

Dumfries and Galloway Council



Annual Accounts 2020/2021





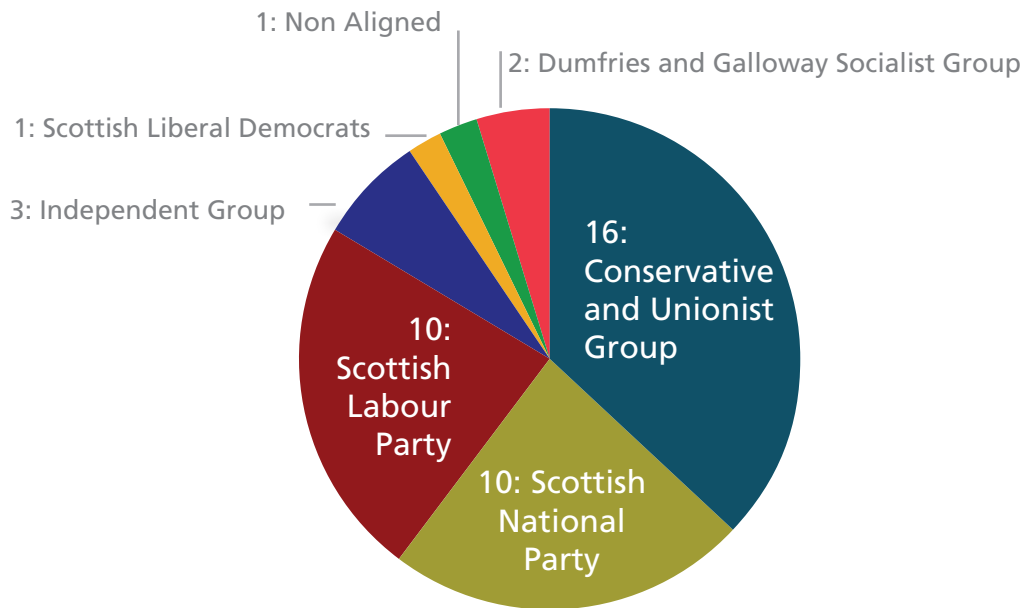
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# Management Commentary

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



**Political Make-up of the Council**

Our administration is a partnership between Scottish Labour Party and the Scottish National Party (SNP)

## 4,203km roads

312km trunk roads  
68km motorway



4,203km of roads. We are the third largest roads authority in Scotland



**Dumfries and Galloway population**  
**148,860\***

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 region's sparsely populated rural areas

\* NRS 2019 Mid Year Estimate

# BUSINESS GRANTS

## Strategic Framework Fund

Total **£42,967,170**

## Specific Schemes

Taxi drivers support grant	<b>£402,000</b>
Exclusive Use Venues and Large Self-Catering Support Fund	<b>£160,000</b>
Small Accommodation Providers Paying Council Tax fund	<b>£261,000</b>
Contingency Plus Fund (brewers, travel agents and indoor football venues)	<b>£125,000</b>
Self-Employed Support Scheme May 2020	<b>£272,000</b>
B&B and Small Accommodation Providers Paying Council Tax (June 2020)	<b>£63,000</b>
Self-Employed Hardship Fund Oct 2020	<b>£408,155</b>
Business Contingency Fund Oct 2020	<b>£170,000</b>

## Specific Schemes

Total **£1,861,155**

## Discretionary Fund

Total **£3,892,884**

## Business Rates linked property grants

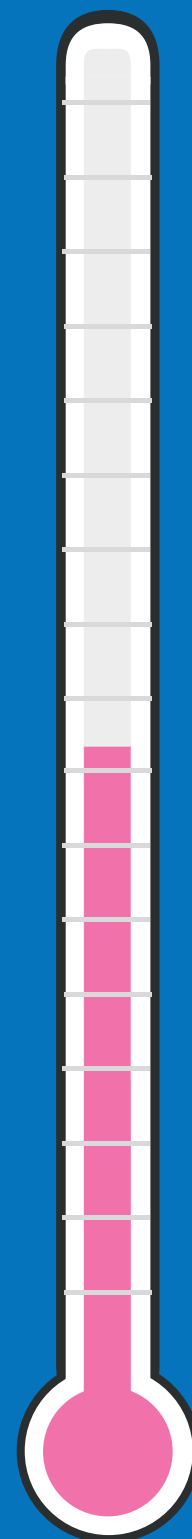
Small Business Support Grant	<b>£37,395,000</b>
Retail Hospitality and Leisure Grant	<b>£5,171,250</b>
Non NDR Ratepaying Tenants	<b>£381,561</b>

## Business Rates linked property grants

Total **£42,947,811**

**TOTAL**

**£91,669,020**



#SupportDG



# Strategic Priorities

## Delivering the Priorities of the Council

This year has seen us face a very different set of challenges from when our Priorities were set. The Covid-19 pandemic has altered our lives beyond measure, but our Priorities are still at the forefront of everything we do. Some services have had to be refocussed, but our local communities, our region's economy, our promise to be an effective and inclusive Council, and our response to climate change are still at the heart of our decision making.

The pandemic has had the greatest impact on the people who were already facing the greatest inequalities. Our multi agency response to the Covid-19 Emergency through Local Resilience Partnership arrangements have allowed for a coordinated response premised on preserving life and supporting our most vulnerable communities. Our Council's Renew and Recovery Plan has directed our focus to the key issues, to give support to our most vulnerable people and businesses to help them get through this difficult time.

In March 2020 the Covid-19 pandemic was declared an Emergency - this was in force throughout the whole reporting year and remains the position. Also in March 2020, we suspended our Scheme of Administration and Delegation to Committees and for a period of three months had an Ad Hoc Covid 19 Sub Committee, supported by a series of Member Briefings and opportunities to feed in comments on reports. The

suspension was concluded at the end of June 2020 and our Committee programme resumed. A series of interservice officer 'Cells' were formed to deal with cross-cutting issues and areas of additional demand.

The Covid-19 pandemic also altered our work practices. We adapted how we did business across the Council, with many of our staff working remotely through the increased use of technology as well as our Council meetings being held online. Through this new way of working, we continued the successful engagement and improved relationships with our communities keeping them at the heart of what we do.

The past year has been unlike any other with the extended response to Covid-19 and the UK formally leaving the European Union. These events have reaffirmed the importance of the Council's Priorities and they have underpinned the Council's response.



# Strategic Priorities

## 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

During 2020/21 we worked to support our local economy through a challenging period which saw many of our businesses closed due to lockdowns and our unemployment benefit claimant count rise from 2,910 in March 2020 to 4,700 in March 2021. The Economic Recovery cell formulated an Economic Recovery Plan which forms part of our Renew and Recovery Action Plan.

We administered a number of Business Grants during 2020/21 on behalf of the Scottish Government related to Covid-19 and the impacts on businesses as



a result of the pandemic. During the course of the pandemic, and including the Business Rates linked property grants distributed in response to the first lockdown restrictions, which totalled £42,947,811, the Council has distributed £91,669,020 of grant aid to local businesses so far to help mitigate the immediate impact of the economic and trading restrictions.

### Amount of business reached?

As a council it was extremely challenging handling a number of new schemes with extensive guidance and criteria set by the Scottish Government at short notice. We are proud of our staff for the speed, diligence and ability to support businesses in this way ensuring that as many are able to survive and with the opportunity to prosper as we move into our recovery phase.

Significant work has been undertaken to develop Employability Skills and Inclusion, principally through the Local Employability and Skills Partnership, which has developed an action plan for the Young Persons Guarantee. The Council's own Kickstart programme, with 120 places, is now underway, and the first recruits have started with eight trainee youth work roles in Youth Services, eight trainee roads operatives in the Roads Service and six positions in health and social care.

Our Borderlands Inclusive Growth Deal was signed by the UK and Scottish Governments in March 2021 and brings £452million of combined new investment to the Borderlands area. 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. It will do this by generating



5,500 job opportunities, 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 next step is to undertake business cases so that we can realise key projects for our region which we anticipate will include investment to the Dairy Nexus innovation centre with Scotland's Rural College (SRUC), Stranraer Marina and redevelopment of the Chapelcross site.

South of Scotland Enterprise (SoSE) launched on 1 April 2020. The South of Scotland Economic Partnership (SoSEP) ended as SoSE began, and our Council continued to manage projects and distribute funding approved under SoSEP throughout the 2020/21 financial year. We have also been working in partnership with the new agency and alongside our colleagues at Scottish Borders Council. The new Regional Economic Strategy will cover the whole of the south of Scotland. Development of the Strategy began in early 2021.

During 2020/21 the south of Scotland was named as one of the pilot areas for the implementation of the Community Wealth Building (CWB) approach to economic development. Work has started both

within the Council and alongside our partners to explore how CWB can be used to deliver inclusive growth.

The late agreement of a deal between the UK Government and European Union mitigated the more significant potential impacts of EU Exit, but there have been some changes which required action by local businesses. Our Council Services which support local businesses have seen some increase in demand for support and advice and the future introduction of Regulatory Measures associated with the crossings to Northern Ireland. These will have an impact on those businesses who trade with the island of Ireland, both locally and nationally. We continue to engage with government and competent authorities to ensure as smooth a transition as possible to these new regulatory measures.





# 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.

This has, indisputably, been a unique and difficult year. Schools closed to all pupils in March 2020. Throughout the period of Covid-19 school closures, our staff continued to deliver high quality education and learning experiences to our learners. Teachers have worked with commitment to innovate and share with their colleagues across our schools and learning communities.



Throughout lockdown, teachers have planned and led remote learning for their classes, learning which has followed the Recovery Curriculum with a focus on literacy, numeracy and health and wellbeing, and for older pupils, requirements for qualifications and awards in senior phase. Pupil and parent feedback has been central to developing a range of approaches to meet the needs of learners. Our children and parents have also risen to the challenge and we have been encouraged by the very high levels of engagement with learning at home and in hubs. The work to improve our schools' IT capability through virtual desktop technology improves access and opens opportunity for pupils. To make the most of this, there is parallel work to build capacity in staff and pupils in digital skills. Statistics show active engagement by staff and young people across Dumfries and Galloway in all resources available to them through the Glow platform. In addition to locally provided support, our staff are benefitting from engagement with colleagues across the regional collaborative in the form of a South West Education Improvement Collaborative (SWEIC) e-implementation group which is delivering resource, support, and training to staff. The national e-learning resources have been well received by our staff and are supporting them in online delivery.

We have secured over 400 digital devices through the Connecting Scotland Programme and working with the third sector from the additional Hardship Funding. This programme has enhanced the ability of our workers to target and reach more at-risk members of the community where the digital world has previously been a barrier due to various factors such as affordability and connectivity. Those benefiting from this initiative have included our most vulnerable children, families and adults including those shielding.

The provision of key worker and vulnerable childcare required a co-ordinated response from the Council as a whole. 12 hubs were established immediately after the schools were closed. Under fives' emergency childcare was provided at four of the 12 local authority childcare hubs, five private and voluntary providers and 51 childminders also offered emergency childcare. Provision was made available from 7am until 8pm at the hubs, and at weekends if

required, continuing throughout the school holiday period. This initiative provided for over 800 of our children receiving direct learning.

The safety of children, young people and staff has been paramount throughout the pandemic and Health and Safety considerations were prioritised as we balanced the need to deliver remote learning to all pupils, provide face-to-face learning and support to vulnerable pupils and provide essential childcare for the children of key workers.

The infographic is set against a blue background. At the top, it says 'Families now have 3 ways you can receive Free School Meals' in white and yellow text. Below this, three options are listed in white text:

- Option 1** Receive a Cash Payment of £35 every 2 weeks (£17.50 per week) per child & you make your own food arrangements.
- Option 2** Delivery of Free School Meals Food Pack direct to your house.
- Option 3** Collection of Free School Meals Food Pack from a Community Hub.

In the center, there is an illustration of a school lunch tray containing a blue fork, a carton of milk, a sandwich, strawberries, and vegetables. At the bottom left is the '#SupportDG' logo with a heart icon, and at the bottom right is the 'Dumfries & Galloway' council logo.

Alternative approaches to the provision of School Meals were introduced to ensure that everyone had access to the support they needed during this difficult time with 34,943 Free School Meal boxes (193,335 meals) delivered directly to 19,678 households across the region and £1,410,491 direct cash payments were distributed to families as an option to the boxes, this also included nursery children where they met the financial criteria.

For 2020, the absence of external assessment information, the exam diets being cancelled, and the Ministerial direction to award estimated grades have led to a different pattern of attainment than we have seen in previous years. Before provisional results are submitted to Scottish Qualifications Authority (SQA), all schools will be involved in a robust quality assurance process which will allow checks to be made on the accuracy of the grades awarded. This process will involve carrying out checks in school, across the local authority, the regional improvement collaborative and nationally by the SQA to make sure that assessments and the

marking is accurate and consistent with the national standard. Pupils received final results in August 2020. Overall, across Dumfries and Galloway, the results for our 16,255 Scottish Qualification Authority entries, reflect our ongoing trend of increasing positive achievement of a 5-year period with attainment from National 3 to Advanced Higher showing steady increases over this period.

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.

A core change throughout Covid-19 has been the shift in our thresholds from being based on established criteria to access statutory social work services to a threshold which embraces early intervention and prevention through the Single Access Point, the Intensive Support Team and with partner agencies.

Our transformation work was affected by the Covid-19 response, some work was accelerated, in particular the objectives related to core and curricular delivery through digital learning, and some paused, specifically the review of partnership primary schools, the review of support for learning and school models. This work, part of our long-term planning to respond to demographic and financial challenges and now shaped by Covid-19 will now be progressed.

The new Children's Services Plan and the Local Child Poverty Action Report were agreed by the statutory partners of the Council and NHSD&G and endorsed by the CPP Board and the Integration Joint Board in 2020, with both making significant improvements to their approach.

The work around Inclusive Playparks also made good progress with children in Annan, Dumfries and Kelloholm now enjoying fully accessible equipment.

# 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

We have continued to support the Health and Social Care Partnership in providing the best care for vulnerable adults, advocating for a personalised approach in line with the Self-Directed Support legislation and ensuring that the rights of people to be involved in decisions affecting their care and support is encouraged and supported.

The impact of Covid-19 was keenly felt by social work staff within the partnership as they worked hard to support health colleagues with the significant challenges faced. Alongside this, adult social work staff also dealt with the increasing pressure and needs of those service users we already knew, as well as facing a significant increase in the demand from people new to the service. This links with the increased impact on the Multi-Agency Safeguarding Hub (MASH), as frontline staff in both children and families and adults' services undertake the follow through on MASH referrals when an investigation or further inquiries are made.



The multi-agency shielding response was based on the Social Work Access Team model which expanded to accommodate the call advisory aspects of the response and were supported in this by colleagues redeployed from other parts of the Council, as well as the Council Solutions Centre, the Community Support Group, four new Locality Hubs and the Third Sector who were key to the successful local response. As a whole approach, we were able to quickly provide practical assistance with food and prescription deliveries, energy and connectivity links as well as emotional and psychological support.

In response to the challenges faced by Care Homes during Covid-19, we have been part of the multi-agency response to provide support to Homes, providing assurance to the Care Home Oversight Group (CHOG) - as defined by Scottish Government - which is a dynamic situation due to the developing response required to the pandemic.

A Care Home Tactical Team has developed working relationships with, and grounded knowledge of, all Care Homes within Dumfries and Galloway. The Team is working closely with Scottish Care, the Care Inspectorate, and the operational Locality Managers/ teams.

An important piece of work has been facilitating safe contact between residents and their loved ones, promoting their emotional and mental wellbeing, and in sustaining these important connections. This requires balance and appropriate measures being



in place to reduce the likelihood of Covid-19 being transmitted into the Home, which we have seen has a devastating impact due to the nature of this virus and risks to life. This is an ongoing piece of work as visiting restrictions and advice from the Scottish



Government continues to develop and change.

Building on the success of CHOG, the partnership has also implemented a similar approach in supporting Care at Home Providers. The Care at Home tactical team reports to the Oversight Group (CASHOG). The initial focus of the team is to support providers to meet relevant standards of care. This work will extend to include oversight of contingency plans and development of new approaches in the delivery of care.

Dumfries and Galloway Council has a duty and responsibility to work with partners to protect those who are our most vulnerable, and a shared commitment to protect is at the heart of all that we collectively do. The Dumfries and Galloway Public Protection Partnership (PPP) 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).

Throughout the reporting period, and in response to the pandemic, the COG-PP reviewed its Constitution and Terms of Reference to strengthen and clarify governance arrangements across the PPP during the response to the pandemic. The group also significantly increased its frequency of formal meetings during this period, ensuring that it was sighted on both existing and emerging risks, and the

actions being taken to reduce the impact of those risks.

The pandemic required the Council to both jointly refine and rethink PPC priorities and continue to influence its collective approach to protect vulnerable individuals in our region.

The first joint Public Protection strategy was developed for 2020-2023 setting out key priorities and associated activity for this period, and how these will be achieved. This is designed to strengthen partnership working and our collective commitment to protect vulnerable people across Dumfries and Galloway.

As continuing commitment to ongoing review, 2020/21 saw the implementation of a joined Performance Quality and Improvement Sub Committee, addressing an identified requirement for integration of the previous Performance and Quality, and Practice Improvement sub committees to agree quality assurance and performance frameworks and provide assurance that partner agencies use an evidence-based approach to support and drive improvement in practice.

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 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.

The MASH has had an increased workload during the pandemic given the restrictions and self-isolation children, families and vulnerable adults experienced. Not only did referrals increase, but the complexity of them increased. The challenges of face-to-face contact created further challenge in terms of being able to assess risk given the need to use PPE and people's reluctance to allow access as they were concerned about the virus.

The Council's Anti-Poverty Strategy for 2015-2020 was evaluated; and alongside new Poverty and Deprivation Research published in December 2020, a new partnership Poverty and Inequalities Strategy was agreed by the Council's Communities Committee in February 2021 and the Community Planning Partnership Board in March 2021.

The region's Antisocial Behaviour Strategy was refreshed and agreed by the Council and partners in March 2021.

Our Joint Action Plan with the Youth Council has made good progress, reporting in February 2021; and the focus on supporting young people during and out of the Covid-19 pandemic has seen additional investment in our counselling service in secondary schools.

Our Lifelong Learning approaches for adult learning, family learning and English as a Second or Other Language saw a big move to online and digital learning which staff and our learners have embraced enthusiastically.

Our Financial Wellbeing and Revenues Service has continued to provide assistance and support to a wide range of vulnerable people across the region, as well as support to businesses. The service processed Business Support grants to local businesses and in addition ensured that, where appropriate, businesses were awarded 100% rates relief under the new Retail, Hospitality and Leisure relief. The Service also ensured that 10,700 Scottish Welfare Fund applications were processed, paying out £1.5 million in addition to 3,000 Free school meals and Holiday hunger payment. The Service continued the work of the Welfare and Housing Options team which provides support to those at threat of eviction. Since its inception, the Service has supported 1,337 customers, saving 154 from eviction and possible homelessness.

The Scottish Government allocated Affordable Housing Supply Programme funding of £23.2 million for 2020/21. 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 vulnerable residents. These homes are built to high energy efficiency standards and design requirements which aim to ensure that all properties are flexible enough to accommodate a range of different circumstances throughout a person's life. A number of challenges arose during the financial year, not least through the Covid-19 pandemic which saw the construction sector effectively shut down in March 2020, followed by a phased re-opening once restrictions allowed. The Council and its partner organisations took immediate proactive action to divert resources away from on-site work to areas such as design and planning applications. This approach ensured that the sector was able to bounce back quickly. While final figures are being collated by the Scottish Government, it is anticipated that there has been no negative impact on the overall affordable housing investment in Dumfries and Galloway.



