (£306k in 2018/19) for expenses incurred in administering the Fund.

37. 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.

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.

2018/19		2019/20
£000		£000
82,404	Gross Council Tax Charge	86,739
	Less Deductions	
(2,143)	Exemptions	(2,183)
(133)	Disabled relief	(144)
(6,995)	Discounts	(7,476)
6	Council Tax Benefits (net of government grant)	13
(588)	Provision for doubtful debts	(565)
(297)	Previous year adjustments	(288)
72,254		76,096
(8,491)	Council Tax Reduction Scheme	(8,773)
63,763	Net Council Tax Income per the Comprehensive Income & Expenditure Statement	67,323

Notes**1. Nature of the Council Tax Charge**

The Council Tax charge is based upon the property market value of a domestic property together with a personal element which takes into account the number and circumstances of the occupants of the property. Each household or occupied dwelling is allocated to a council tax band (A - H) by the Assessor. The Council declares an annual tax level for Band D properties and all other properties are charged a proportion of this - lower valued properties pay less, higher valued properties pay more.

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: -

	Band D	Band E	Band F	Band G	Band H
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 2019/20 were as follows:

2018/19		2019/20												
Total		A*	A	B	C	Bands			D	E	F	G	H	Total
74,687	Properties		11,235	22,740	12,069	10,234	10,741	5,372	2,540	158				75,089
(2,217)	Exemptions		(765)	(765)	(360)	(244)	(224)	(83)	(41)	(3)				(2,485)
(646)	Disabled Reliefs (to lower band)		(53)	(164)	(93)	(96)	(144)	(62)	(36)	(1)				(649)
646	Disabled Reliefs (from higher band)	53	164	93	96	144	62	36	1	0				649
(6,553)	Discounts (25% (equivalent properties))	(8)	(1,710)	(2,225)	(1,021)	(694)	(642)	(250)	(106)	(5)				(6,661)
(1,581)	Discounts (50% (equivalent properties))	0	(305)	(430)	(299)	(226)	(187)	(92)	(64)	(12)				(1,615)
64,336	Total Equivalent Ratio	45	8,566	19,249	10,392	9,118	9,606	4,921	2,294	137				64,328
		200/360	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360				
64,246	Band D Equivalents	25	5,711	14,971	9,237	9,118	12,621	7,997	4,492	336				64,508
(1,175)	Bad Debt Provision													(1,288)
63,071														63,220

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 charge per Band D household for 2019/20 was increased by 4.79%, from 2018/19 levels, to £1,166.19. Applying this to the Band D equivalent tax base of 63,220 the total sum to be raised through the Council Tax in 2019/20 was £73.727 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 (£777.46) and the Band H charge equivalent to 882/360 of the Band D charge (£2,857.17).

Valuation Band	Charge per Dwelling	
	2018/19 £	2019/20 £
A up to £27,000	741.92	777.46
B £27,000 to £35,000	865.57	907.04
C £35,000 to £45,000	989.23	1,036.61
D £45,000 to £58,000	1,112.88	1,166.19
E £58,000 to £80,000	1,462.20	1,532.24
F £80,000 to £106,000	1,808.43	1,895.06
G £106,000 to £212,000	2,179.39	2,283.79
H over £212,000	2,726.56	2,857.17

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.

2018/19 £000		2019/20 £000
66,237	Gross Rates Charged	70,163
	Less Deductions	
(1,151)	Vacant properties	(965)
(13,824)	Mandatory relief	(13,921)
(758)	Discretionary relief	(765)
(1,387)	Disabled relief	(1,406)
(265)	Provision for bad debts	(381)
48,852	TOTAL Non-Domestic Rates Income (before Authority retentions)	52,725
0	Non-Domestic Rates income retained by the Authority (BRIS)	4,556
(4,623)	Contribution from/ (to) National Non-Domestic Rate Pool	(1,569)
44,229	Net Non-Domestic Rates Income to Comprehensive Income & Expenditure Statement	55,712

Notes

1. Non-Domestic Rates income retained by the Authority

The business rates incentivisation scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. The Council received confirmation that funding of £1,482k was able to be retained in relation to the 2017/18 financial year in October 2019, and received further confirmation in April 2020 that additional funding of £3,074k was due in relation to 2018/19.

While the £1,482k has been received by the Council, the additional £3,074k has been accrued as a Debtor and will be received in 2020/21.