# Strategic Priorities

## Priority 4 Be an inclusive council



We are passionate about the importance of working with citizens, customers, our staff, Elected Members and partners in our region. We all have a shared interest in making the most of the talents, vision and commitment of the people who learn 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

Our partnership response to Covid-19, working with other organisations, the voluntary sector, and communities, has been critical and recognised as good practice which should be continued as we move beyond the pandemic. Experience has shown that by working together we can be more inclusive, reach more people with fewer barriers, and achieve so much more than working in isolation.

Working with local communities is key to our organisation. Community Asset Transfers (CATs) form a part of this work. A Scrutiny Review on CATs and a Scottish Parliament Inquiry identified that our Council is at the forefront of CATs being a community empowerment tool and the regular review and updating of the procedure ensures that there is ongoing learning.

Communities are now maintaining and enhancing these assets for their local communities, bringing a fresh approach and external funding to reinvigorate them.

Another example of citizens being at the heart of decision making is through Participatory Budgeting (PB). £200k of 2020/21 Tackling Poverty Budget was determined through PB, aimed at employment, with local people deciding on the projects to be funded. External funding for PB exercises was awarded to our Youth Service.

Our Equalities Mainstreaming Report 2019/21 was agreed in March 2021 and reflected significant improvements in the gender and race gap; and our new Equalities Outcomes for 2021/25 were also agreed, following extensive engagement with local equality groups.

Engagement with local citizens, customers, staff, and partner organisations (particularly local businesses, social enterprises and third sector organisations supporting people) has been at the heart of our Covid-19 Response work and a Consultation Mandate is guiding our work.

During the first Covid-19 Lockdown, our Committee system was amended to ensure that there could be remote participation by Councillors and public access to the meetings. This has been sustained as a permanent improvement.

Our volunteering work has been thriving, with registration and training to achieve 'Investors in Volunteering' status and the profile and range of volunteering activity throughout the Covid-19 emergency has been immense. A particular strength has been the updating of Community Resilience Plans and Community Resilience Partnerships, with our Council providing a framework and some financial support along with advice and guidance.

Improved communications also support inclusion. A Community Bulletin has been published since the beginning of the Covid-19 pandemic and provides an update on Covid-19 related matters; information on where to get support and assistance - for example an emergency food helpline; personal budgeting and finances. There has also been a weekly newsletter for Councillors, MPs and MSPs giving performance information; new Covid-19 webpages with details on how to access business grants etc; and a new feature on our website to assist accessibility.



# Strategic Priorities

## Priority 5 Urgently respond to climate change and transition to a carbon neutral region



### Our commitments are:

Encourage understanding of how the way we live and work in the region impacts on climate change	Empower our communities and stakeholders to make significant changes to reduce emissions and adapt to a low carbon approach
Lead on the transition to cleaner and greener technologies	Promote and protect our region's natural environment
Contribute to a greener economy, maximising the region's green energy potential	

Our Climate Emergency Declaration, unanimously agreed by Full Council in 2019, represented a fundamental shift in our understanding and approach to tackling Climate Change as a Council and was our first step on the journey to becoming a carbon neutral region by 2025. Despite the unprecedented challenge faced by the Council during this year, significant progress has been achieved.

In September 2020 we agreed the inclusion of a fifth Priority within the Council Plan, reflecting our Council's Declaration. The new priority embeds carbon reduction into all our activities and decisions across the Council and supports us in our transition to a low and zero carbon economy. All our services now have climate change at the heart of their activities and will consider this Priority in all future policies and practices.

The Priority is supported by five commitments which provide the scope and flexibility to address our climate emergency and clarity on the priority areas to address for the 2025 target:

- Encourage understanding of how the way we live and work in the region impacts on climate change
- Empower our communities and stakeholders to make significant changes to reduce emissions and adapt to a low carbon approach
- Lead on the transition to cleaner and greener technologies
- Promote and protect our region's natural environment
- Contribute to a greener economy, maximising the region's green energy potential

The requirement to develop a baseline emissions inventory for the region was identified by both the officer and cross-party working groups as essential to provide a framework in which to work from. The inventory was independently produced and involved the collation and analysis of available emissions data from within the Council and our strategic partners. It was approved in November 2020 and provides us with the necessary starting point on current calculated CO<sub>2</sub>e emissions on a sector-by-sector basis across the region and will enable us to develop our Strategic Plan to be carbon neutral.

Our Strategic Plan, agreed at the start of 2021, sets out the detailed strategic actions that can be taken over the next five years, as a region and as a Council, to reduce our CO<sub>2</sub>e footprint. It includes measures to allow monitoring and reporting on progress for the new Priority and on our climate duties each year. It also highlights where we have the ability to influence, support and assist with the actions of stakeholders and partners to achieve our ambitious local targets and contribute to the national targets for the Scottish and UK governments.

We became a Carbon Literate Council when we achieved our Carbon Literacy Bronze Award in September 2020, the first non-metropolitan Scottish Local Authority to do this. Carbon Literacy means “An awareness of the carbon dioxide costs and impacts of everyday activities, and the ability and motivation to reduce emissions on an individual, community and organisational basis”. Our Council has a clear understanding of what causes climate change, what needs to be done to address it and is taking immediate measures to counteract the effects of global warming.

Staff within our Youth Work Service Team undertook this Carbon Literacy Training and Climate Emergency Training for Youth Workers. They have worked with Dumfries and Galloway Youth Council to develop a Climate Change and Environment sub-group. The Youth Councillors developed their own action plan for what they and other young people in their Ward areas can do on a local level to combat climate change. The Youth Council started designing Climate Change events that will potentially be taking place in Dumfries and Galloway to tie in with the COP26 UN Climate Change Conference in Glasgow in November 2021.

Our Council, along with south of Scotland partners, has submitted an expression of interest to secure representation of the region at the forthcoming COP26 Conference. This bid was based on our targets to become carbon neutral as a region and the ambitious drive to become one of the first regions in the UK to formally set a target of 2025; our active development of opportunities at Chapelcross for green and renewable energy and green manufacturing; the considerable success of regional environment projects including the Galloway Glens Landscape Partnership and Galloway and Southern Ayrshire Biosphere Reserve; and our region’s strong history in renewable technology.

We want to understand the views of citizens, especially those interested in environmental issues, to maximise the opportunities locally to build on the green recovery and create a more sustainable economic model for the future. Work has started to establish a citizen’s panel to focus engagement on climate change, bringing together a broad range of stakeholders and interested parties across the region to assist us in addressing the Climate Emergency. Our approach is based on best practice from elsewhere and will be in place later in 2021.



# 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	Urgently respond to climate change and transition to a carbon neutral region
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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	Encourage understanding of how the way we live and work in the region impacts on climate change
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	Empower our communities and stakeholders to make significant changes to reduce emissions and adapt to a low carbon approach
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	Lead on the transition to cleaner and greener technologies
Provide an attractive location to do business	Support children to be healthy and active	Keep our Communities Safe		Promote and protect our region's natural environment
				Contribute to a greener economy, maximising the region's green energy potential

## Strategies and Plans

Regional Economic Strategy	Children's Services Plan	South West Educational Improvement Collaborative Improvement Plan 2021/22	ICT and Digital Strategy	Regional Tourism Strategy
Equalities Outcome	Volunteer Strategy	Carbon Management Plan	Customer Strategy	Anti Social Behaviour Strategy
Health and Social Care Strategic Plan	Advocacy and Lobbying Strategy	Major Festivals and Events Strategy	CLD Partners' Strategic Plan	Community Engagement and Participants Strategy
Regional Transport Strategy	Procurement Strategy	Local Development Plan	Education Authority Annual Plan	Financial Strategy
Anti Poverty Strategy / Poverty and Inequalities Strategy	Food and Drink Strategy	Local Housing Strategy	Active Travel Strategy	Workforce 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



# Delivering in a Pandemic 2020/21

During the year, we have continued to deliver essential front-line services across Dumfries and Galloway as well as providing support to those who need it most.

The Covid-19 pandemic, and our emergency response to this both locally and nationally, meant that every aspect of all our day-to-day lives changed. Together with our public and Third Sector partners, we were at the forefront of measures to respond to and mitigate against the challenges of the pandemic.

Our focus throughout the initial response, and beyond, has been to serve the citizens of Dumfries and Galloway, ensuring the provision of essential services, protecting our most vulnerable residents, and ensuring that support was available to those who needed it most. And supporting businesses and social enterprises to survive.

As a result, and over a very short time, we have had to make rapid and continuing changes to the way we work and how we deploy and focus our resources, across all parts of the Council's operations. Sustaining a fast-paced response to the measures required of us during lockdown, and to help us effectively operate essential services through this period, has meant we have had to stop some activities and change how we deliver others to fully accommodate public health requirements, to enable us to resource new workstreams and to comply with lockdown.

Working with local people and communities - we

- Worked together with over 300 community groups and over 2,500 volunteers on the Covid-19 response.
- Distributed hardship funding early to food providers and key third sector organisations, following Elected Members decision, to provide a very early, quick, and localised support for vulnerable people, with appropriate, lighter touch oversight and sufficient checks.
- Allocated nearly £400k hardship funding to support the activity of a range of community support organisations.



Working closely with Local Resilience Partners (NHS, Health and Social Care, Police and Fire Services), local communities, third sector organisations, social enterprises, other local authorities, and Government Agencies; we worked quickly and effectively to deploy our resources, knowledge and expertise, to protect and support residents and communities, and mitigate against the impact of the pandemic on individuals and businesses.



- Sustained essential weekly refuse collection, supported by redeployed staff, and working with the Joint Trades Unions on safe working, within Scottish Government requirements for social distancing and hygiene to protect staff and customers.
- Re-opened household waste recycling centres on 1 June 2020, implementing safe working arrangements to protect staff and members of the public.
- Provided bedding plants for community planting projects.
- Developed new communications arrangements to support internal and external communication channels through the emergency response – including new community newsletters, social media, and webpages; webinar series for internal and external audiences; daily reports for Elected Members and MSPs/MPs.



A critical feature of the Council's Covid-19 response was the flexible temporary deployment of Council staff into areas of priority need such as Childcare Hubs, Social Work Access Teams, Solutions Centre, Distribution Hub, Business Grants, Community Testing, Vaccinations etc. This approach, developed in regular dialogue with our joint trade unions, has enabled us to support our most vulnerable members of the community and maximise the use of our staffing resource, often giving staff exposure to new areas of Council service, providing them with training and development opportunities.

Since the second lockdown began in January 2021 there were 187 Council staff redirected from their substantive roles into priority areas of work linked to our Covid-19 response. Finance, Procurement and Transformation



Committee on 13 April Members agreed a budget allocation of up to £125k in order to sustain the current level of staffing resource within the Council's Distribution Hub when redirected staff return to their substantive roles. This work is critical to ensure the continued capacity to support distribution of Personal Protective Equipment, Lateral Flow Devices, Crisis Food Boxes and Prescriptions together with essential supplies to Care and Support Services, Home Carers and the joint management and distribution of NHS National Services Scotland stock.

In the last 15 months, there has been significant focus on supporting our workforce including those working on the front-line critical roles and those working from home. Over 30 staff bulletins were released covering a wide range of people related information and was heavily weighted towards health and wellbeing, providing advice and support to our whole workforce; to signpost staff to relevant services and to utilise all available resources, including Occupational Health services, that support a safe and healthy workforce. Our future plans continue to build on our extensive health and wellbeing programme, and through joint working with Trade Unions, and the strategic health and wellbeing group, lead, plan and deliver a health and wellbeing programme that provides focused and tailored support.



# 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 second Annual Report on the LOIP was agreed in November 2020 and evidenced good progress across the eight outcomes. A key feature during 2020/21 is the move towards Locality Hubs as the geographic planning model; and the strong performance monitoring of the 12 Strategies and Plans and associated Partnerships that contribute to the LOIP.

## The CPP's Vision is:

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

## The LOIP 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.

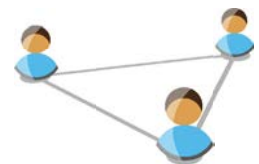
### Outcome 3

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.



# Service Performance

Our approach to service performance is based on the cycle of 'plan-do-review-revise' and provides the mechanism for linking objectives, priorities, and resources. It is ongoing and each step of the process must be repeated to ensure that improvement is secured and embedded. This shows how we continuously review our performance to improve our services.

Our Council Plan sets out the Priorities and Commitments for the Council and these are delivered through our Service Business Plans. Business Plans are produced for a five-year period, reviewed, and updated annually, to align with the budget setting process and Council Strategy.



In the last year, a number of our services changed the way that they deliver, some services were prioritised, and some were stopped due to Covid-19.

- Education Service delivered education in a different way, using online delivery as well as introducing childcare hubs to ensure that children of key workers and the most vulnerable children within our communities were safe. The service has also developed a focussed route map to coordinate the reintroduction of a range of activities which are aligned with the normal day to day activities of a School.
- Social Work’s critical functions have continued throughout the pandemic and rather than having paused, a range of activities have continued but delivered in a different way, including the delivery of the Single Access Point as an effective means of supporting our most vulnerable people.
- The majority of functions within Economy and Resources have continued to be delivered throughout the pandemic, albeit the focus of

some areas has flexed and developed to reflect the areas of priority demand. We have provided ongoing support to local businesses, and the economic recovery of the region will remain a significant consideration for some time.

- Many areas of Communities’ work, such as Refuse Collection, Youth Work and Community Support / Ward Working functions have played a vital role in servicing and supporting our communities during the pandemic.
- Some services, such as Leisure Centres, Galleries and Museums and Libraries, ceased completely for a temporary period due to lockdowns and staff from these services were redirected to support delivery of other essential services.
- We experienced demand for new and different services/activity such as food deliveries, payment of business grants, direct payments of Free School Meal allowances. The ability to redirect staff to support the delivery of these services was crucial.

# A Workforce Fit for the Future



**Our Workforce:** ensuring that the workforce was safe, deployed in the areas of highest priority and that essential front-line services could continue to be delivered. A key component of the transformation of our workforce is the lateral movement of staff across the Council – throughout the response to Covid-19, staff were deployed to the areas of greatest need, this approach was at the heart of the success of our response activity. We disseminated UK/ Scottish Government and COSLA guidance relating to strategic workforce issues and provided essential, regular, and targeted information on health and safety, working arrangements (annual leave etc.), terms and conditions and health and wellbeing through our staff briefing programme. Detailed workforce metrics data was prepared to inform Leadership Teams on key aspects linked to the pandemic, such as deployment numbers, locations, roles, Covid-19 and self-isolation information that would help inform strategic decisions linked to workforce deployment, visibility of workforce availability, and targeted support and advice around issues of homeworking and health and wellbeing. This enabled responsive decisions could be made to support our workforce and service delivery requirements throughout the pandemic.

**Health and wellbeing** of all staff was, and remains, a priority for the Council. Through regular staff bulletins and dedicated support, significant development of health and wellbeing resources were shared with and utilised by the workforce to ensure they worked safely. The strategic health and wellbeing group had oversight of all health and wellbeing initiatives, and these continue to be developed, aligned to close collaborative working with the Joint Trade Unions to join up and present a suite of activities and guidance designed to support our workforce, utilising over 100 mental health champions who would be available to anyone who wished to talk through any wellbeing concerns. The Wellbeing Group has now also extended into Community support and building relationships with other organisations (SOSE now officially part of the strategic wellbeing group) in Dumfries and Galloway to build a truly partnership approach to health and wellbeing in Dumfries and Galloway region.

- Development of a programme of mental health awareness training for senior, middle, and front-line managers
- DGTogether – a strategic approach to health and wellbeing, a programme of information, campaigns and activities, self-help, communication, and engagement to support a mentally healthy workforce and families, and other activities to support physical, and financial wellbeing
- Development of wellbeing checks for workforce carried out by our Occupational Health provider.



**Enhance your Wellbeing**



**Health and Safety:** a new structure was put in place to consolidate all health and safety expertise under a single leadership model and to deploy that expertise, and in greater numbers to where the need was greatest. Demonstrated the benefits from a collaborative and partnership approach that recognised that all 112 Schools had revised safe systems of work and risk assessments in place prior to the return of pupils, as well as significant other public buildings including Customer Service Centres, public toilets, and community halls. In addition, all health and safety work was shared across the team building new skills and capability across the team giving exposure to new areas of business for our health and safety experts. This has resulted in a new structure being approved by Senior Managers on a new consolidated future model for health and safety using the Covid-19 learning to drive forward a new and exciting chapter for health and safety in the future.



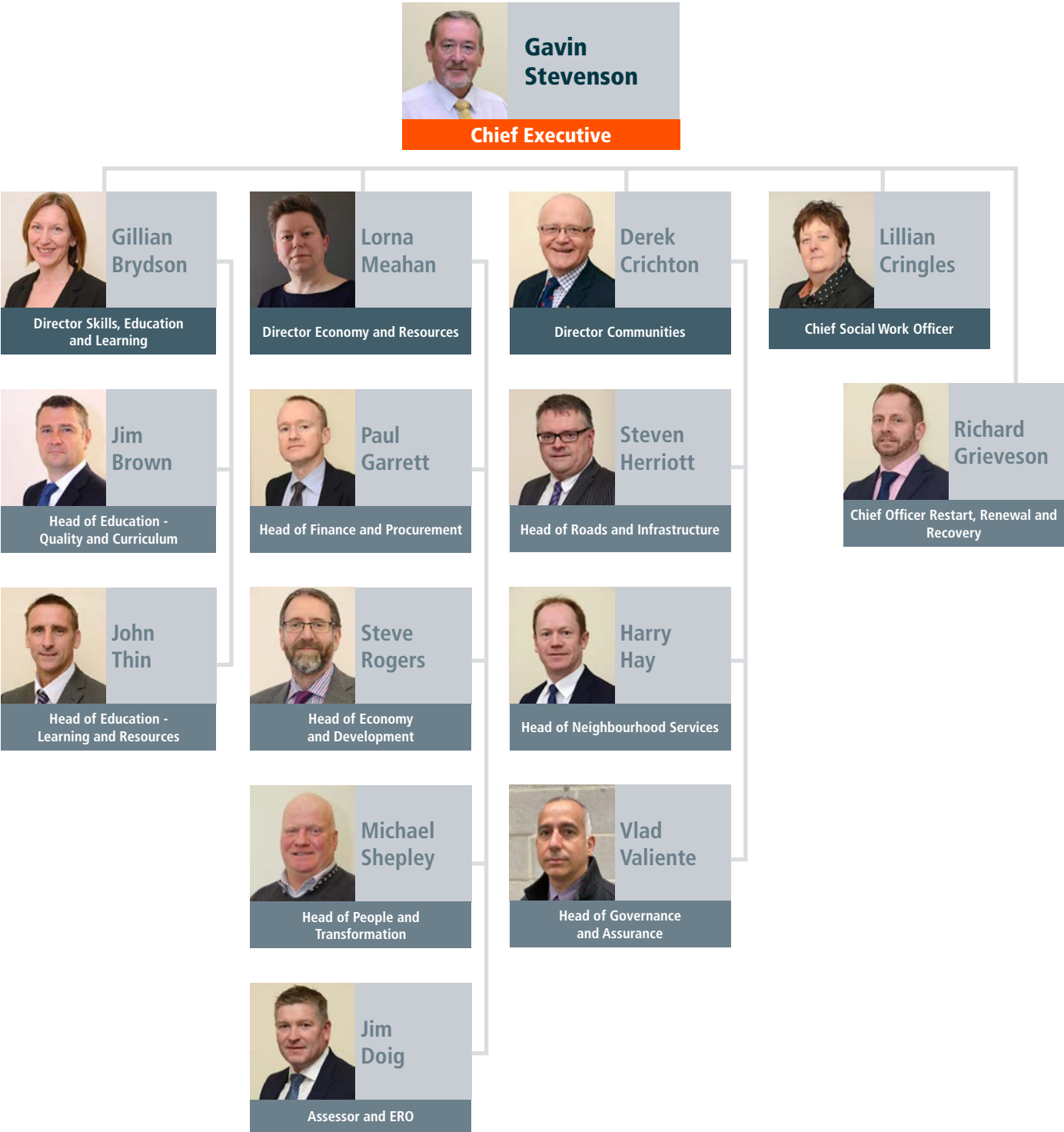
# Trade Union Activities

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



# Looking Forward

The scale of the budget challenge means that to deliver our Priorities within our means, we need to 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, 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 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, 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, renewal and recovery processes will be an important part of our approach.

The pandemic has provided an opportunity for the Council to consider the services it provides and through the Renewal and Recovery programme, which is closely aligned with previous Transformation work. Looking at our Services and existing Transformation activities through the lens of Covid-19 will help provide additional focus on those aspects of the Council which have an opportunity to work differently to deliver positive outcomes. The Council has created a Response, Renewal and Recovery Sub Committee to drive this change. A key part of this work is to consider the findings of key groups such as the Scottish Government Advisory Group on Economic Recovery, Social Renewal Advisory Board and its Calls to Action, the Scottish Government's Four Harms as identified in its Strategic Framework as well as the earlier findings of the Christie Commission's Report specific to the future delivery of Public Services.

## Renewal

In developing an approach to Renewal and Recovery it is critical that we reflect on the Council's Service provision during the emergency response and identify opportunities to take an alternative approach to future service delivery:

- This will require us to build upon the widespread mobilisation of communities and individuals, harnessing this to reshape and refocus the provision of services in our communities.
- To continue the successful use of technology and remote working, reducing transport, building related costs across the Council, and contributing to the Climate Emergency Agenda.
- To reflect on low absence rate during the emergency and identify opportunities to maintain these levels through more flexible working arrangements.
- To build on successful partnership working within D&G, identifying opportunities to develop different operating arrangements, structures and share services with our partners.

We have commenced a process of identifying key areas within each service where the above principles can be applied. We will identify opportunities to take an alternative approach to future service delivery highlighting opportunities for cross services and enhanced partnership working. This will inform debate and Member engagement at the appropriate Committees in order to seek Member input and direction as to how services can renew in a different way in order to achieve the objectives and aspirations of the Council.

# Financial Performance

## Impact of Covid-19 Response & Recovery Activities

The additional costs, and additional funding received, in relation to Covid-19 Response & Recovery activities have had a highly significant impact on the Council's financial performance in 2020/21. Given the impact of the Covid-19 pandemic on communities, businesses and individuals in Dumfries & Galloway, the Council prioritised the provision of the required support activities but did so in a manner that sought to maintain the Council's overall financial stability and resilience to avoid placing an undue burden on future service levels or on future taxpayers.

## 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 Integration 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.

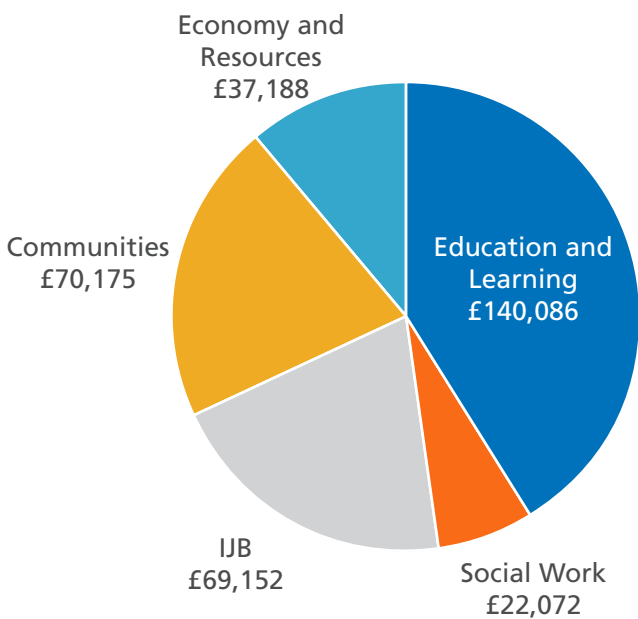


## Financial Review

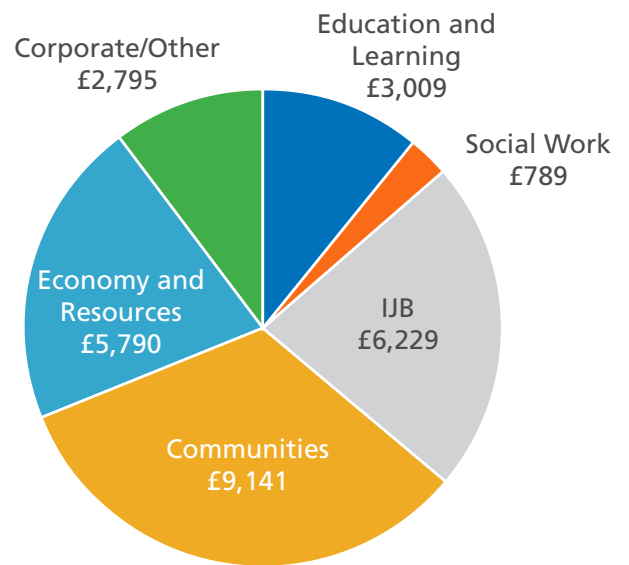
During 2020/21, service income and expenditure levels were significantly impacted by the Covid-19 response and recovery, with the additional support received from the Scottish Government allocated to each of the Services at the end of the financial year, to support the net costs incurred. As most service variances against the initially agreed budgets were attributable to Covid-19 in 2020/21, only a small number of specific underspends have been treated as non-Covid-19 variances to allow unspent resources to be carried forward and made available to support the relevant activities in the new financial year.

The following pie charts summarise the net spending levels for each of the Council’s services in 2020/21, and the level of Covid-19 funding support provided.

**Net Spend per Service  
£000**

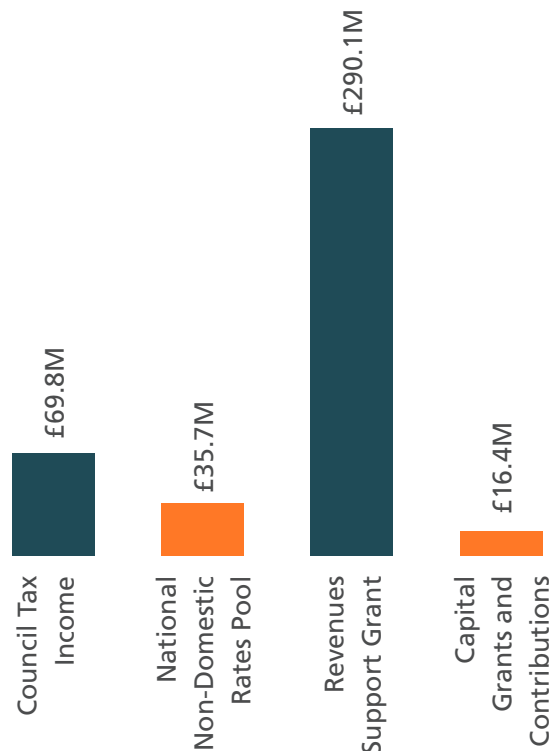


**Covid-19 Funding Support by Service  
£000**



Whilst the Comprehensive Income and Expenditure Statement on page 53 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 54. As highlighted within this statement there was an increase in useable reserves of £25.7 Million at the end of the financial year, which was primarily due to the receipt of significant additional support from the Scottish Government to support the Covid-19 response and recovery referred to above.

As reflected at Note 10, the main sources of funding for the Council are shown in the chart opposite.



## Capital Programme and Borrowing Facilities

Note 18 to these accounts provide summary information on capital expenditure and funding for 2020/21.

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 progress of capital projects and the level of capital investment incurred by the Council in 2020/21 was impacted by the restrictions associated with the Covid-19 emergency. The net Capital Spending in 2020/21 of £23.1 Million (ie. gross capital spend less direct funding for specific projects) is lower than the levels seen in previous years.

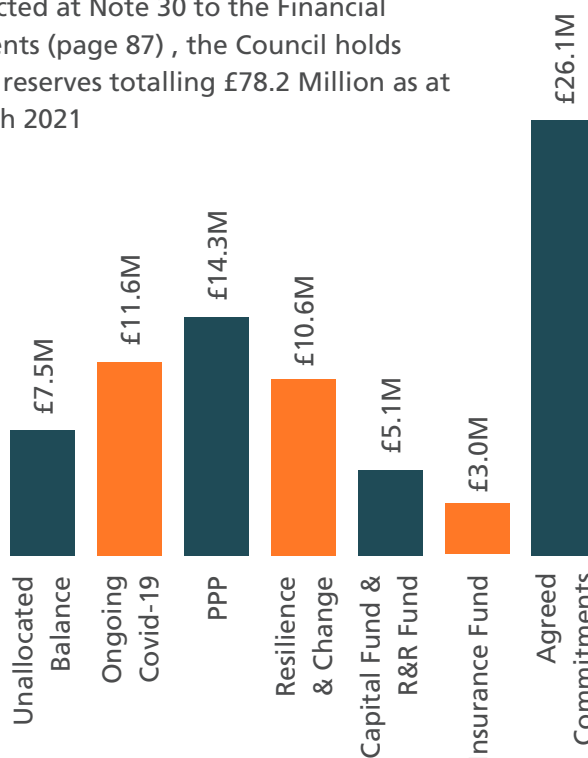
Major capital investment supported during the year included:

- £8.6 Million invested in our key infrastructure including roads and bridges
- £3 Million invested in our school property estate
- £2.7 Million invested in the Refuse Collection Vehicle Fleet to support revised waste collection arrangements
- £2.2 Million invested in our non-school property estate
- £1.8 Million invested in our ICT and Vehicles/Fleet
- £1.5 Million invested in Economic Development Projects

As a result of the impact of Covid-19 restrictions, borrowing to support capital investment was reduced from planned levels in 2020/21. However, it is expected that capital investment levels will be increased over the upcoming period to support ongoing investment in key assets as well as funding for major priority projects including the Dumfries Learning Town Phase 2 and the Borderlands Inclusive Growth Programme.

## Amounts Held at the Year-End

As reflected at Note 30 to the Financial Statements (page 87) , the Council holds useable reserves totalling £78.2 Million as at 31 March 2021



As detailed at Note 30 to the Financial Statements, the significant majority of these resources are committed for specific purposes and can be summarised as follows:

- Covid-19 funding totalling £11.6 Million has been carried forward to support the ongoing provision of response and recovery support activities including additional staffing and non-staff costs within our schools, costs associated with the reopening of our region, economic recovery activities and to offset the ongoing impact on service cost and income levels as Covid-19 impacts and restrictions continue;
- £14.3 Million is being held in a Sinking Fund to support the ongoing costs associated with the Smarter Schools PPP project;
- Agreed Commitments include £3.3 Million to support Affordable Housing, £2.4 Million to provide increased investment in Carriageway Defect repairs, £2.1 Million to support costs associated with improvements in the Council's Waste Collection, Treatment & Disposal service, £2 Million to support Economic Recovery measures plus amounts to support investment in Anti-Poverty Initiatives, Schools Technology, Young Persons Employability and support for Social Work Services.
- £5.6 Million is being held in a Corporate Change Fund to support the delivery of change, savings and efficiencies over the upcoming period and a further £5 Million is held in a Budget Pressures/Resilience Fund to provide some protection against ongoing spending pressures as the region seeks to recover from the Covid-19 emergency.
- Unallocated General Fund Balances have been maintained at the agreed minimum level of 2% of annual planned expenditure which equates to £7.5 Million.

## Key Financial Indicators

The following financial indicators are designed to assist the reader to assess the performance of the Council over the financial year. The indicators in relation to the in-year council tax collection rate and the number of invoices paid within 30 days have been adversely affected by the impact of Covid-19 although these impacts are expected to be of a temporary nature.

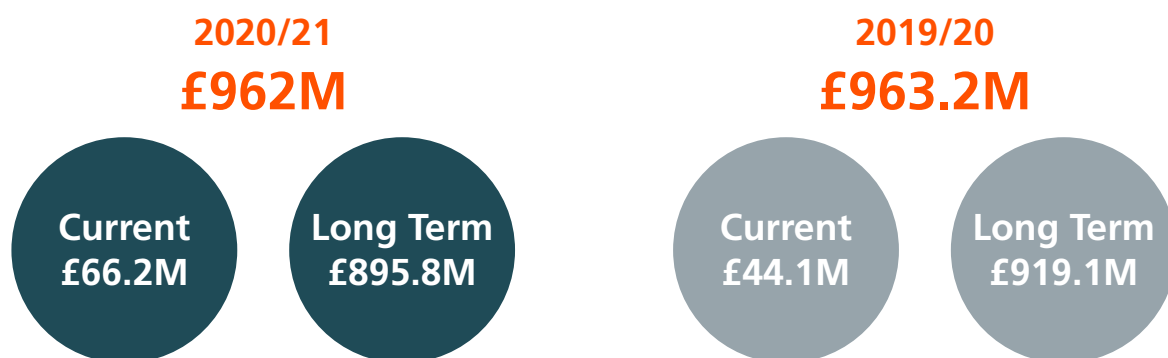
Financial Indicator	Commentary	2020-21	2019-20
<b>Reserves</b>			
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 2% of annual expenditure which is considered appropriate in the context of the Council's financial and on-going risk profile. This is also a fundamental factor to the Council's Finance Strategy	2.00%	2.00%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its uncommitted General Fund Balance. There was no use of uncommitted general balances in 2020-21.	No Change	No Change
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.	95.4%	96.7%
<b>Financial Management</b>			
Actual Outturn compared with Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. The 2020/21 figure excludes the impact of Covid-19 activities.	98.3%	98.96%
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.	93.2%	96.1%
<b>Debt/Long Term Borrowing</b>			
Loans Fund Interest Rate	Indicated the effectiveness of treasury management activities through showing the average cost of servicing the Council's net debt	3.11%	3.11%
Ratio of Financing Costs to Net Revenue Stream	This is a measure of how affordable the Council's capital plans are. It shows the cost of annual borrowing repayments as a % of annual revenue spend.	5.8%	6.4%



# Balance Sheet Assets and Liabilities

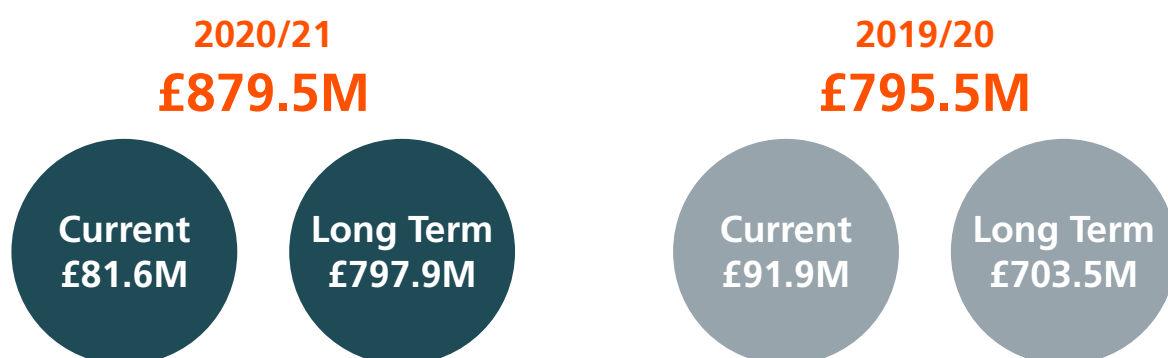
The Balance Sheet represents a snapshot of Dumfries & Galloway Council's overall financial position as at 31 March 2021. It brings together the year-end balances of all Dumfries & Galloway Council's accounts and presents money owed to and by the Council, assets owned and the reserves at the Council's disposal. More information on its component parts can be seen in the notes to the Accounts.

## Total Assets



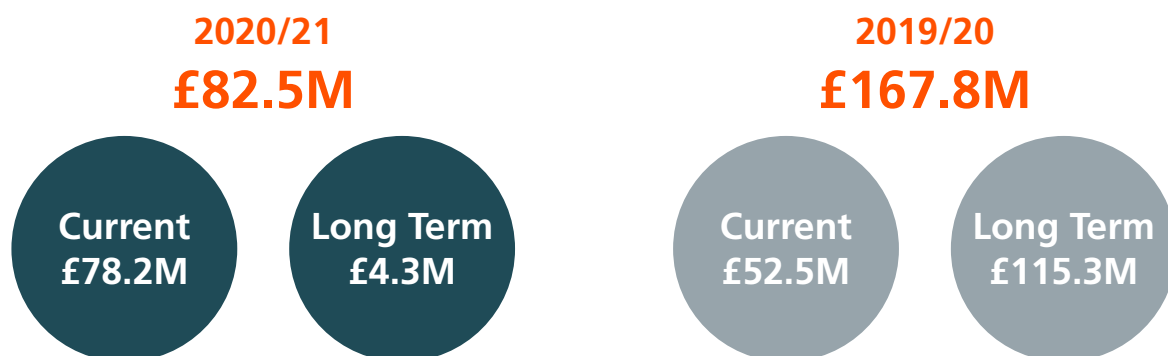
Increase in current assets due to higher cash and cash equivalents balances associated with Covid-19 support from the Scottish Government.

## Total Liabilities



Increase in long term liabilities due to increased pension liability, and decrease in current liabilities due to decrease in short term borrowing.

## Total Reserves



Unusable Reserves relate to revaluation gains or to hold adjustments to reconcile accounting and statutory adjustments. These reserves are not available to fund the day to day running expenses of the Council. The increase in usable reserves is mainly due to the receipt of additional Covid-19 funding support from the Scottish Government.

# Details of Assets and Liabilities

## Assets

Cash and Cash  
Equivalents  
**£44.1M**



Vehicles, Plant  
and Equipment  
**£13.3M**



Infrastructure  
Assets  
**£143.3M**



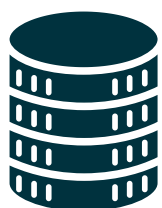
Other Land and  
Buildings  
**£728.4M**



Other Assets - **£32.9M**

## Liabilities

Borrowing  
**£203.8M**



Finance Leases  
**£107.8M**



Pensions Liability  
**£494.3M**



Short Term  
Creditors  
**£73.4M**



Other Liabilities  
**£0.2M**

The estimated cost to the Council if all pension scheme members' future pension benefits were payable now.

The pension liability figure increased by £97.8 from 2019/20 mainly as a result of the impact from the most recent triennial valuation of the pension fund as at 31 March 2020.

Liabilities increased by £276.4m arising from changes in demographic, financial and other assumptions, partly offset by an improved return on assets of £178.6m.

## Financial Outlook and Principal Risks

The 2020/21 corporate outturn position represents a positive position for the Council from which to address the significant challenges in addressing and supporting the pressures associated with the Covid-19 recovery.

However, while the availability of non-recurring funding during the Covid-19 period has 'paused' the need for councils to identify significant recurring savings, it is fully anticipated that, beyond the current financial year, local government will face a return to requiring to significantly reduce spending while meeting increased service demands/requirements.

### 2021/22 Revenue Budget Plan

Due to the expectation that Covid-19 will continue to impact on the Council's required spending and income levels in 2021/22, the approach to setting the 2021/22 budget was very different to prior years and assumed that the Covid-19 financial implications would be fully funded through the allocation of non-recurring funding support, including additional funding provided by the Scottish Government. The approach also recognised the difficulty that Services would face in identifying, developing and agreeing significant service changes and associated savings during the Covid-19 response period and as such focussed on previously considered/available savings options.

### 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 March 2021 and reflects total planned Council investment of £424 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 Dumfries Learning Town Phase 2, the Borderlands Inclusive Growth Programme, various Flood Protection Schemes across Dumfries and Galloway and the development of Dumfries Zero Waste Park.