2. Analysis of Rateable Subjects and Values as at 1 April 2019

As at 1 April 2018			As at 1 April 2019	
Subjects	Values £000		Subjects	Values £000
6,817	65,587	Commercial	6,878	65,374
188	20,384	Industrial	186	21,979
40	10,423	Public Utilities	43	16,552
3,247	38,414	Miscellaneous	3,257	38,769
10,292	134,808		10,364	142,674

3. 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 2019/20 the Scottish Government set the poundage rate at 49p 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. (2018/19, 48p for rateable values below £51,000 and 50.6p 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

2018/19 Total £000	2019/20		Total £000
	Educational £000	Charitable £000	
Incoming Resources			
Income from generated funds:			
0	0	0	0
(49)	(70)	(55)	(125)
(49)	(70)	(55)	(125)
Total incoming resources			
Resources Expended			
64	52	24	76
42	0	44	44
106	52	68	120
Total resources expended			
57	(18)	13	(5)
Net (incoming)/ outgoing resources			
Other Recognised Gains			
(199)	0	0	0
(46)	166	4	170
(188)	148	17	165
Net movement in funds			
Reconciliation of Funds			
(1,877)	(818)	(1,247)	(2,065)
(2,065)	(670)	(1,230)	(1,900)
Total funds brought forward			
Total funds carried forward			

Trust Funds Balance Sheet

2018/19 Total £000	2019/20		Total £000
	Educational £000	Charitable £000	
876	0	833	833
964	644	150	794
Investments			
Current Assets			
225	26	247	273
Temporary Deposits with Loans Fund			
0	0	0	0
Current Liabilities			
2,065	670	1,230	1,900
Net Assets			
Financed by:			
322	4	148	152
Available for Sale Financial Instruments Reserve			
551	0	551	551
Revaluation Reserve			
1,249	648	544	1,192
Balance in Funds at 1 April			
0	18	(13)	5
Recalculation of investment values			
(57)			
Surplus/ (Deficit) for year			
2,065	670	1,230	1,900
Balance on Trust Funds at 31 March			

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 2020.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £833k. 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 2019/20 for individual Funds is provided in Note 1.

Common Good Comprehensive Income & Expenditure Statement

2018/19 £000		2019/20 £000	£000
442	Gross expenditure	614	
(77)	Gross income	(162)	
365	Net Cost of Services		452
(54)	Financing & Investment Income and Expenditure - interest income		(162)
(366)	Taxation & Non Specific Grant Income - capital grants & contributions		(137)
(55)	(Surplus) or Deficit on the Provision of Services		153
(18)	(Surplus) or deficit on revaluation of non-current assets	(278)	
(67)	Other unrealised (gains)/ losses	257	
(85)	Other Comprehensive Income & Expenditure		(22)
(140)	Total Comprehensive Income & Expenditure		131

Movements in Reserves Statement

	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	(289)	(8,393)	(8,682)
Movements in Reserves during 2018/19			
(Surplus) or Deficit on provision of services	(55)	0	(55)
Other Comprehensive Income & Expenditure	0	(85)	(85)
Total Comprehensive Income & Expenditure	(55)	(85)	(140)
(Increase)/ decrease in year	(55)	(85)	(140)
Balance at 31 March 2019 carried forward	(344)	(8,478)	(8,822)
Movements in Reserves during 2019/20			
(Surplus) or Deficit on provision of services	153	0	153
Other Comprehensive Income & Expenditure	0	(22)	(22)
Total Comprehensive Income & Expenditure	153	(22)	131
(Increase)/ decrease in year	153	(22)	131
Balance at 31 March 2020 carried forward	(191)	(8,500)	(8,691)

Common Good Balance Sheet

31 March 2019 £000		31 March 2020 £000
6,373	Property, Plant & Equipment - other land & buildings	6,337
1,557	Long term investments	1,299
7,930	Long Term Assets	7,636
63	Short Term Debtors	63
833	Cash & Cash Equivalents	1,004
896	Current Assets	1,067
(4)	Short Term Creditors	(12)
(4)	Current Liabilities	(12)
8,822	Net Assets	8,691
342	Usable Reserves	191
	Unusable Reserves	
7,239	- Revaluation Reserve	7,545
926	- Capital Adjustment Account	898
315	- Available for Sale Financial Instruments Account	57
8,480		8,500
8,822	Total Reserves	8,691