## Financial 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. While the financial implications to date have been fully addressed through the receipt of additional Scottish Government funding, it is recognised that this additional funding is being received on a temporary basis and that pressures are likely to extend beyond the short-term.

At this stage it is difficult to predict future Local Government Settlement Levels although, taking into consideration the priority areas outlined by the Scottish Government, it is anticipated that unprotected areas, including the majority of local government services, will face the need to make significant savings over the upcoming period.

While the Council has identified and secured annual savings of £113 Million over the 11 financial years up to and including 2021/22, 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 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 the Scottish Government's own fiscal policies, particularly in relation to taxation and borrowing
- Scotland's economic performance, in both absolute terms and in relation/comparison to the economic performance of the rest of the UK
- The Scottish Government's priorities in relation to health, local government, policing, higher & further education and other spending portfolios.
- Economic/Cost Variables including pay & non-pay inflation and interest rates
- Demand for Services
- Increasing complexity of partnership delivery, public sector reform and regionalisation

## Plans to Address Principal Risks

The emergency response period has helped to identify opportunities to adopt alternative approaches to future service delivery through revised operating arrangements, structures and shared services with our partners. The future development of the Transformation Programme will be undertaken alongside and as part of this process.

The themes of the agreed Transformation Programme are:

- Sustained focus of resources on our Council Plan
- 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

A key objective of this process will be to identify and support the delivery of significant reductions in the cost of the Council's service delivery.

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.



## 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 Council Committee at its meeting on 21 September 2021.

### 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 2021.

**Paul Garrett**  
**Head of Finance & Procurement**  
**21 September 2021**

## Annual Governance Statement 2020/21

### 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 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 2020/21 we undertook an evaluation of our compliance with our Local Code of Corporate Governance. The identified improvement actions and evaluation agreed by Members inform this Governance Statement.

2.7 Sound governance continued to operate during the period of disruption due to COVID 19 Pandemic. The suspension of the Scheme of Administration and Delegation to Committees, and operation of an Ad Hoc COVID19 Sub Committee was subject to review on a monthly basis and was supported by Member seminars and opportunities for all Members to contribute their views to the Ad Hoc Sub Committee Members. The suspension of the Scheme of Delegation was for a very short period of three months.

### **3. Improvements and changes to Governance arrangements during 2020/21**

The progress we made in these six Improvement Actions arising from the 2019/20 AGS is set out below, along with other actions undertaken during 2020/21.

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

- At the meeting of Dumfries and Galloway Council on Tuesday 26 September 2017, Councillors agreed its four Priorities and sixteen Commitments and a detailed Council Plan for the next five years to ensure these are delivered. The meeting of Dumfries and Galloway Council on 25 September 2020 agreed the addition of a fifth Priority and associated Commitments. Our Council's Priorities are:
  - Build the local economy
  - Provide the best start in life for all our children
  - Protect our most vulnerable people
  - Be an inclusive council
  - Urgently respond to climate change and transition to a carbon neutral region
- These Priorities and Commitments are used by Elected Members in considering strategic decisions, determining key performance measures, and allocation of resources.

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

- The Council Priorities and Commitments are regularly discussed in the context of feedback from the annual Budget Consultation, the Transformation Programme and consideration of the Business Plans every six months.
- An updated Council Plan was submitted to Dumfries and Galloway Council on 21 September 2021

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

The Council Plan sets out the range of policies and Plans that translate the high level Council Vision into specific issues:

- 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

- We also have Business Plans which set out how Services are contributing to the Council's Priorities and Commitments, how resources (staff and assets) are allocated to meet them and the risks associated with their Service and mitigations in place to address them.
- During 2020/21, our approach to Business Planning was updated to streamline the Business Plan and ensure that the COVID experience is reflected in our future plans.

[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**

- The quality of services for users is important for all our Services; and the Customer Strategy highlights the importance of customer feedback and that we amend our services to respond to that. There is a range of customer satisfaction performance measures in our Business Plans, particularly through annual surveys.
- Year on year quality performance information and comparator benchmarking data is embedded in Business Plan performance reports.
- Dumfries and Galloway Council continues to be involved in the LGBF family group benchmarking process which was introduced to promote dialogue between Councils on where good practice lies and to share it across councils. In doing so, the intention is to better understand factors that each council can control in improving its costs against its performance achievements. Appropriate staff members from the relevant services continue to participate in these activities.

[Local Government Benchmarking Framework](#)

- A range of other benchmarking and qualitative comparison is also carried out in individual Services, through professional organisations, national groups and dedicated quality and benchmarking organisations.
- 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 Council has in place a comprehensive Schemes of Delegation and Protocols.
  - The Council's Member-Officer Protocol serves to guide relationships between Members and Officers and lays out the arrangements for Member involvement in a range of activities including local issues. It incorporates a Media Protocol which embraces the Code of Recommended Practice on Local Authority publicity.
  - Service Committees, Area Committees and the Audit, Risk and Scrutiny and Committee and other Sub Committees and forums have a clear remit that are set out in the Scheme of Administration and Delegation to Committees and the respective roles and responsibilities of the Integration Joint Board (IJB) and the Council have been defined and documented.
  - The Scheme of Delegation to Offices and Statutory Appointments sets out the detailed delegations to the Chief Executive, Directors, the Chief Social Work Officer, Heads of Service and statutory appointments.
  - The concept of 'key decisions' is part of the Implementation Plan following the Review of Internal Financial Procedures and Procurement Standing Orders and agreed in February 2021; this is being developed by the Review of Standing Orders Sub Committee and due to be considered by Full Council in June 2021.
  - The Scheme of Delegation to Officers and Statutory Appointments was updated in December 2020
- [Updating of the Scheme of Delegation –December 2020](#)
- Amendments to the Scheme of Establishment of the Integration Joint Board were approved by Full Council September 2020



- The Scheme of Establishment of Community Council Elections was updated during 2020 to provide for online meetings; and some minor improvements which had been identified by Community Councils [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**

- Dumfries and Galloway Council has adopted the National Code of Conduct for Employees (with amendments) as its Local Code. The Code sets out the minimum standards of conduct expected of Council employees. It incorporates 'The Seven Principles of Public Life' identified by the Nolan Committee on Standards in Public Life and adapted for a local government context. The Council has also adopted the Standards Commission's Code of Conduct for Elected Members. The Member Officer Protocol serves to guide Members and Officers of the Council in their relations with one another and reflects the principles underlying the respective Codes of Conduct which apply to Members and Officers.
- A Review of Internal Financial Procedures and Procurement Standing Orders by the Finance, Procurement and Transformation Committee agreed recommendations relating to organisational culture and this work is being taken forward by a Member-Officer Working Group which was agreed by Full Council on 24 March 2020.  
[Review of Internal Financial Procedures and Procurement Standing Orders Implementation Plan](#)

### **3.7 Reviewing the Effectiveness of the Authority's Decision-Making Framework, including Delegation Arrangements, Decision Making in Partnerships and Robustness of Data Quality**

- The Council has continued to enhance and strengthen its decision-making framework through its Review of Standing Orders (ROSO) Sub-Committee which is remitted to keep the Council's Standing Orders and Schemes of Delegation under review.
- Each committee report is subject to governance checks which cover legal implications, financial, considerations and also the adequacy of information and data provided to enable Elected Members to come to a decision. In addition, each committee report is required to evidence the outcome of its Impact Assessment - the approach of the Council is a generic IA covering the statutory requirements of equalities, environmental and climate change, the Fairer Scotland Duty about inequality; and also takes into account health inequalities, social and economic sustainability.
- Their remit and arrangements for Elected Member Champions, (Armed Forces, Environment, Events, Older People and Young Persons) were updated by Full Council in December 2020, following recommendations from the ROSO Sub Committee.
  - The Review of Standing Orders Sub-Committee met twice during 2020/21  
[Meetings of the Review of Standing Orders Sub Committee in 2020/21](#)
- Elected Member Champions for Armed Forces, Environment, Events and Young People Annual Reports were submitted and approved.
- Changes were agreed by Full Council in December 2020 to: the Sub Committee on Waste Strategy Implementation on the recommendation of the ROSO Sub Committee; and the Bridge Sub Committee was stood down on the recommendation of the Education and Learning Committee.

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

- The Council's Risk Management arrangements have been developed significantly during 2020/21. The Framework and template materials are available on the Council's intranet 'Connect' for easy access. The Audit Risk and Scrutiny Committee has a remit for the independent assurance of the adequacy of the risk management framework and the associated control environment within the Council to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.
- A new Sub Group of the CMT was established with representation from each Service. It has developed the strategic Risk Registers, submits them to CMT for monitoring on a quarterly basis, which in turn will make recommendations to the SLT to agree any changes.

- Each of the 11 Business Plans includes a Risk Register for the Service.
- A Risk Register was developed for the region in relation to the COVID Emergency and along with the UK Exiting the EU Risk Register, was reported to Full Council in June 2020.
- The Council wide Business Risk Register was agreed by the Senior Leadership Team and reported to Audit, Risk and Scrutiny Committee in December 2020.

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

- The Council has Financial Regulations and Procurement Standing Orders in place which are subject to regular review to take into account best practice and legislative changes. The Council's financial control framework was reviewed in detail during 2020/21.
  - Financial Code 2 addresses the personal interests of staff and the Code of Conduct for local authority employees identifies the behaviours expected of all staff.
  - Financial Code 5 covering financial irregularities and the prevention and detection of fraud is updated annually.
- The Audit, Risk and Scrutiny Committee considers all reports by the Council's external auditors including their observations on the Council's arrangements for identifying and responding to frauds and other financial irregularities.
- Internal Audit will assist with fraud investigations where appropriate, but more serious allegations are referred at the first instance to Police Scotland.
- In the ordinary course of work, internal auditors consider the adequacy and effectiveness of controls which assist management to prevent and detect fraud.
- The Council's whistle-blowing policy includes access to a confidential help-line (Expolink) which allows staff to report any concerns.
- To implement the Corporate Anti-Fraud and Corruption Policy, the Integrity Group membership was refreshed during 2020 with an Interim Chair in place from July 2020-February 2021. The Group met regularly during 2020/21 and reviewed the Anti-Fraud and Anti-Corruption Policy.

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

- The Council supports the delivery of change, improvement, and transformation across the organisation by focusing on Council Priorities and deploying a range of recognised approaches to support the identification and delivery of opportunities to improve quality and transform services to meet these. These include using self-evaluation through Public Sector Improvement Framework; system and business process reviews, using lean approaches; service review programmes; implementing major business change projects; and benchmarking for improvement.
- The Council agrees a formal Budget Development process in place in June each year which includes stakeholder engagement and Impact Assessment.
- Our Council's Workforce Strategy sets out our workforce agenda within four key themes including; planning effectively for our Council's future needs (workforce and succession planning focus; Improve employee engagement; Enabling our employees to succeed, with the right skills, ability and knowledge to undertake new or revised roles; and building transferrable skills and support young people in finding employment.
- Our Management Development Programme is designed to upskill middle managers, make them more effective in delivering services and supporting our workforce.
- Our Council Workforce Transition Board looks at workforce planning, voluntary severance and wider strategic workforce issues to ensure that we transform our Workforce to meet future needs.
- The Council's Transformation Programme reported regularly to the Finance, Procurement and Transformation Committee during 2020/21.

- 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. The Sub Committee was stood down by Full Council in June 2020 and Committee meetings resumed after the summer recess.  
[Ad Hoc COVID19 Sub Committee meetings](#)
- A Scrutiny Review on the Long Term implications of Community Asset Transfers was completed by the Audit Risk and Scrutiny Committee during 2020/21 and the recommendations were agreed by Full Council in March 2021. This includes increased use of the Social Value assessment.
- An Investigation into the 4<sup>th</sup> Generation Trunk Road Maintenance Contract 2013-2018 was undertaken during 2020/21 and reported to Full Council in June 2020 and March 2021. Two Reviews were undertaken to deliver on its findings – a Review of Internal Financial Procedures and Procurement Standing Orders which reported in February 2021 to Finance, Procurement and Transformation Committee and Full Council and a Service Review of the Roads Service which reported to the Communities Committee and the Audit, Risk and Scrutiny Committee. The implementation of improvement actions from both of these Reviews are being monitored by the relevant Service Committee.

**3.11 Ensuring the Authority's Financial Management Arrangements Conform with the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and the Local Authority Accounts (Scotland) Regulations 2014 and, where they do not, Explain Why and How They Deliver the Same Impact**

- The Head of Finance and Procurement is authorised as Proper Officer (S.95 Local Government (Scotland) Act 1973) for the administration of the Council's financial affairs and his role is outlined in the Council's Scheme of Delegation to Officers. He is a member of the Corporate Management Team.
- The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a scheme of delegation and accountability. The system is maintained and developed by officers within the Council and includes:
  - comprehensive budgeting systems;
  - regular reviews of periodic financial reports that measure financial performance against forecasts;
  - targets against which financial and operational plans can be assessed;
  - preparation of regular financial reports which compare expenditure with plans and forecasts;
  - clearly defined capital expenditure guidelines;
  - formal project management disciplines.
- The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The draft Annual Accounts were approved by the Full Council in June 2020.
- Annual Reports on Treasury Management and Procurement were approved by the FPT Committee in September 2020.
- The External Audit Plan for 2020/21 was considered by Members in April 2021 and is now being implemented.

**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 outturn of the 2019/20 Internal Audit Plan was reported to the Audit Risk and Scrutiny Committee on 22 September 2020; and the Annual Report for 2020/21 against the Strategic Plan for 2020-23 was also approved at that meeting.
- 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**

- Our Council appoints a Monitoring Officer and two Deputies, who act when the Monitoring Officer is absent from the office or considers there is a conflict of interest. In carrying out any enquiries, the Monitoring Officer has unqualified access to any information held by the Council and to any employee who can assist in the discharge of the functions.
- 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.
- A new post of Head of Governance and Assurance was agreed by Full Council on 30 July 2020 and the post was filled from 1 January 2021.

**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 December 2020  
[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 Audit Risk and Scrutiny Committee undertook a self evaluation against the Audit Scotland 'Audit Committee checklist' and considered the results along with an assessment of the Committee's work programme at its meeting on 16 February 2021 Audit Risk and Scrutiny Committee

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

- The Council's decision-making structure includes Schemes of Delegation, Standing Orders, Financial Regulations and Procurement Standing Orders.
- The Council's Financial Regulations state that financial transactions are not permitted unless they fall within the legal powers of the Council and are within the limits set by the Council. The Council has internal legal resources and uses external legal resources for complex issues on which particular expertise is required.
- Annual Reports on key aspects of our business are presented to Members for approval, including Procurement, Treasury Management, Internal Audits, Scrutiny Reviews.
- The Review of Internal Financial Procedures and Procurement Standing Orders by the Finance, Procurement and Transformation Committee agreed a number of recommendations relating to internal financial procedures at its meeting in February 2021 which are now being implemented  
[Review of Internal Financial Procedures and Procurement Standing Orders Implementation Plan](#)
- The Audit, Risk and Scrutiny Committee undertook a review of the Service and Area Committee reporting and Scrutiny arrangements and at its meeting on 16 February 2020 agreed that the arrangements were effective.

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

- The Council has an Expolink Hotline in place where employees can flag up serious issues anonymously.
- The Complaints Handling software was updated in October 2020 to provide for better tracking and handling of complaints. We publish an Annual Complaints Monitoring Report each year as required by the Scottish Public Services Ombudsman (SPSO). The report is made available online on the Council's website and in hard copy in Customer Service Centres.
- The Communities Committee agreed a new Complaints Handling Procedure for Council's services, consistent with the new national Model Procedure, at its meeting on 9 February 2021.



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

- Members have open access to a range of training and Continuing Professional Development (CPD) events on an individual basis and are supported in identifying their training and Continuing Professional Development. Complementary to the formal programme, is a series of briefing events and seminars on new legislation and policies and there are Members Seminars to inform the Service Business Plans.
- Our Council promotes the Improvement Service programme for Elected Members. Members have the opportunity to self and peer group assess themselves against the skills profile of their role using 360° appraisals.
- All Council officers participate in the Council's annual performance development review programme. Each Officer therefore has Objectives which are linked to the Council's business needs and Priorities and their Service's Objectives. Completion rates are reported in the Service Business Plans.
- Responsibility for Elected Member training and development was transferred to Democratic Services in July 2020.
- A Scrutiny Review of Support to Elected Members has been undertaken during 2020/21 and this has included a survey of Members about the training and development needs; engagement with the Improvement Service; and benchmarking with other Scottish councils. It is due for reporting to Full Council in June 2021.
- An annual Performance Development Review was undertaken for all Members of the Corporate Management Team during 2020/21.

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

- Community empowerment continues to be a strength for our Council and the implementation of the Community Participation and Engagement Strategy and Framework, Ward Events, Participatory Budgeting exercises and Community Conversations (discussions with communities about the services in their area) have all progressed well. The Review of Standing Orders Sub Committee reviewed the use of Ward Events in December 2020 and agreed no changes to the Protocol.
- Engagement work with the Health and Social Care Partnership and NHS, D&G has been embedded with the established Participation and Engagement Network (a voluntary citizens panel); the creation of a Climate Change Citizens Panel is developing well; and the relationship with the new Community Councils has been strengthened through the COVID Emergency and the updating of the Scheme of Establishment to allow for virtual meetings.
- Consultation Mandates were agreed for the development of key strategies and plans including RRR, the new Poverty and Inequalities Strategy, the new Gaelic Action Plan, the new CLD Partnership Plan, and the refresh of the Disposal and Acquisition Policy.
- The Mainstreaming Report for 2019-21 and Equalities Outcomes for 2021-2024 were agreed by Full Council on 24 March 2021.

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

- The Local Outcomes Improvement Plan Annual Report was agreed by the Community Planning Partnership Board in November 2020.  
[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.

**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 Council is a key partner in the region's Community Planning Partnership Board and Executive Group and their work programmes include scrutiny of Annual Reports on the work of thematic partnerships and working groups; and regular updates on the ten plans and strategies that contribute to the Local Outcomes Improvement Plan. All of this work is promoted on the Community Planning webpages and features in communications including social media.
- 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 2020/21 and Risk Register 2020/21 were agreed by the CPP Board in November 2020.
- A new COVID Recovery Group and a Poverty and Inequality Partnership were agreed by the CPP Board in September 2020 and March 2021 respectively.  
[CPPB meetings](#)

**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, the Chief Social Work Officer and Chief Officer RRR) which meets weekly ;and the Corporate Management Team (all Heads of Service) which also meets weekly, with additional senior officers participating on a fortnightly basis.
- 4.2 The agendas of these management groupings during 2020/21 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. The CMT had a programme of reports about key corporate issues including e.g. Impact Assessment, Community Participation and Engagement. A review is scheduled at the conclusion of the programme.
- 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.
- 4.4 The Internal Audit function within Dumfries & Galloway Council is responsible for independent appraisal of the Council's systems of internal control (including risk management). The work undertaken by Internal Audit during 2020/21 was based on the assessment of risks and consultation with the Corporate Management Team.  
Internal Audit communicates its findings through reports to operational management. These reports are also reviewed by the Audit, Risk and Scrutiny Committee particularly in respect of the effectiveness of Internal Audit's work and the adequacy of management's response. The recommendations in Internal Audit's reports are tracked and reported through to completion to provide assurance that necessary control improvements have been implemented by management.  
The priority work for the Internal Audit section is a three year programme of assurance testing on the main financial systems of the Council.

**5. Improvement Plan for 2021/22**

- 5.1 There are two outstanding actions from the 2019/20 Improvement Plan
- 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
- 5.2 Actions for improvement are contained within the Implementation Plan from the Internal Financial Controls and Procurement Standing Orders Review.

**6. Conclusion**

On the basis of the review of governance arrangements for 2020/21, it is confirmed that the Council:

- has continued to focus on its Council Plan and appropriately added a Priority on Climate Change;

Dumfries and Galloway Council Audited Annual Accounts 2020/21

- has introduced an improvement to its business planning arrangements with new Service Business Plan templates that reflect the impact of the COVID19 Pandemic;
- 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 2021.