Notes

1. Common Good Funds 2019/20

Comprehensive Income & Expenditure Account for year ended 31 March 2020

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Whithorn	Wigtown	Dumfries	Sanquhar	Dalbeattie	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	80	21	11	69	0	1	238	12	4	129	13	36	614
Gross Income	(69)	(9)	(2)	(5)	0	0	(10)	(1)	0	(26)	(4)	(36)	(162)
Net Cost of Services	11	12	9	64	0	1	228	11	4	103	9	0	452
- interest income	(114)	(6)	(1)	(8)	(1)	(1)	(21)	(1)	(1)	(3)	(5)	0	(162)
- capital grants & contributions	(107)	0	0	0	0	0	(25)	0	(5)	0	0	0	(137)
(Surplus) or Deficit on the Provision of Services	(210)	6	8	56	(1)	0	182	10	(2)	100	4	0	153
(Surplus) or Deficit on revaluation of non-current assets	(107)	(6)	(73)	0	0	0	(82)	0	(6)	(4)	0	0	(278)
Other unrealised (gains)/losses	181	0	0	0	0	0	75	0	0	0	0	0	256
Other Comprehensive Income & Expenditure	74	(6)	(73)	0	0	0	(7)	0	(6)	(4)	0	0	(22)
Total Comprehensive Income & Expenditure	(136)	0	(65)	56	(1)	0	175	10	(8)	96	4	0	131

Balance Sheet as at 31 March 2020

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Whithorn	Wigtown	Dumfries	Sanquhar	Dalbeattie	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Long Term Assets													
Other Land & Buildings	693	215	349	480	0	150	1,898	178	109	2,088	176	0	6,336
Long term investments	735	0	0	1	0	0	557	0	0	0	7	0	1,300
	1,428	215	349	481	0	150	2,455	178	109	2,088	183	0	7,636
Current Assets													
Short term debtors	0	0	0	0	1	0	57	0	0	0	5	0	63
Cash & cash equivalents	77	200	38	258	18	17	6	43	20	156	171	0	1,004
	77	200	38	258	19	17	63	43	20	156	176	0	1,067
Current Liabilities													
Short term creditors	(5)	(2)	(1)	0	0	0	0	0	0	(4)	0	0	(12)
	(5)	(2)	(1)	0	0	0	0	0	0	(4)	0	0	(12)
Net Assets	1,500	413	386	739	19	167	2,518	221	129	2,240	359	0	8,691
Usable Reserves	288	26	(22)	(22)	19	17	80	44	(163)	(104)	28	0	191
Unusable reserves	1,212	387	408	761	0	150	2,438	177	292	2,344	331	0	8,500
	1,500	413	386	739	19	167	2,518	221	129	2,240	359	0	8,691

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 2020.

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 Councils 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 89 to 94 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 £000	Restated*	Net Expenditure £000		2019/20		
	2018/19 Income £000			Gross Expenditure £000	Income £000	Net Expenditure £000
163,354	(9,489)	153,865	Education & Learning	167,548	(12,243)	155,305
26,818	(3,860)	22,958	Social Work Services	27,927	(4,279)	23,648
			Integrated Joint Board (IJB)			
154,668	(89,759)	64,909	Communities	158,415	(91,661)	66,754
143,822	(59,593)	84,229	Economy & Resources	149,359	(52,675)	96,684
47,380	(9,308)	38,072	Non Distributed Costs	56,573	(13,518)	43,055
11,157	(786)	10,371	Support Service	6,345	(601)	5,744
0	(771)	(771)	Recharges	0	(407)	(407)
4,900	(821)	4,079	SWestrans	4,608	(768)	3,840
552,099	(174,387)	377,712	Net Cost of Services	570,775	(176,152)	394,623
		3,103	Other Operating Expenditure			1,380
		27,820	Financing and Investment Income & Expenditure			27,620
		(379,863)	Taxation & Non Specific Grant Income			(385,946)
		28,772	Deficit on the Provision of Services			37,677
		(808)	Share of Surplus on the Provision of Services by Joint Venture			2,944
		27,964	Group Deficit on the Provision of Services			40,621
		(38,723)	Surplus on revaluation of non-current assets			(63,265)
		67,491	Remeasurement of net defined liability			(64,700)
		300	Other unrealised (gains)/ losses			0
		29,068	Other Comprehensive Income & Expenditure			(127,965)
		57,032	Total Comprehensive Income & Expenditure			(87,344)

* As a result of the restructure of services the 2018/19 annual accounts have been 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
Balance at 31 March 2018	(53,956)	(80,739)	(134,695)	(5,221)	(139,916)
Movements in Reserves during 2018/19					
(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
Total Comprehensive Income & Expenditure	28,722	28,768	57,490	(458)	57,032
Adjustments between accounting basis & funding basis under regulations	(22,962)	0	(22,962)	0	(22,962)
Net (increase) before transfers to /(from) other statutory reserves	5,760	28,768	34,528	(458)	34,070
Transfers to/ (from) Other Statutory Reserves	0	22,962	22,962	0	22,962
(Increase) in year	5,760	51,730	57,490	(458)	57,032
Balance at 31 March 2019 carried forward	(48,196)	(29,009)	(77,205)	(5,679)	(82,884)
Movements in Reserves during 2019/20					
(Surplus) or Deficit on provision of services	37,407	0	37,407	3,214	40,621
Other Comprehensive Income & Expenditure	0	(127,965)	(127,965)	0	(127,965)
Total Comprehensive Income & Expenditure	37,407	(127,965)	(90,558)	3,214	(87,344)
Adjustments between accounting basis & funding basis under regulations	(41,722)	0	(41,722)	0	(41,722)
Net (increase)/ decrease before transfers to /(from) other statutory reserves	(4,315)	(127,965)	(132,280)	3,214	(129,066)
Transfers to/ (from) Other Statutory Reserves	(1)	41,722	41,721	0	41,721
(Increase)/ decrease in year	(4,316)	(86,243)	(90,559)	3,214	(87,345)
Balance at 31 March 2020 carried forward	(52,512)	(115,252)	(167,764)	(2,465)	(170,229)

Group Balance Sheet

31 March 2019		31 March 2020
£000		£000
878,047	Property, Plant & Equipment	906,559
2,258	Heritage Assets	2,310
261	Intangible Assets	145
998	Long Term Investments	965
17,039	Long Term Debtors	10,338
4,215	Investment in Joint Ventures and Associates	1,271
902,818	Long Term Assets	921,588
307	Assets Held For Sale	841
759	Inventories	834
29,454	Short Term Debtors	24,602
21,075	Cash & Cash Equivalents	17,972
51,595	Current Assets	44,249
(72,550)	Short Term Borrowing	(41,020)
(54,014)	Short Term Creditors	(47,661)
(2,836)	Short Term Liabilities	(3,038)
(669)	Short Term Provisions	(348)
(130,069)	Current Liabilities	(92,067)
(195,417)	Long Term Borrowing	(199,203)
(110,793)	Other Long Term Liabilities	(107,755)
(435,250)	Other Long Term Liabilities (Pensions)	(396,583)
(741,460)	Long Term Liabilities	(703,541)
82,884	Net Assets	170,229
48,196	Usable Reserves	52,512
29,009	Unusable Reserves	115,252
4,215	Group Usable Reserves	1,194
1,464	Group Unusable Reserves	1,271
82,884	Total Reserves	170,229

The unaudited accounts were issued on 22 September 2020.

Paul Garrett
Head of Finance and Procurement

Group Cash Flow Statement

2018/19 £000		2019/20 £000	
27,964	Net deficit on the provision of services	40,621	
(81,182)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(96,336)	
(53,218)	Net cash flow from operating activities	(55,715)	
Investing activities			
54,249	- purchase of property, plant & equipment, heritage assets & intangible assets	28,848	
(661)	- proceeds from the sale of property, plant, equipment	(610)	
53,588		28,238	
Financing activities			
(299,604)	- cash receipts from short & long term borrowing	(180,621)	
9,843	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	2,836	
288,573	- repayments of short & long term borrowing	208,424	
(20)	- other payments for financing activities	(59)	
(1,208)		30,580	
(838)	Net (increase) or decrease in cash and cash equivalents		(3,103)
20,237	Cash and cash equivalents at the beginning of the year		21,075
21,075	Cash and cash equivalents at the end of the reporting year		17,972

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	2019/20			2018/19		
		Share of assets £000	Share of Liabilities £000	Share of (Profit)/ Loss £000	Share of assets £000	Share of Liabilities £000	Share of (Profit)/ Loss £000
Subsidiaries							
Swestrans	100%	1,334	(140)	270	1,654	(190)	350
Joint Ventures							
Integration Joint Board	50%	0	0	2,944	0	0	(808)

Financial Impact of Consolidation

The inclusion of the group entities results in an increase of £2.5 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 increased the deficit on the provision of service from £40.9 Million to £44.1 Million.