**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(5) of the Code for the totals of elected members' salaries, allowances and expenses, and those under 3.4.5.3. 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 2020/21 the salary for the Leader of Dumfries & Galloway Council was £31,250. 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 2020/21 Dumfries & Galloway Council had 14 senior councillors, excluding the Leader and the Depute Leader, and the remuneration paid to these councillors totalled £314k. 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 28 March 2019.

#### **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



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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 2020/21 for the responsibilities they held.

Senior Councillors	Role	2020/21			2019/20
		Salary & Allowances	Expenses	Total Remuneration	Total Remuneration
		£	£	£	£
Elaine Murray	Leader	31,250	0	31,250	30,575
Rob Davidson	Depute Leader	31,250	0	31,250	31,780
Archie Dryburgh	Vice Chair - Economy & Resources Committee (Note 1)	24,419	410	24,829	26,464
Jeff Leaver	Chair - Education & Learning Committee	22,319	0	22,319	21,839
Ros Surtees	Vice Chair - Education & Learning Committee	22,319	0	22,319	25,045
Jim Dempster	Chair of Planning Applications Committee	22,319	1,024	23,343	24,242
John Campbell	Vice Chair of Planning Applications Committee	22,319	28	22,347	13,993
Andy Ferguson	Chair - Communities Committee	22,319	0	22,319	22,616
John Martin	Vice Chair - Communities Committee	22,319	0	22,319	21,839
Stephen Thompson	Chair - Social Work Services Committee	22,319	110	22,429	24,658
David McKie	Vice Chair - Social Work Services Committee	22,319	0	22,319	13,896
Adam Wilson	Chair Finance, Procurement and Transformation Committee	22,319	195	22,514	22,761
Iain Carruthers	Chair - Audit, Risk and Scrutiny Committee	22,319	800	23,119	14,629
Jane Maitland	Vice Chair - Audit, Risk and Scrutiny Committee	22,319	0	22,319	25,530
Tracey Little	Provost	22,319	0	22,319	14,346
Katie Hagmann	Vice Chair Finance, Procurement and Transformation Committee (Note 2)	14,880	0	14,880	
Henry McClelland	Vice Chair Finance, Procurement and Transformation Committee (Note 2)	7,439	637	8,076	21,839
John Young	(see note 3)	-	-	-	7,944
Tommy Sloan	(see note 3)	-	-	-	9,121
Dougie Campbell	(see note 3)	-	-	-	9,248
Andrew Wood	(see note 3)	-	-	-	5,459
<b>Total</b>		<b>377,066</b>	<b>3,204</b>	<b>380,270</b>	<b>387,824</b>

1. Senior Councillor Archie Dryburgh received an additional payment of £2,100 for his appointment as the Chair of Scottish Commercialisation Advisory Group.
2. Councillor Hagmann replaced Councillor McClelland in the role of Vice Chair Finance, Procurement and Transformation Committee from 31/07/2020
3. These Councillors left senior Councillor positions during the 2019/20 financial year.

**Members' Remuneration**

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

	2019/20 £000	2020/21 £000
Salaries	744	768
Allowances	89	91
Expenses	76	8
<b>Totals</b>	<b>909</b>	<b>867</b>

The annual return of Councillors' salaries and expenses for 2020/21 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at [www.dumgal.gov.uk](http://www.dumgal.gov.uk).

**Remuneration of Senior Employees**

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

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

The figures shown in the table below reflect the duration of appointments.

Senior Officers	Post	Salary (including fees & allowances) £	Expense allowances £	Total remuneration excluding pension contributions 2020/21 £	Note	Total remuneration excluding pension contributions 2019/20 £
Gavin Stevenson	Chief Executive	151,778	54	151,832	1	156,136
Lorna Meahan	Director of Economy and Resources	111,195	0	111,195		109,122
Derek Crichton	Director of Communities	111,195	0	111,195		108,022
Gillian Brydson	Director of Skills, Education and Learning	108,660	0	108,660		97,570
Jim Brown	Head of Education	39,701	0	39,701	2	
Lillian Cringles	Head of Social Work	95,812	0	95,812		93,131
Paul Garrett	Head of Finance and Procurement	87,467	0	87,467		84,971
Vladimir Valiente	Head of Governance and Assurance	20,766	0	20,766	3	
Nick Evans	Democratic Services Manager (Interim Monitoring Officer)	51,927	0	51,927	3	29,270
Richard Grieveson	Chief Officer – Renewal, Restart and Recovery	89,409	0	89,409	4	
Rhona Lewis	Head of Democratic Services	0	0	0	5	43,276
Colin Grant	Director of Education and Learning	0	0	0	5	70,840
		<b>867,910</b>	54	<b>867,964</b>		792,338

**Note:**

1. The remuneration of the Chief Executive includes a payment of £1,434 in 2020/21 for his role as Returning Officer for Elections.
2. Jim Brown was appointed as the Chief Education Officer on 26 October 2020.
3. Vladimir Valiente was appointed as the Head of Governance and Assurance on 02 January 2021, at which point the Interim Monitoring Officer role occupied by Nick Evans was no longer required.
4. Richard Grieveson was appointed as the Chief Officer for Renewal, Restart and Recovery which was created as a result of the COVID 19 pandemic as a senior advisor to the Chief Executive.
5. As noted within the 2019/20 Annual Accounts, these individuals are no longer employed by the Council.

**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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£155,000 to £159,999	0	0	1	0	1	0
£150,000 to £154,999	0	0	0	1	0	1
£145,000 to £149,999	0	0	1	0	1	0
£140,000 to £144,999	0	0	1	0	1	0
£120,000 to £124,999	0	0	1	0	1	0
£110,000 to £114,999	0	0	0	2	0	2
£105,000 to £109,999	0	0	2	1	2	1
£95,000 to £99,999	0	0	2	1	2	1
£90,000 to £94,999	0	0	2	0	2	0
£85,000 to £89,999	1	2	3	6	4	8
£80,000 to £84,999	3	0	5	1	8	1
£75,000 to £79,999	5	6	6	4	11	10
£70,000 to £74,999	2	5	3	5	5	10
£65,000 to £69,999	17	16	8	4	25	20
£60,000 to £64,999	34	27	19	23	53	50
£55,000 to £59,999	97	98	31	35	128	133
£50,000 to £54,999	112	130	23	26	135	156
<b>Total FTE</b>	<b>271</b>	<b>284</b>	<b>108</b>	<b>109</b>	<b>379</b>	<b>393</b>

**Exit Packages**

During the year 1 April 2020 to 31 March 2021, 21 Teachers left the Council under Early Retirement/Voluntary Severance. The table below details the payments made to these staff under this arrangement. The significant reduction from prior years is due to no Early Retirement/Voluntary Severance requests being considered by the Council during the COVID 19 pandemic, and no staff savings requiring to be delivered in 2020/21.

Range	Total Amount Paid		Number of people in range	
	2019/20	2020/21	2019/20	2020/21
	£	£		
£0 - £20,000	193,968	112,863	28	21
£20,000 - £40,000	465,075	-	16	-
£40,000 - £60,000	356,798	-	7	-
£60,000 - £80,000	255,510	-	4	-
£80,000 - £100,000	263,760	-	3	-
£100,000 - £150,000	361,614	-	3	-
£150,000 - £200,000	537,084	-	3	-
£200,000 - £250,000	282,624	-	1	-
	2,716,433	112,863	65	21

**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.

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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.

The tiers and member contribution rates for 2020/21 are as follows:

Actual Pensionable Pay	Contribution Rate 2019/20	Actual Pensionable Pay	Contribution Rate 2020/21
On earnings up to and including £21,800	5.50%	On earnings up to and including £22,200	5.50%
On earnings above £21,800 and up to £26,700	7.25%	On earnings above £22,201 and up to £27,100	7.25%
On earnings above £26,700 and up to £36,600	8.50%	On earnings above £27,101 and up to £37,200	8.50%
On earnings above £36,600 and up to £48,800	9.50%	On earnings above £37,201 and up to £49,600	9.50%
On earnings above £48,800	12%	On earnings above £49,601	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 2020/21.

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 2021 £	to 31 March 2020 £		31 March 2021 £000's	31 March 2020 £000's	Difference £000's
Elaine Murray	Leader	6,725	6,574	Pension	2	2	0
				Lump Sum	0	0	0
Rob Davidson	Depute Leader	6,725	6,574	Pension	4	4	0
				Lump Sum	0	0	0
Archie Dryburgh	Vice Chair - Economy & Resources Committee	4,803	4,695	Pension	6	5	1
				Lump Sum	2	2	0
Jeff Leaver	Chair - Education & Learning Committee	4,803	4,695	Pension	6	6	0
				Lump Sum	2	2	0
Ros Surtees	Vice Chair - Education & Learning Committee	4,803	4,695	Pension	2	1	1
				Lump Sum	0	0	0
Jim Dempster	Chair of Planning Applications Committee	4,803	4,695	Pension	8	7	1
				Lump Sum	1	1	0
John Campbell	Vice Chair of Planning Applications Committee -	4,803	2,979	Pension	2	1	1
				Lump Sum	0	0	0
Andy Ferguson	Chair - Communities Committee	4,803	4,695	Pension	5	4	1
				Lump Sum	0	0	0
John Martin	Vice Chair - Communities Committee	4,803	4,695	Pension	5	4	1
				Lump Sum	0	0	0
Stephen Thompson	Chair - Social Work Services Committee	4,803	4,695	Pension	4	3	1
				Lump Sum	0	0	0
Adam Wilson	Chair Finance, Procurement and Transformation Committee	4,803	4,695	Pension	2	1	1
				Lump Sum	0	0	0
Henry McClelland	Vice Chair Finance, Procurement and Transformation Committee - Note 2	1,400	2,979	Pension	1	1	0
				Lump Sum	0	0	0
Katie Hagmann	Vice Chair Finance, Procurement and Transformation Committee - Note 2	3,365		Pension	1		
				Lump Sum	0		
Ian Carruthers	Chair - Audit, Risk and Scrutiny Committee	4,803	4,695	Pension	4	3	1
				Lump Sum	0	0	0
Jane Maitland	Vice Chair - Audit, Risk and Scrutiny Committee	4,803	2,979	Pension	3	3	0
				Lump Sum	0	0	0
Tracey Little	Provost	4,803	4,695	Pension	2	1	1
				Lump Sum	0	0	0
John Young	See Note 3	0	1,699	Pension		1	
				Lump Sum		0	
Andrew Wood	See Note 4	0	1,174	Pension		5	
				Lump Sum		1	
<b>Total</b>		<b>75,851</b>	<b>71,908</b>		<b>62</b>		

**Note:**

1. One of the Senior Councillor's (D McKie) does not appear in the above table as they have opted out of the Local Government Pension Scheme.
2. Councillor Hagmann replaced Councillor McClelland in the role of Vice Chair Finance, Procurement and Transformation Committee on 31/07/2020.
3. Councillor Young Senior Councillor role ceased on 12/08/2019.
4. Councillor Wood Senior Councillor role ceased 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 2021 £	For year to 31 March 2020 £		As at 31 March 2021 £000	As at 31 March 2020 £000	Difference from 31 March 2020 £000
Gavin Stevenson	Chief Executive	32,355	31,401	Pension	71	66	5
				Lump sum	113	110	3
Lorna Meahan	Director of Economy and Resources	23,930	23,225	Pension	42	39	3
				Lump sum	53	52	1
Derek Crichton	Director of Communities	23,930	23,225	Pension	56	53	3
				Lump sum	95	92	3
Gillian Brydson	Director Skills, Education and Learning	23,385	20,953	Pension	49	43	6
				Lump sum	80	71	9
Jim Brown	Head of Education	8,555	0	Pension	1	0	1
				Lump Sum	0	0	0
Lillian Cringles	Head of Social Work	20,620	20,012	Pension	28	26	2
				Lump sum	21	20	1
Paul Garrett	Head of Finance and Procurement	18,824	18,269	Pension	38	35	3
				Lump sum	55	53	2
Vladimir Valiente	Head of Governance & Assurance - Note 1	4,482	0	Pension	0	0	0
				Lump sum	0	0	0
Nick Evans	Democratic Services Manager (interim Monitoring Officer) - Note 2	11,127	6,110	Pension	33	30	3
				Lump sum	0	0	0
Richard Grieveson	Chief Officer – Renewal, Restart and Recovery	19,242	0	Pension	42	38	4
				Lump Sum	70	63	7
Rhona Lewis	Head of Democratic Services	0	8,768	Pension		28	
				Lump Sum		37	
Colin Grant	Director of Education and Learning	0	15,205	Pension		30	
				Lump sum		119	
<b>Total</b>		<b>186,450</b>	<b>167,168</b>				

**Note:**

1. Vladimir Valiente was appointed as the Head of Governance and Assurance on 2 January 2021.
2. The Interim Monitoring Officer role (Nick Evans) was no longer required from 2 January 2021. The figures shown in the above table reflect the duration of his appointment.

**Gavin Stevenson**  
Chief Executive

**Elaine Murray**  
Leader of the Council

**21 September 2021**

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

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

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

We certify that we have audited the financial statements in the annual accounts of Dumfries and Galloway Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the Council Tax Income Account, and the Non-domestic Rate Account, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 five years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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 judgements thereon.

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

As explained more fully in the Statement of Responsibilities, the Head of Finance & 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 & 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 & Procurement is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council is responsible for overseeing the financial reporting process.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## **Reporting on other requirements**

### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

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

## **Statutory other information**

The Head of Finance & Procurement is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### **Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement**

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

**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.

	<b>2019/20</b>			<b>2020/21</b>			
<b>Gross Expenditure £000</b>	<b>Income £000</b>	<b>Net Expenditure £000</b>		<b>Gross Expenditure £000</b>	<b>Income £000</b>	<b>Net Expenditure £000</b>	<b>Note</b>
167,548	(12,243)	155,305	Education & Learning	168,463	(14,770)	153,693	
27,927	(4,279)	23,648	Social Work Services	28,573	(4,163)	24,410	
161,931	(91,661)	70,270	Integrated Joint Board (IJB)	172,278	(100,572)	71,706	
149,359	(52,675)	96,684	Communities	141,129	(44,494)	96,635	
56,573	(13,518)	43,055	Economy & Resources	58,477	(11,945)	46,532	
6,345	(601)	5,744	Non Distributable Costs	5,296	(557)	4,739	
0	(407)	(407)	Support Service Recharges	0	(417)	(417)	
<b>569,683</b>	<b>(175,384)</b>	<b>394,299</b>	<b>Net Cost of Services</b>	<b>574,216</b>	<b>(176,918)</b>	<b>397,298</b>	7
		1,244	Other Operating Expenditure			1,645	
		27,620	Financing and Investment Income & Expenditure			25,907	9
		(385,756)	Taxation & Non-Specific Grant Income			(411,978)	10
		<u>37,407</u>	<b>(Surplus) /Deficit on the Provision of Services</b>			<u>12,872</u>	
		(63,265)	(Surplus)/deficit on revaluation of non-current assets			(6,854)	
		0	Impairment losses on non-current assets charged to Revaluation Reserve			0	
		(64,700)	Remeasurement of net defined liability/ (asset)			79,224	
		0	Other unrealised (gains)/ losses			0	
		<u>(127,965)</u>	<b>Other Comprehensive Income &amp; Expenditure</b>			<u>72,370</u>	
		<b>(90,558)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>85,242</b>	



## 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				
<b>Balance at 31 March 2019</b>	<b>(44,957)</b>	<b>0</b>	<b>(716)</b>	<b>(1,139)</b>	<b>(1,384)</b>	<b>(48,196)</b>	<b>(29,009)</b>	<b>(77,205)</b>	
<b>Movements in Reserves during 2019/20</b>									
(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)	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>37,407</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,407</b>	<b>(127,965)</b>	<b>(90,558)</b>	
Adjustments between accounting basis & funding basis under regulations	(41,203)	(519)	0	0	0	(41,722)	41,722	0	14
<b>Net (increase)/ decrease before transfers to /(from) other statutory reserves</b>	<b>(3,796)</b>	<b>(519)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,315)</b>	<b>(86,243)</b>	<b>(90,558)</b>	
Transfers to/ (from) Other Statutory Reserves	2,599	519	(988)	(621)	(1,510)	(1)	0	(1)	15
<b>(Increase)/ decrease in year</b>	<b>(1,197)</b>	<b>0</b>	<b>(988)</b>	<b>(621)</b>	<b>(1,510)</b>	<b>(4,316)</b>	<b>(86,243)</b>	<b>(90,559)</b>	
<b>Balance at 31 March 2020 carried forward</b>	<b>(46,154)</b>	<b>0</b>	<b>(1,704)</b>	<b>(1,760)</b>	<b>(2,894)</b>	<b>(52,512)</b>	<b>(115,252)</b>	<b>(167,764)</b>	
<b>Movements in Reserves during 2020/21</b>									
(Surplus) or Deficit on provision of services	12,872	0	0	0	0	12,872	0	12,872	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	72,370	72,370	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>12,872</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,872</b>	<b>72,370</b>	<b>85,242</b>	
Adjustments between accounting basis & funding basis under regulations	(38,692)	(117)	195	0	0	(38,614)	38,614	0	14
<b>Net (increase)/ decrease before transfers to /(from) other statutory reserves</b>	<b>(25,820)</b>	<b>(117)</b>	<b>195</b>	<b>0</b>	<b>0</b>	<b>(25,742)</b>	<b>110,984</b>	<b>85,242</b>	
Transfers to/ (from) Other Statutory Reserves	1,794	117	(117)	(1,720)	(74)	0	0	0	15
<b>(Increase)/ decrease in year</b>	<b>(24,026)</b>	<b>0</b>	<b>78</b>	<b>(1,720)</b>	<b>(74)</b>	<b>(25,742)</b>	<b>110,984</b>	<b>85,242</b>	
<b>Balance at 31 March 2021 carried forward</b>	<b>(70,180)</b>	<b>0</b>	<b>(1,626)</b>	<b>(3,480)</b>	<b>(2,968)</b>	<b>(78,254)</b>	<b>(4,268)</b>	<b>(82,522)</b>	

**Balance Sheet**

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

<b>31 March 2020</b>		<b>31 March 2021</b>	<b>Note</b>
<b>£000</b>		<b>£000</b>	
905,365	Property, Plant & Equipment	882,519	16
2,310	Heritage Assets	2,310	17
145	Intangible Assets	30	17
965	Long Term Investments	929	
10,338	Long Term Debtors	9,979	19
<b>919,123</b>	<b>Long Term Assets</b>	<b>895,767</b>	
841	Assets Held For Sale	795	17
834	Inventories	1,128	
24,462	Short Term Debtors	20,223	20
17,972	Cash & Cash Equivalents	44,086	21
<b>44,109</b>	<b>Current Assets</b>	<b>66,232</b>	
(41,020)	Short Term Borrowing	(4,610)	33
(47,521)	Short Term Creditors	(73,400)	22
(3,038)	Short Term Liabilities	(3,316)	23
(348)	Short Term Provisions	(213)	24
<b>(91,927)</b>	<b>Current Liabilities</b>	<b>(81,539)</b>	
(199,203)	Long Term Borrowing	(199,165)	33
(107,755)	Other Long Term Liabilities	(104,439)	33
(396,583)	Other Long Term Liabilities (Pensions)	(494,334)	27
<b>(703,541)</b>	<b>Long Term Liabilities</b>	<b>(797,938)</b>	
<b>167,764</b>	<b>Net Assets/ (Liabilities)</b>	<b>82,522</b>	
52,512	Usable Reserves	78,254	30
115,252	Unusable Reserves	4,268	31
<b>167,764</b>	<b>Total Reserves</b>	<b>82,522</b>	

The audited accounts were issued on 21 September 2021.

**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.

<b>(Restated)</b>		<b>2020/21</b>		<b>Note</b>
<b>2019/20</b>		<b>£000</b>	<b>£000</b>	
<b>£000</b>				
37,407	Net (surplus) or deficit on the provision of services	12,872		
(93,122)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(102,606)		
25,983	Adjustments to net (surplus) or deficit on the provision of services that are investing or financing activities	16,435		
<b>(29,732)</b>	<b>Net cash flow from operating activities</b>	<b>—————</b>	<b>(73,299)</b>	
	Investing activities			
28,848	- purchase of property, plant & equipment, heritage assets & intangible assets	24,134		
(610)	- proceeds from the sale of property, plant, equipment	(744)		
<b>(25,983)</b>	- Other receipts from investing activity	<b>—————</b>	<b>(15,691)</b>	
<b>2,255</b>			<b>7,699</b>	
	Financing activities			
(180,621)	- cash receipts from short & long term borrowing	(18,866)		
0	- other receipts from financing activities	0		
2,836	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	3,038		
208,424	- repayments of short & long term borrowing	55,232		
<b>(59)</b>	- other payments for financing activities	<b>—————</b>	<b>82</b>	
<b>30,580</b>			<b>39,486</b>	
<b>3,103</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(26,114)</b>	
21,075	Cash and cash equivalents at the beginning of the year		17,972	
<b>17,972</b>	<b>Cash and cash equivalents at the end of the reporting year</b>		<b>—————</b>	<b>44,086</b>
				21

**Notes to Financial Statements****1. Summary of Significant Accounting Policies****a) General Principles**

The Annual Accounts summarise the Council's transactions for the 2020/21 financial year and its financial position at the year end of 31 March 2021. 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 2020/21 (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 2020/21,
- 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 2021 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 Education and 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 2.0%, 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 2020/21.

##### *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 & Procurement and People & Transformation are reported under Economy & Resources 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 2020/21 (SeRCoP). This is in line with the practice outlined in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### **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 2020/21 was revised to take into account the latest International Financial Reporting Standards (IFRS) coming into effect.

- Implementation and emphasis of IFRS amendments relating to the application of materiality, and the requirement to avoid obscuring material information.
- Implementation of Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement; with guidance on initial proxy assessment of quantitative materiality.
- Amendments relating to financial instruments.

These changes have been considered as part of the preparation of the Council's accounts for 2020/21 and none are considered to have a material impact on the financial statement.

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## **2. Adjustments to 2019/20 Audited Annual Accounts**

As part of the audit process, it was identified that the cash flows arising from capital grants were credited to services within net cash flows from operating activities, as opposed to financing activities. The adjustment noted below is presentational only and does not impact on the overall cash position of the Council that is reflected in the Cash Flow Statement.



Dr Adjustment to the net (surplus) or deficit on the provision of Services that are investing or financing activities	£25,983
Cr Other Receipts from Investing Activity	(£25,983)

### 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. The Code requires implementation from 1 April 2021, therefore there is no impact on the 2020/21 financial statements. This applies to the adoption of the following new or amended standards within the 2020/21 Code:

- Definition of a Business: Amendments to IFRS3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

There are no other accounting standards issued and not yet adopted that will have a material impact on the 2020/21 Annual Accounts.

### 4. Critical Judgements in Applying Accounting Policies

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

- **Provisions/Contingent Liabilities** - 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.
- **Asset Valuations** - The Council employs professional valuers who are registered with the Royal Institution of Chartered Surveyors. These valuers carry out regular reviews of the value of assets reported in the Balance Sheet and any significant changes in value are processed as asset revaluations or impairments. These values are based on their professional opinion using available market information at the time of assessment.
- **Public Sector Funding** - 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.
- **Scottish Government Covid-19 Business Grants** – income and expenditure in relation to Scottish Government Covid-19 Business Grants has been accounted for on the basis that Dumfries & Galloway Council has acted as an Agent on behalf of the Scottish Government.

### 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 2021 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 – Impact on Valuation	The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, the valuations recognised within the Annual Accounts have not been reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.	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 £129.018 Million. However, the assumptions interact in complex ways.
Debtor provisions	The Council has made provision of £6.4 Million in relation to outstanding debtor balances (notes 19 and 20). 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 ongoing impact of 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 £14.5 Million in relation to outstanding Council Tax balances (note 20). 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 ongoing impact of the Covid 19 pandemic may result in a range of further implications across the public sector, including additional expenditure and loss of income.

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 21 September 2021.

Events taking place after this date are not reflected in the financial statements or notes.

## 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.

2019/20				2020/21		
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
135,303	20,002	155,305	Education & Learning	140,086	13,607	153,693
21,157	2,491	23,648	Social Work Services	22,072	2,338	24,410
66,826	3,444	70,270	Integrated Joint Board (IJB)	69,153	2,553	71,706
63,204	33,480	96,684	Communities	70,175	26,460	96,635
31,670	11,385	43,055	Economy & Resources	37,188	9,344	46,532
5,385	359	5,744	Non Distributable Costs	4,342	397	4,739
(407)	0	(407)	Support Service Recharges	(417)	0	(417)
<b>323,138</b>	<b>71,161</b>	<b>394,299</b>	<b>Net Cost Of Services</b>	<b>342,599</b>	<b>54,699</b>	<b>397,298</b>
34,828	(5,964)	28,864	Other Operating Income & Expenditure	28,918	(1,366)	27,552
(359,163)	(26,593)	(385,756)	Taxation & Non Specific Grant Income	(395,543)	(16,435)	(411,978)
<b>(1,197)</b>	<b>38,604</b>	<b>37,407</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(24,026)</b>	<b>36,898</b>	<b>12,872</b>
(44,957)			Opening General Fund Balance at 1 April	(46,154)		
(1,197)			Add/Less Surplus or Deficit for the Year	(24,026)		
<b>(46,154)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(70,180)</b>		

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

2019/20					2020/21					
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
27,708	4,474	(11,083)	(1,097)	<b>20,002</b>	Education & Learning	22,721	2,864	(11,147)	(831)	<b>13,607</b>
184	2,227	0	80	<b>2,491</b>	Social Work Services	924	1,378	0	36	<b>2,338</b>
412	2,992	0	40	<b>3,444</b>	Integrated Joint Board (IJB)	426	2,029	0	98	<b>2,553</b>
26,750	6,608	0	122	<b>33,480</b>	Communities	21,993	4,246	0	221	<b>26,460</b>
6,292	5,164	0	(71)	<b>11,385</b>	Economy & Resources	5,962	3,293	0	89	<b>9,344</b>
270	89	0	0	<b>359</b>	Non Distributable Costs	323	74	0	0	<b>397</b>
0	0	0	0	<b>0</b>	Support Service Recharges	0	0	0	0	<b>0</b>
<b>61,616</b>	<b>21,554</b>	<b>(11,083)</b>	<b>(926)</b>	<b>71,161</b>	<b>Net Cost Of Services</b>	<b>52,349</b>	<b>13,884</b>	<b>(11,147)</b>	<b>(387)</b>	<b>54,699</b>
(19,857)	4,479	8,247	1,167	<b>(5,964)</b>	Other Operating Income and Expenditure	(15,686)	4,643	8,109	1,568	<b>(1,366)</b>
(26,593)	0	0	0	<b>(26,593)</b>	Taxation & Non Specific Grant Income	(16,435)	0	0	0	<b>(16,435)</b>
<b>15,166</b>	<b>26,033</b>	<b>(2,836)</b>	<b>241</b>	<b>38,604</b>	<b>Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Surplus/Deficit</b>	<b>20,228</b>	<b>18,527</b>	<b>(3,038)</b>	<b>1,181</b>	<b>36,898</b>

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

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

<b>Service Income &amp; Expenditure 2019/20</b>	<b>Education &amp; Learning £000</b>	<b>Social Work Services £000</b>	<b>Integrated Joint Board £000</b>	<b>Communities £000</b>	<b>Economy &amp; Resources £000</b>	<b>Non Distributable Costs £000</b>	<b>Support Service Recharges £000</b>	<b>Total £000</b>
Fees, charges & other service income	(2,803)	(1,234)	(99,412)*	(28,479)	(21,463)	(154)	(407)	<b>(153,952)</b>
Grants	(9,504)	(3,047)	0	(38,097)	(3,952)	(309)	0	<b>(54,909)</b>
<b>Total Income</b>	<b>(12,307)</b>	<b>(4,281)</b>	<b>(99,412)</b>	<b>(66,576)</b>	<b>(25,415)</b>	<b>(463)</b>	<b>(407)</b>	<b>(208,861)</b>
Employee expenses	109,526	12,756	17,253	39,320	29,693	5,281	0	<b>213,829</b>
Other service expenses	38,084	12,682	148,985*	90,460	27,392	567	0	<b>318,170</b>
<b>Total Expenditure</b>	<b>147,610</b>	<b>25,438</b>	<b>166,238</b>	<b>129,780</b>	<b>57,085</b>	<b>5,848</b>	<b>0</b>	<b>531,999</b>
<b>Net Expenditure</b>	<b>135,303</b>	<b>21,157</b>	<b>66,826</b>	<b>63,204</b>	<b>31,670</b>	<b>5,385</b>	<b>(407)</b>	<b>323,138</b>

<b>Service Income &amp; Expenditure 2020/21</b>	<b>Education &amp; Learning £000</b>	<b>Social Work Services £000</b>	<b>Integrated Joint Board £000</b>	<b>Communities £000</b>	<b>Economy &amp; Resources £000</b>	<b>Non Distributable Costs £000</b>	<b>Support Service Recharges £000</b>	<b>Total £000</b>
Fees, charges & other service income	(1,835)	(988)	(108,802)	(20,515)	(11,607)	(330)	(417)	<b>(144,494)</b>
Grants	(12,950)	(3,296)	0	(35,203)	(4,233)	(227)	0	<b>(55,909)</b>
<b>Total Income</b>	<b>(14,785)</b>	<b>(4,284)</b>	<b>(108,802)</b>	<b>(55,718)</b>	<b>(15,840)</b>	<b>(557)</b>	<b>(417)</b>	<b>(200,403)</b>
Employee expenses	114,198	12,831	18,782	39,279	30,190	2,314	0	<b>217,594</b>
Other service expenses	40,673	13,525	159,173	86,614	22,838	2,585	0	<b>325,408</b>
<b>Total Expenditure</b>	<b>154,871</b>	<b>26,356</b>	<b>177,955</b>	<b>125,893</b>	<b>53,028</b>	<b>4,899</b>	<b>0</b>	<b>543,002</b>
<b>Net Expenditure</b>	<b>140,086</b>	<b>22,072</b>	<b>69,153</b>	<b>70,175</b>	<b>37,188</b>	<b>4,342</b>	<b>(417)</b>	<b>342,599</b>

\*The IJB income and expenditure figures are increased by £69,441k (£65,138k in 2019/20) to represent our contribution to the IJB and income is increased by the same amount to represent the funding received back from the IJB to support the provision of services.



**8. Key Items of Income and Expenditure**

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Fee, charges & other service income	(153,952)	(144,494)
Interest & investment income	(393)	(11)
Income from Council Tax	(67,323)	(69,783)
Income from NDR	(55,712)	(35,659)
Grants & Contributions	(317,630)	(362,445)
<b>Total Income</b>	<b>(595,010)</b>	<b>(612,392)</b>
Employee expenses	230,944	231,091
Other service expenses	310,600	314,261
Depreciation, amortisation & impairment	61,616	52,349
Interest payments	28,013	25,918
Other (gains)/Losses	1,244	1,645
<b>Total Expenditure</b>	<b>632,417</b>	<b>625,264</b>
<b>(Surplus) or deficit on the Provision of Services</b>	<b>37,407</b>	<b>12,872</b>

**Revenue from Contracts with Service Recipients**

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Education & Learning	(539)	(343)
Social Work Services	(34)	(2)
Integrated Joint Board	(12,115)	(11,321)
Communities	(8,097)	(3,836)
Economy & Resources	(3,549)	(2,055)
	<b>(24,334)</b>	<b>(17,557)</b>

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

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Interest payable & similar charges	17,344	16,695
Net interest on the net defined benefit liability/ (asset)	10,669	9,223
Interest receivable & similar income	(393)	(11)
	<b>27,620</b>	<b>25,907</b>

**10. Taxation and Non Specific Grant Income**

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

	2019/20 £000	2020/21 £000
Council Tax income	(67,323)	(69,783)
Non-domestic rates redistribution	(55,712)	(35,659)
Non ring fenced government grants	(236,128)	(290,101)
Capital grants & contributions	(26,593)	(16,435)
	<b>(385,756)</b>	<b>(411,978)</b>

The Non-domestic rates income for 2019/20 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. The significant reduction in Non-domestic rates income for 2020/21 is primarily due to the impact of the Retail, Hospitality and Leisure rates relief that was applied as a result of the COVID-19 pandemic.

**11. Agency Services**

The Council bills and collects non-domestic rates on behalf of the Scottish Government. During 2020/21 the Council collected £35.232 Million (£52.725 Million in 2019/20) and received a further £0.427 Million from the NDR pool (£1.569 Million was transferred to the NDR pool in 2019/20). These transactions resulted in a Net Non-Domestic Rates benefit to the Council totalling £35.659 Million in 2020/21 (£51.156 Million in 2019/20). The significant reduction in Non-domestic rates income for 2020/21 is primarily due to the impact of the Retail, Hospitality and Leisure rates relief that was applied as a result of the COVID-19 pandemic.

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 £485k in relation to 2020/21 (£488K in 2019/20) for providing this service.

As part of the COVID-19 pandemic response, the council acted on behalf of the Scottish Government to distribute various Business Grants, Thank You payments and financial support to individuals. The Council received and distributed funding of £69.8 Million in relation to these specific initiatives, which have not been reflected within the Comprehensive Income and Expenditure Account.

In addition, the Council supported the National Services Scotland (NSS) to distribute the provision of free Personal Protective Equipment (PPE), with an estimated value of £2.284 Million, to Care Homes and External Care Providers across Dumfries & Galloway.

**12. External Audit Fees**

The external audit fee payable for 2020/21 was £344k (£331k in 2019/20). 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:

	2019/20 £000	2020/21 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax income	(67,323)	(69,783)
Non-domestic rates redistribution	(55,712)	(35,659)
Capital grants & contributions	(26,593)	(16,435)
Non ring fenced Government grants	(236,128)	(290,101)
<b>Total</b>	<b>(385,756)</b>	<b>(411,978)</b>
<b>Credited to Services</b>		
DWP Housing Benefits	(36,024)	(33,945)
Criminal Justice Service	(2,836)	(3,004)
Universal Credit	(2,150)	(1,954)
Attainment Fund	(2,593)	(2,509)
Early Learning and Childcare	(4,083)	(6,031)
Dalbeattie DBFM	(1,971)	(1,972)
DWP Housing Benefit Administration	(661)	(621)
<b>Total</b>	<b>(50,318)</b>	<b>(50,036)</b>

**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 2019/20	£000	£000	£000	£000	£000	£000	£000	£000
• 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 (PFI/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)
<b>Total Adjustments</b>	<b>(41,203)</b>	<b>(519)</b>	<b>0</b>	<b>16,692</b>	<b>(77)</b>	<b>26,033</b>	<b>(926)</b>	<b>41,722</b>

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	Adjustments to Comprehensive Income & Expenditure Statement			Unusable Reserves				
	General Fund balance	Capital Receipts Reserve	Capital Fund	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Employee Statutory Adjustment Account	Net movement in Unusable Reserves
Adjustments during 2020/21	£000	£000	£000	£000	£000	£000	£000	£000
• Charges for depreciation and impairment of non-current assets	(52,234)	0	0	52,234	0	0	0	52,234
• Amortisation of intangible assets	(115)	0	0	115	0	0	0	115
• Capital grants and contributions applied	16,435	(744)	0	(15,691)	0	0	0	(15,691)
• Net gain/(loss) on disposal of non-current assets	(1,645)	0	0	1,645	0	0	0	1,645
• Statutory repayment of debt (Loans Fund advances)	13,641	0	0	(13,641)	0	0	0	(13,641)
• Statutory repayment of debt (PFI/PPP)	3,038	0	0	(3,038)	0	0	0	(3,038)
• Capital expenditure charged in year to General Fund balance	251	0	0	(251)	0	0	0	(251)
• Use of the Capital Reserves to finance new capital expenditure	0	627	195	(822)	0	0	0	(822)
• 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	(44,018)	0	0	0	0	44,018	0	44,018
• Employers' pension contributions and direct payments to pensioners payable in the year	25,491	0	0	0	0	(25,491)	0	(25,491)
• 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	387	0	0	0	0	0	(387)	(387)
<b>Total Adjustments</b>	<b>(38,692)</b>	<b>(117)</b>	<b>195</b>	<b>20,551</b>	<b>(77)</b>	<b>18,527</b>	<b>(387)</b>	<b>38,614</b>

**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.

<b>Movements in 2019/20</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Fund</b>	<b>Repairs &amp; Renewals Fund</b>	<b>Insurance Fund</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contribution from Repairs & Renewals to General Fund	(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)
	<b>2,600</b>	<b>519</b>	<b>(988)</b>	<b>(621)</b>	<b>(1,510)</b>

<b>Movements in 2020/21</b>	<b>General Fund</b>	<b>Capital Receipts Reserve</b>	<b>Capital Fund</b>	<b>Repairs &amp; Renewals Fund</b>	<b>Insurance Fund</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contribution from Repairs & Renewals to General Fund	(118)	0	0	118	0
Transfer to Repairs & Renewals from General Fund	1,837	0	0	(1,837)	0
Capital Receipts Transfer to Capital Fund	(1)	117	(116)	0	0
Transfer to Insurance from General Fund	73	0	0	0	(73)
Interest on balances	3	0	(1)	(1)	(1)
	<b>1,794</b>	<b>117</b>	<b>(117)</b>	<b>(1,720)</b>	<b>(74)</b>



## 16. Property, Plant &amp; Equipment

The movements on balances for Property, Plant & Equipment are shown in the following tables. Figures for 2019/20 are provided for comparison.

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
<b>Gross Book Value at 1 April 2019</b>	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)
<b>Gross Book Value at 31 March 2020</b>	<b>789,219</b>	<b>45,863</b>	<b>223,000</b>	<b>4,806</b>	<b>7,030</b>	<b>9,108</b>	<b>1,079,026</b>
<b>Accumulated Depreciation at 1 April 2019</b>	<b>(72,431)</b>	<b>(32,584)</b>	<b>(69,294)</b>	<b>(514)</b>	<b>(35)</b>	<b>(149)</b>	<b>(175,007)</b>
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 to the Revaluation Reserve on impairments	0	0	0	0	0	3	3
<b>Accumulated Depreciation at 31 March 2020</b>	<b>(60,766)</b>	<b>(32,558)</b>	<b>(79,655)</b>	<b>(649)</b>	<b>0</b>	<b>(33)</b>	<b>(173,661)</b>
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

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<b>Movements in 2020/21</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Surplus Assets £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Gross Book Value at 1 April 2020</b>	<b>789,219</b>	<b>45,863</b>	<b>223,000</b>	<b>4,806</b>	<b>7,030</b>	<b>9,108</b>	<b>1,079,026</b>
Reclassifications of assets	(425)	0	0	0	0	425	0
Assets reclassified (to)/ from Held for Sale	(1,466)	0	0	(46)	0	(780)	(2,292)
Additions	5,388	6,614	10,401	217	1,207	307	24,134
Derecognition – disposals	0	(1,096)	0	0	0	0	(1,096)
Revaluation increase/ (decreases) recognised in the Revaluation Reserve	(27,158)	(711)	0	529	77	(42)	(27,305)
Revaluation losses recognised in the (surplus)/deficit on the provision of services	(3,580)	0	0	(478)	0	(417)	(4,475)
Impairment losses recognised in the revaluation reserves	0	0	0	0	0	0	0
Impairment losses recognised in the (surplus)/deficit in the provision of services	0	0	0	0	0	0	0
<b>Gross Book Value at 31 March 2021</b>	<b>761,978</b>	<b>50,670</b>	<b>233,401</b>	<b>5,028</b>	<b>8,314</b>	<b>8,601</b>	<b>1,067,992</b>
<b>Accumulated Depreciation at 1 April 2020</b>	<b>(60,765)</b>	<b>(32,558)</b>	<b>(79,655)</b>	<b>(649)</b>	<b>0</b>	<b>(33)</b>	<b>(173,660)</b>
Depreciation on reclassifications	0	0	0	0	0	0	0
Depreciation on reclassification to Assets Held for Sale	87	0	0	0	0	30	117
Depreciation charge for year	(34,122)	(3,965)	(11,098)	(170)	0	(46)	(49,401)
Depreciation written back on disposals	0	928	0	0	0	0	928
Depreciation written out to the Revaluation Reserve on revaluations	34,114	788	0	0	0	0	34,902
Depreciation written out on revaluation losses recognised in the (Surplus)/ Deficit on the Provision of Services	1,556	0	0	83	0	2	1,641
Depreciation written out on impairments recognised in the (Surplus)/ Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>Accumulated Depreciation at 31 March 2021</b>	<b>(59,130)</b>	<b>(34,807)</b>	<b>(90,753)</b>	<b>(736)</b>	<b>0</b>	<b>(47)</b>	<b>(185,473)</b>
Net Book Value at 31 March 2021	<b>702,848</b>	<b>15,863</b>	<b>142,648</b>	<b>4,292</b>	<b>8,314</b>	<b>8,554</b>	<b>882,519</b>
Net Book Value at 31 March 2020	<b>728,453</b>	<b>13,305</b>	<b>143,345</b>	<b>4,157</b>	<b>7,030</b>	<b>9,075</b>	<b>905,365</b>

## Depreciation

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

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

## Valuations

Valuations are undertaken as part of a rolling programme which has been designed to ensure that each of the Council's non-current assets is revalued at least once every 5 years in line with statutory requirements. These valuations are undertaken in line with the professional standards of RICS. The valuations of the Council's non-current assets are undertaken by an external valuer, Colliers International Valuation UK LLP, who following a procurement process were awarded to undertake the Council's valuations commencing in 2020/21. 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 29 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.

## Impact of COVID 19 on Valuations

The valuer has provided the following explanatory note with regards to the 31 March 2021 asset valuations, "The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards."

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

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastru- cture Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	597	15,863	142,225	0	8,314	0	158,767
Valued at fair value as at:							
31 March 2021	157,987	0	418	1,939	0	1,974	159,037
31 March 2020	230,124	0	5	592	0	1,214	238,332
31 March 2019	174,713	0	0	571	0	290	175,574
31 March 2018	87,666	0	0	1,187	0	5,047	93,389
31 March 2017	51,761	0	0	3	0	29	57,420
<b>Total Cost or Valuation</b>	<b>702,848</b>	<b>15,863</b>	<b>142,648</b>	<b>4,292</b>	<b>8,314</b>	<b>8,554</b>	<b>882,519</b>

### Capital Commitments

At 31 March 2021, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment. In 2021/22 this is budgeted to cost £7.505m. The major commitments are:

<b>Property</b>	<b>Project Description</b>	<b>Commitment £000</b>
Kelloholm Primary School	Upgrade to property	1,415
Laurieknowe Primary School	Nursery alterations	950
Canonbie Primary School	Nursery alterations and extension	260
Leswalt Primary School	Office and reception configuration	920
Kirkbank House, Dumfries	Agile working	998
Kelloholm Road Extension	Road extension	205
Inclusive Play Park – Weyroc, Annan	Play Equipment	210
Advanced Manufacture Challenge Fund	Equipment	830
Waste Recycling	Recycling Recepticles	1,717

**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 2019/20 have been provided for comparison.

	Intangible Assets		Heritage Assets		Assets Held For Sale	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>						
<b>Balance at 1 April</b>	2,965	2,965	2,258	2,310	314	856
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	1,984	2,292
Additions	0	0	48	0	0	0
Derecognition - Disposals	0	0	0	0	(1,442)	(2,338)
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	0	0	4	0	0	0
Revaluation increases/ (decreases) in the CIES	0	0	0	0	0	0
<b>Balance at 31 March</b>	<b>2,965</b>	<b>2,965</b>	<b>2,310</b>	<b>2,310</b>	<b>856</b>	<b>810</b>
<b><u>Accumulated Depreciation</u></b>						
<b>Balance at 1 April</b>	(2,704)	(2,820)	0	0	(7)	(15)
Eliminated on the reclassification of Assets Held For Sale	0	0	0	0	(172)	(118)
Depreciation / Amortisation Charge	(116)	(115)	0	0	0	0
Depreciation - Disposals	0	0	0	0	164	118
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0
<b>Balance at 31 March</b>	<b>(2,820)</b>	<b>(2,935)</b>	<b>0</b>	<b>0</b>	<b>(15)</b>	<b>(15)</b>
<b>Net Book Value at 31 March</b>	<b>145</b>	<b>30</b>	<b>2,310</b>	<b>2,310</b>	<b>841</b>	<b>795</b>

**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.

	2019/20 £000	2020/21 £000
<b>Opening Capital Investment Requirement</b>	<b>424,656</b>	<b>400,492</b>
<b>In Year Adjustment</b>	0	<b>3,161</b>
<b>Capital Investment</b>		
Property, Plant & Equipment – non PFI/PPP assets	28,799	24,127
Property, Plant & Equipment – PFI/PPP/DBFM assets	1	7
Intangible assets	48	0
	<b>28,848</b>	<b>24,134</b>
<b>Financed as follows:</b>		
Capital receipts	91	627
Government grants & other contributions	32,586	16,228
Loans Fund principal	14,484	13,641
Direct revenue contributions	5,851	3,339
	<b>53,012</b>	<b>33,835</b>
<b>Closing Capital Requirement</b>	<b>400,492</b>	<b>393,952</b>
<b>Explanation of movements in the year:</b>		
In Year Adjustment		3,161
Increase/(decrease) in underlying need to borrow	(21,328)	(6,663)
Increase/(decrease) in relation to PFI/PPP contracts	(2,836)	(3,038)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(24,164)</b>	<b>(6,540)</b>

During 2020/21 an adjustment in year of £3.161M was made to correct a historical error.

**19. Long Term Debtors**

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

	Gross Debtors £000	2019/20 Provision for debt impairment £000	Net Debtors £000	Gross Debtors £000	2020/21 Provision for debt impairment £000	Net Debtors £000
Scottish Police Authority	7,744	0	7,744	7,494	0	7,494
Scottish Fire & Rescue Service	2,383	0	2,383	2,242	0	2,242
Other entities & individuals	260	(49)	211	300	(57)	243
<b>Total Long Term Debtors</b>	<b>10,387</b>	<b>(49)</b>	<b>10,338</b>	<b>10,036</b>	<b>(57)</b>	<b>9,979</b>



**20. Short Term Debtors**

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

	<b>Gross Debtors</b>	<b>2019/20 Provision for debt impairment</b>	<b>Net Debtors</b>	<b>Gross Debtors</b>	<b>2020/21 Provision for debt impairment</b>	<b>Net Debtors</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Scottish Government bodies	2,524	0	2,524	6,096	0	6,096
Central Government bodies	2,006	0	2,006	108	0	108
Other local authorities	0	0	0	5	0	5
NHS bodies	1	0	1	0	0	0
Public corporations	0	0	0	0	0	0
Other entities and individuals	18,367	(6,475)	11,892	18,706	(6,356)	12,350
	<b>22,898</b>	<b>(6,475)</b>	<b>16,423</b>	<b>24,915</b>	<b>(6,356)</b>	<b>18,559</b>
Council Tax	16,147	(13,822)	2,325	15,988	(14,521)	1,467
Non-Domestic Rates	5,714	0	5,714	197	0	197
<b>Total Short Term Debtors</b>	<b>44,759</b>	<b>(20,297)</b>	<b>24,462</b>	<b>41,100</b>	<b>(20,877)</b>	<b>20,223</b>

**21. Cash & Cash Equivalents**

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Cash held by the Council	47	47
Bank current accounts	17,215	19,831
Short-term deposits	710	24,208
<b>Total Cash &amp; Cash Equivalents</b>	<b>17,972</b>	<b>44,086</b>

**22. Short Term Creditors**

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

	<b>2019/20</b>				<b>2020/21</b>			
	<b>Trade creditors</b>	<b>Receipts in advance</b>	<b>Other creditors</b>	<b>Total Creditors</b>	<b>Trade creditors</b>	<b>Receipts in advance</b>	<b>Other creditors</b>	<b>Total Creditors</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Scottish Government bodies	0	(9,375)	(1,732)	<b>(11,107)</b>	0	(17,665)	(5,210)	<b>(22,875)</b>
Central Government bodies	0	(299)	(3,954)	<b>(4,253)</b>	0	(3,851)	(4,726)	<b>(8,577)</b>
Other Local Authorities	0	(264)	(20)	<b>(284)</b>	0	0	0	<b>0</b>
NHS bodies	0	(11)	(2)	<b>(13)</b>	0	(497)	0	<b>(497)</b>
Payroll	0	0	(8,876)	<b>(8,876)</b>	0	0	(8,508)	<b>(8,508)</b>
IJB	0	(2,294)	0	<b>(2,294)</b>	0	(7,810)	0	<b>(7,810)</b>
Other entities & individuals	(11,007)	(2,695)	(6,992)	<b>(20,694)</b>	(12,738)	(3,428)	(8,967)	<b>(25,133)</b>
<b>Total Short Term Creditors</b>	<b>(11,007)</b>	<b>(14,938)</b>	<b>(21,576)</b>	<b>(47,521)</b>	<b>(12,738)</b>	<b>(33,251)</b>	<b>(27,411)</b>	<b>(73,400)</b>

**23. Short Term Liabilities**

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

	2019/20 £000	2020/21 £000
PPP/DBFM liabilities	(3,038)	(3,316)
	<b>(3,038)</b>	<b>(3,316)</b>

**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 2020 £000	Amount used in year £000	Additional provision made in year £000	Balance at 31 March 2021 £000
Legal Provision for Employment Cases	(104)	0	(109)	(213)
ERVS	(244)	244	0	0
<b>Total Provisions</b>	<b>(348)</b>	<b>244</b>	<b>(109)</b>	<b>(213)</b>

**Legal Provision for Employment Cases**

The Council currently have a number of employment related cases where payments may require to be made to individuals as settlement. This includes provision for Holiday Pay (where there are 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) and Tutor contracts as well as potential tribunal/insurance claims. A provision of £213k has been created in respect of the estimated settlement payments that may be made to these individuals over the course of 2021/22.

**Early Retirement/Voluntary Severance Scheme**

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 and created a provision of £244k in relation to these payments. All payments in respect of this provision were paid during 2020/21 and no further early retirements/voluntary severances have been agreed.

**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	
	2019/20	2020/21
	£000	£000
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>140,982</b>	<b>152,308</b>
Additions	1	8
Revaluations	11,325	(6,401)
<b>At 31 March</b>	<b>152,308</b>	<b>145,915</b>
<b>Accumulated Depreciation at 1 April</b>	<b>(16,095)</b>	<b>(10,419)</b>
Depreciation charge for year	(5,062)	(5,597)
Depreciation Written Out on Revaluations	10,738	9,146
<b>Accumulated Depreciation at 31 March</b>	<b>(10,419)</b>	<b>(6,870)</b>
<b>Net Book Value at 31 March</b>	<b>141,889</b>	<b>139,045</b>

#### Liabilities

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

	PPP/DBFM Schools	
	2019/20	2020/21
	£000	£000
Balance outstanding at the start of the year	113,629	110,793
Payments during the year	(2,836)	(3,038)
<b>Balance outstanding at year end</b>	<b>110,793</b>	<b>107,755</b>

#### Payments

The Council makes an agreed payment each year. The payment is increased annually for inflation and can be reduced if the contractor fails to meet performance standards set in the contract. The projected future payments due under the PPP and 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	6,558	7,319	3,316	662	<b>17,855</b>
Payments due within two to five years	29,538	26,960	14,471	2,754	<b>73,723</b>
Payments due within six to ten years	43,221	27,432	23,096	4,046	<b>97,795</b>
Payments due within eleven to fifteen years	46,951	18,025	33,421	6,430	<b>104,827</b>
Payments due within sixteen to twenty years	39,276	5,188	30,946	3,889	<b>79,299</b>
Payments due within twenty one to twenty five :	1,383	149	2,505	(4)	<b>4,033</b>
	<b>166,927</b>	<b>85,073</b>	<b>107,755</b>	<b>17,777</b>	<b>377,532</b>

**26. Termination Benefits**

There were no termination benefits provided in relation to the Council's Early Retirement/Voluntary Severance Scheme in 2020/21.

**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:

	<b>LGPS</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Included within the Net Cost of Services:		
• current service cost	41,148	34,464
• past service costs	197	331
Included within Financing and Investment Income & Expenditure:		
• net interest expense	10,669	9,223
<b>Total post-employment benefits charged to (Surplus) or Deficit on the Provision of Services</b>	<b>52,014</b>	<b>44,018</b>
Other post-employment benefits charged to the CIES, included in remeasurement of the net defined liability:		
• return on plan assets (excluding the amount included in the net interest expense)	101,263	(146,848)
• actuarial (gains) & losses arising on changes in demographic assumptions	(41,880)	(13,563)
• actuarial (gains) & losses arising on changes in financial assumptions	(123,248)	272,252
• other	(835)	(32,706)
<b>Total Post Employment Benefit charged to CIES</b>	<b>(12,686)</b>	<b>123,153</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (Surplus) or Deficit on Provision of Services for post-employment benefits in accordance with the Code	<b>(52,014)</b>	<b>(44,018)</b>
Actual amount charged against the General Fund Balance for pensions in the year		
• employers' contributions payable to scheme	21,317	20,701

**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:

	<b>LGPS</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	1,116,292	1,392,716
Fair value of plan assets	(719,709)	(898,382)
<b>Net liability arising from defined benefit obligation</b>	<b>396,583</b>	<b>494,334</b>

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

	<b>LGPS</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of scheme assets</b>	<b>801,182</b>	<b>719,709</b>
Interest income	19,235	16,486
Remeasurement gain/(loss):		
• the return on plan assets, excluding the amount included in the net interest expense	(101,263)	146,848
• other	144	20,206
Contributions from employers	25,981	25,402
Contributions from employees into the scheme	5,515	5,793
Benefits paid	(31,085)	(36,062)
<b>Closing fair value of scheme assets</b>	<b>719,709</b>	<b>898,382</b>

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

	<b>Funded Liabilities LGPS</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	<b>1,236,432</b>	<b>1,116,292</b>
Current service cost	41,148	34,464
Interest cost	29,904	25,709
Contribution from scheme participants	5,515	5,793
Remeasurement (gains) & losses:		
• actuarial (gains) & losses arising on changes in demographic assumptions	(41,880)	(13,563)
• actuarial (gains) & losses arising on changes in financial assumptions	(123,248)	272,252
• other experience	(691)	(12,500)
Past service cost	197	331
Benefits paid	(31,085)	(36,062)
<b>Closing balance at 31 March</b>	<b>1,116,292</b>	<b>1,392,716</b>

**Local Government Pension Scheme assets comprised:**

	<b>Fair value of scheme assets</b>					
	<b>2019/20</b>			<b>2020/21</b>		
	<b>Quoted</b>	<b>Unquoted</b>	<b>TOTAL</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash & cash equivalents	5,591	0	5,591	2,066	0	2,066
Other investment funds						
• equities	414,923	0	414,923	534,108	0	534,108
• bonds	110,910	0	110,910	137,025	0	137,025
• other	187,979	306	188,285	225,127	56	225,183
	<b>713,812</b>	<b>306</b>	<b>714,118</b>	<b>896,260</b>	<b>56</b>	<b>896,316</b>
<b>Total assets</b>	<b>719,403</b>	<b>306</b>	<b>719,709</b>	<b>898,326</b>	<b>56</b>	<b>898,382</b>

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The independent actuaries appointed by the Council, Hymans Robertson, have assessed the liabilities of the Council based on the latest interim valuation of the scheme as at 31 March 2020. The principal assumptions used by the actuary have been:

	<b>LGPS</b>	
	2019/20	2020/21
Long term expected rate of return on assets in the scheme:		
• equity investments	2.3%	2.0%
• bonds	2.3%	2.0%
• property	2.3%	2.0%
• cash	2.3%	2.0%
Mortality assumptions		
• longevity at 65 for current pensioners		
o men	21.1 years	20.8 years
o women	23.4 years	23.3 years
• longevity at 65 for future pensioners		
o men	22.0 years	21.9 years
o women	25.0 years	25.3 years
Rate of increase in salaries	2.6%	3.7%
Rate of increase in pensions	1.9%	2.9%
Rate for discounting scheme liabilities	2.3%	2.0%

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

	<b>Impact on the defined benefit obligation in the scheme</b>	
	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	<b>£000</b>	<b>£000</b>
Rate of increase in salaries (increase or decrease by 0.5%)	14,903	(14,903)
Rate of increase in pensions (increase or decrease by 0.5%)	111,196	(111,196)
Rate of discounting scheme liabilities (increase or decrease by 0.5%)	129,018	(129,018)

### 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 last triennial valuation was undertaken as at 31 March 2020. The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2022 is £21 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 2020.

(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 September 2019 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

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

The amounts paid to the Scottish Public Pensions Agency in 2020/21 amounted to £6.13 Million (£6.04 Million in 2019/20) being deducted from employees and £15.02 Million (£13.11 Million in 2019/20) 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 2020/21 amounted to £2.22 Million (£2.16 Million in 2019/20).

### 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 31/3/20 £000	Balance as at 31/3/21 £000
Capital Receipts Reserve	0	0
Capital Fund	(1,704)	(1,626)
Repairs & Renewals Fund	(1,760)	(3,480)
Insurance Fund	(2,894)	(2,968)
General Fund	(46,154)	(70,180)
	<b>(52,512)</b>	<b>(78,254)</b>

#### Capital Receipts Reserve

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

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Amounts received in year	(610)	(744)
Amounts applied to fund new capital investment	91	627
Amounts Transferred to the Capital Fund	519	117
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**Capital Fund**

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

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(716)</b>	<b>(1,704)</b>
Transfers to/(from) General Fund	(464)	0
Amounts applied to fund new capital investment	0	195
Unapplied Capital Grants and Contributions	(519)	(116)
Interest on balances	(5)	(1)
<b>Balance at 31 March</b>	<b>(1,704)</b>	<b>(1,626)</b>

**Repairs & Renewals Fund**

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

	2018/19 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(1,139)</b>	<b>(1,760)</b>
Transfer to/(from) General Fund	(614)	(1,719)
Interest on balances	(7)	(1)
<b>Balance at 31 March</b>	<b>(1,760)</b>	<b>(3,480)</b>

**Insurance Fund**

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

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(1,384)</b>	<b>(2,894)</b>
Transfer to/(from) General Fund	(1,500)	(73)
Interest on balances	(10)	(1)
<b>Balance at 31 March</b>	<b>(2,894)</b>	<b>(2,968)</b>

**General Fund**

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

	Balance at 1 April 2019	Transfers In	Transfers Out	Balance at 31 March 2020	Transfers In	Transfers Out*	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Schools PPP Sinking Fund	(14,772)	(97)	228	(14,641)	(8)	381	(14,268)
Waste Review Reserve	(1,645)	(349)	0	(1,994)	(136)	0	(2,130)
Employment Issues	(1,459)	0	0	(1,459)	0	222	(1,237)
Affordable Social Housing (2 <sup>nd</sup> Homes Discount)	(3,481)	(1,423)	2,262	(2,642)	(1,455)	821	(3,276)
Devolved School Management Reserve	(1,432)	0	656	(776)	0	122	(654)
Severe Weather Emergency Fund	(500)	0	0	(500)	0	0	(500)
Corporate Change Fund	(3,176)	(3,664)	3,374	(3,466)	(4,083)	1,961	(5,588)
FPT Implementation Plan Resourcing	0	0	0	0	0	(1,682)	(1,682)
Policy Development Funding	(1,170)	(1,677)	771	(2,076)	(150)	1,744	(482)
Budget Pressures/ Resilience Funding	0	0	0	0	(2,747)	(2,223)	(4,970)
Social Work Support Fund	(1,000)	0	0	(1,000)	0	0	(1,000)
AEF Funding	(381)	(1,280)	55	(1,606)	(748)	42	(2,312)
Welfare Reform/Anti-Poverty Economic Recovery	(1,716)	0	1,017	(699)	0	83	(616)
	0	0	0	0	(1,979)	0	(1,979)
Young Persons Employability	0	0	0	0	(685)	0	(685)
Repairs, Renew & Recovery Team	0	0	0	0	(650)	0	(650)
Children's Services Transformation	(4,214)	0	2,248	(1,966)	0	0	(1,966)
BRIS	0	(3,074)	0	(3,074)	0	3,074	0
Carriageway Defect Repairs	0	0	0	0	0	(2,400)	(2,400)
Earmarked/ Committed Amounts	(3,186)	(839)	970	(3,055)	(1,434)	(207)	(4,696)
Unallocated Balance	(6,825)	(375)	0	(7,200)	(300)	0	(7,500)
	<b>(44,957)</b>	<b>(12,778)</b>	<b>11,581</b>	<b>(46,154)</b>	<b>(14,375)</b>	<b>1,938</b>	<b>(58,591)</b>
<b>COVID resources carried forward</b>							
COVID Funding – Education Recovery	0	0	0	0	(4,358)	0	(4,358)
COVID Funding – Specific Initiative Support	0	0	0	0	(1,793)	0	(1,793)
COVID Funding – General Funding Support	0	0	0	0	(5,438)	0	(5,438)
<b>Total COVID Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,589)</b>	<b>0</b>	<b>(11,589)</b>
<b>Total Allocated / Committed Funds</b>	<b>(44,957)</b>	<b>(12,778)</b>	<b>11,581</b>	<b>(46,154)</b>	<b>(25,964)</b>	<b>1,938</b>	<b>(70,180)</b>

\* The transfers out includes the reallocation of resources between specific commitments, reflecting the agreed allocation of resources for 2021/22.

**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.

	2019/20 £000	2020/21 £000
Capital Adjustment Account	(175,139)	(172,902)
Revaluation Reserve	(339,996)	(328,536)
Financial Instruments Adjustment Account	447	370
Pensions Reserve	396,583	494,334
Employee Statutory Adjustment Account – Employee Benefits	2,853	2,466
<b>Total Unusable Reserves</b>	<b>(115,252)</b>	<b>(4,268)</b>

**Capital Adjustment Account**

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

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

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>(174,937)</b>	<b>(175,139)</b>
Depreciation & impairment of non-current assets	61,501	52,234
Amortisation of intangible assets	116	115
Value of assets sold, disposed or decommissioned	487	1,324
Adjusting amounts written out of the Revaluation Reserve	(16,137)	(17,993)
Capital receipts applied to finance new capital expenditure	(91)	(822)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	(25,983)	(15,691)
Loans Fund principal repayments	(14,484)	(13,641)
Statutory repayment of debt (PFI/PPP)	(2,836)	(3,038)
Capital expenditure financed from current revenue	(2,775)	(251)
<b>Balance at 31 March</b>	<b>(175,139)</b>	<b>(172,902)</b>

**Revaluation Reserve**

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

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

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

	2019/20 £000	2019/20 £000
<b>Balance at 1 April</b>	<b>(293,625)</b>	<b>(339,996)</b>
Upward revaluations of assets	(73,886)	(13,580)
Downward revaluation of assets & impairments not charged to the (Surplus)/		
Deficit on the Provision of Services	10,226	5,983
Difference between fair value depreciation and historical cost depreciation	16,137	17,993
Accumulated gains on assets disposed of	1,152	1,064
<b>Balance at 31 March</b>	<b>(339,996)</b>	<b>(328,536)</b>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>524</b>	<b>447</b>
Amounts by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(77)	(77)
<b>Balance at 31 March</b>	<b>447</b>	<b>370</b>

#### Pensions Reserve

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

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>435,250</b>	<b>396,583</b>
Remeasurement of net defined liability/ (asset)	(64,700)	79,224
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	52,014	44,018
Employer's pension contributions payable in year	(25,981)	(25,491)
<b>Balance at 31 March</b>	<b>396,583</b>	<b>494,334</b>

#### Employee Statutory Adjustment Account - Employee Benefits

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

	2019/20 £000	2020/21 £000
<b>Balance at 1 April</b>	<b>3,779</b>	<b>2,853</b>
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	(926)	(387)
<b>Balance at 31 March</b>	<b>2,853</b>	<b>2,466</b>

**32. Leases****Council as Lessee**

No assets were leased under finance leases in 2020/21.

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 2020 £000	At 31 March 2021 £000
Not later than one year	657	638
Later than one year and not later than five years	868	980
Later than five years	401	402
	<b>1,926</b>	<b>2,020</b>

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

	2019/20 £000	2020/21 £000
Minimum lease payments	2,358	2,644
	<b>2,358</b>	<b>2,644</b>

**Council as Lessor**

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

The Council leases out property under operating leases for economic development purposes to provide suitable, affordable accommodation for local businesses. The Council received income of £0.633 Million (£0.824 Million 2019/20) 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 2020 £000	At 31 March 2021 £000
Not later than one year	(329)	(292)
Later than one year and not later than five years	(87)	(86)
Later than five years	(23)	(17)
	<b>(439)</b>	<b>(395)</b>

**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 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
<u>Loans &amp; receivables</u>						
Investments	965	929	0	0	965	929
Debtors	10,338	9,979	16,423	18,559	26,761	28,538
Cash & cash equivalents			17,972	44,086	17,972	44,086
<b>Total Financial Assets</b>	<b>11,303</b>	<b>10,908</b>	<b>34,395</b>	<b>62,645</b>	<b>45,698</b>	<b>73,553</b>



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Financial Liabilities at Amortised Cost						
Borrowing	(199,203)	(199,165)	(41,020)	(4,610)	(240,223)	(203,775)
PFI/PPP liabilities	(107,755)	(104,439)	(3,038)	(3,316)	(110,793)	(107,755)
Creditors	0	0	(47,521)	(73,400)	(47,521)	(73,400)
<b>Total Financial Liabilities</b>	<b>(306,958)</b>	<b>(303,604)</b>	<b>(91,579)</b>	<b>(81,326)</b>	<b>(398,537)</b>	<b>(384,930)</b>

### Reclassifications Between Categories

The Council did not reclassify any financial assets or liabilities between categories during the year, or during 2019/20.

### 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 Loans and receivables		Financial Liabilities Liabilities measured at amortised cost		Total	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Interest expense	0	0	17,344	16,695	17,344	16,695
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>		<b>17,344</b>	<b>16,695</b>	<b>17,344</b>	<b>16,695</b>
Interest income	(393)	(11)	0	0	(393)	(11)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>(393)</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>(393)</b>	<b>(11)</b>
<b>Net (gain)/ loss for year</b>	<b>(393)</b>	<b>(11)</b>	<b>17,344</b>	<b>16,695</b>	<b>16,951</b>	<b>16,684</b>

### Fair Value of Assets & Liabilities

Financial assets (represented by lending and debtors) and financial liabilities (represented by borrowing and creditors) are carried on the Balance Sheet at amortised cost. Financial assets and liabilities are required to be calculated at fair value based on the fair value hierarchy. All assets and liabilities are measured at level 1 i.e. quoted prices. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- loan rates for each loan,
- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

The fair values calculated are as follows:

	31 March 2020		31 March 2021	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<u>Financial assets</u>				
Investments	965	965	929	929
Debtors	26,761	26,761	28,538	28,538
Cash & cash equivalents	17,972	17,972	44,086	44,086
<b>Total Financial Assets</b>	<b>45,698</b>	<b>45,698</b>	<b>73,553</b>	<b>73,553</b>

The fair value of the financial assets is higher than the carrying amount because the Council's portfolio of temporary investments includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. The guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loan.

	31 March 2020		31 March 2021	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<b>Financial liabilities</b>				
Borrowing	(240,223)	(319,312)	(203,775)	(300,405)
PFI/PPP liabilities	(110,793)	(165,376)	(107,755)	(166,395)
Creditors	(47,521)	(47,521)	(73,400)	(73,400)
<b>Total Financial Liabilities</b>	<b>(398,537)</b>	<b>(532,209)</b>	<b>(384,930)</b>	<b>(540,200)</b>

The fair value of the financial liabilities is more than the carrying amount because the Council's loan portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the debt. The figures above are based on market rates, however, PWLB loans have special characteristics in that the interest rates are based on the government's cost of borrowing, rather than market rates, and a penalty charge is payable on early repayment, over and above the economic cost to the lender. In this instance the fair value of borrowing above would change to £359,427.

#### 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 2021 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2021 %	Estimated maximum exposure to default & uncollectability at 31 March 2021 £000	Estimated maximum exposure to default & uncollectability at 31 March 2020 £000
Deposits with banks & financial institutions	44,038	0	0	0	0
Customers	5,171	10	10	517	415

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

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The Council does not generally allow credit for customers, however there is a total sundry debtors debt of £5.171 Million of which £2.109 Million is past its date for payment. The past due date amount can be analysed by age as follows:

Age	2019/20 £000	2020/21 £000
Less than 3 months	1,993	3,229
3 – 6 months	276	250
6 months – 1 year	589	461
More than 1 year	1,287	1,231
<b>Total</b>	<b>4,145</b>	<b>5,171</b>

### Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	2019/20 £000	2020/21 £000
Less than one year	41,020	14,612
Between one and two years	10,004	13,687
Between two and five years	31,250	18,269
More than five years	157,949	157,207
	<b>240,223</b>	<b>203,775</b>

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

### Market risk

#### a) Interest rate risk

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

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

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

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2019/20 £000	2020/21 £000
Increase in interest payable on variable rate borrowings	17	16
Increase in interest receivable on variable rate investments	(7)	(192)
Impact on (Surplus) or Deficit on Provision of Services	<u>10</u>	<u>(176)</u>
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)	43,735	47,319
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)	79,373	62,926

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:

	2019/20 £000	2020/21 £000
Interest received	(393)	(11)
Interest paid	9,097	8,856
Interest element of PFI/ PPP payments	8,247	8,109
<b>Net cash flow from interest</b>	<u>16,951</u>	<u>16,954</u>

### 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](http://www.dumgal.gov.uk).

During 2020/21, two 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 £1,639K (£1,318K in 2019/20). People Smart Solutions provided training courses to the value of £7K (£13K in 2019/20).

## **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 2020/21 the Council contributed £69,152K to the IJB (£66,826K in 2019/20), received £74,668K (£65,138k in 2019/20) from the IJB to support the provision of services and had a creditor of £7,810K (£2,294K in 2019/20) 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 £3.573 Million (£3.416 Million in 2019/20) to the South West Scotland Transport Partnership (SWestrans) which is an associate organisation of the Council. The Council also provided £100k (£100k in 2019/20) as match funding to a Scottish Government grant for core running costs and a capital grant of £285K (£190k 2019/20). SWestrans does not employ its own staff and during 2020/21 the Council charged SWestrans £163k (£142k in 2019/20) in respect of staff support, supplies and other support services. At the year end, £39k (£71k in 2019/20) was outstanding as a payment from SWestrans.

## **Pension Fund**

The Council charged the Pension Fund a total of £353k (£344k in 2019/20) for expenses incurred in administering the Fund.

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## **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.

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**Council Tax Income Account**

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
86,739	Gross Council Tax Charge	91,243
	<b>Less Deductions</b>	
(2,183)	Exemptions	(2,178)
(144)	Disabled relief	(145)
(7,476)	Discounts	(7,979)
13	Council Tax Benefits (net of government grant)	1
(565)	Provision for doubtful debts	(1,040)
(288)	Previous year adjustments	(367)
<b>76,096</b>		<b>79,535</b>
(8,773)	Council Tax Reduction Scheme	(9,752)
<b>67,323</b>	<b>Net Council Tax Income per the Comprehensive Income &amp; Expenditure Statement</b>	<b>69,783</b>

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

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

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

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

During 2020/21 the Council applied "Hardship Payments" of £197k to Council Tax accounts where individuals did not meet the requirements of the Council Tax Reduction Scheme but where individuals had been determined as being in financial hardship due to the impact of the COVID-19 pandemic.

## 2. Calculation of the Council Tax base

The number of dwellings in each valuation band and the corresponding number of Band D dwellings in 2020/21 were as follows:

2019/20		2020/21 Bands									Total
Total		A*	A	B	C	D	E	F	G	H	Total
75,089	Properties	0	11,219	22,739	12,149	10,278	10,786	5,418	2,551	158	75,298
(2,485)	Exemptions	0	(727)	(746)	(325)	(236)	(214)	(76)	(35)	(3)	(2,362)
(649)	Disabled Reliefs (to lower band)	0	(46)	(164)	(95)	(91)	(141)	(64)	(30)	0	(631)
649	Disabled Reliefs (from higher band)	46	164	95	91	141	64	30	0	0	631
(6,661)	Discounts (25%) (equivalent properties)	(7)	(1,706)	(2,276)	(1,047)	(714)	(646)	(265)	(114)	(5)	(6,780)
(1,615)	Discounts (50%) (equivalent properties)	0	(325)	(445)	(317)	(232)	(186)	(86)	(61)	(10)	(1,662)
64,328	<b>Total Equivalent Ratio</b>	<b>39</b>	<b>8,579</b>	<b>19,203</b>	<b>10,456</b>	<b>9,146</b>	<b>9,663</b>	<b>4,957</b>	<b>2,311</b>	<b>140</b>	<b>64,494</b>
		200/360	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
64,508	<b>Band D Equivalents</b>	<b>22</b>	<b>5,719</b>	<b>14,936</b>	<b>9,294</b>	<b>9,146</b>	<b>12,696</b>	<b>8,055</b>	<b>4,526</b>	<b>343</b>	<b>64,737</b>
(1,288)	Bad Debt Provision										(1,366)
63,220											63,371

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

## 3. Council Tax Levels

In 2020/21 the maximum amount the Council tax charge could be increased by was 4.84%. In accordance with this change, the charge per Band D household for 2020/21 was increased by 4.84%, from 2019/20 levels. Applying this to the Band D equivalent tax base of 63,371 the total sum to be raised through the Council Tax in 2020/21 was £77.479 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 (£815.09) and the Band H charge equivalent to 882/360 of the Band D charge (£2,995.44).

Valuation Band	Charge per Dwelling	
	2019/20 £	2020/21 £
A up to £27,000	777.46	815.09
B £27,000 to £35,000	907.04	950.93
C £35,000 to £45,000	1,036.61	1,086.78
D £45,000 to £58,000	1,166.19	1,222.63
E £58,000 to £80,000	1,532.24	1,606.40
F £80,000 to £106,000	1,895.06	1,986.77
G £106,000 to £212,000	2,283.79	2,394.32
H over £212,000	2,857.17	2,995.44



**Non-Domestic Rates Account**

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

<b>2019/20</b> <b>£000</b>		<b>2020/21</b> <b>£000</b>
70,163	Gross Rates Charged	68,678
	<b>Less Deductions</b>	
(965)	Vacant properties	(824)
(13,921)	Mandatory relief	(30,183)
(765)	Discretionary relief	(734)
(1,406)	Disabled relief	(1,387)
(381)	Provision for bad debts	(318)
<b>52,725</b>	<b>TOTAL Non-Domestic Rates Income (before Authority retentions)</b>	<b>35,232</b>
4,556	Non-Domestic Rates income retained by the Authority (BRIS)	0
(1,569)	Contribution from/ (to) National Non-Domestic Rate Pool	427
<b>55,712</b>	<b>Net Non-Domestic Rates Income to Comprehensive Income &amp; Expenditure Statement</b>	<b>35,659</b>

**Notes****1. Analysis of Rateable Subjects and Values as at 1 April 2020**

As at 1 April 2019		As at 1 April 2020	
Subjects	Values £000	Subjects	Values £000
6,878	65,374	Commercial	7,094
186	21,979	Industrial	185
43	16,552	Public Utilities	43
3,257	38,769	Miscellaneous	3,114
<b>10,364</b>	<b>142,674</b>	<b>10,436</b>	<b>141,767</b>

**2. Rate Pounding**

Properties used for business in Scotland pay Non-Domestic Rates that are charged based on a standard Rate Pounding which is multiplied by the Rateable Value of that property, as set out in the Valuation Roll. The national Non-Domestic Rate Pounding set by the Scottish Government for 2020 to 2021 was 49.8 pence in the pound. Businesses with a Rateable Value between £51,001 and £95,000 paid an additional supplement of 1.3 pence in the pound and businesses with a Rateable Value over £95,000 paid an additional supplement of 2.6 pence in the pound.

During 2020/21 the Scottish Government introduced a new rates relief for the Retail, Hospitality and Leisure sector as a result of the COVID-19 pandemic, which accounts for the increase in the value of mandatory relief reflected within the above table.

**Note 38. 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**

2019/20 Total £000	2020/21		Total £000
	Educational £000	Charitable £000	
<b>Incoming Resources</b>			
0	0	0	0
(125)	(23)	(76)	(99)
<b>(125)</b>			
<b>Total incoming resources</b>			
<b>Resources Expended</b>			
76	52	78	130
44	1	51	52
<b>120</b>			
<b>Total resources expended</b>			
<b>(5)</b>	<b>30</b>	<b>53</b>	<b>83</b>
<b>Net (incoming)/ outgoing resources</b>			
<b>Other Recognised Gains</b>			
0	0	0	0
170	(116)	(113)	(229)
<b>165</b>	<b>(86)</b>	<b>(60)</b>	<b>(146)</b>
<b>Net movement in funds</b>			
<b>Reconciliation of Funds</b>			
(2,065)	(670)	(1,230)	(1,900)
<b>(1,900)</b>	<b>(756)</b>	<b>(1,290)</b>	<b>(2,046)</b>
<b>Total funds carried forward</b>			

**Trust Funds Balance Sheet**

2019/20 Total £000	2020/21		Total £000
	Educational £000	Charitable £000	
833	0	790	790
794	760	263	1,023
Current Assets			
273	(4)	237	233
0	0	0	0
Current Liabilities			
<b>1,900</b>	<b>756</b>	<b>1,290</b>	<b>2,046</b>
<b>Net Assets</b>			
<b>Financed by:</b>			
152	120	261	381
551	0	551	551
1,192	666	531	1,197
	0	0	0
5	(30)	(53)	(83)
<b>1,900</b>	<b>756</b>	<b>1,290</b>	<b>2,046</b>
<b>Balance on Trust Funds at 31 March</b>			

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

The income from the investments of the Educational Trusts is used to provide educational grants, school equipment and prizes. The income from Charitable Trusts is used for the benefit of local people according to the purposes specified by the trust deeds.

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

Trust Funds are mainly invested in high interest earning investments or placed with the Council's Loans Fund and earn interest accordingly. Investments are stated at market value at 31 March 2021.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £790k. The property is valued at depreciated replacement cost.

**Note 39. 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 2020/21 for individual Funds is provided in Note 1.

**Common Good Comprehensive Income & Expenditure Statement**

2019/20 £000		2020/21 £000	£000
614	Gross expenditure	714	
(162)	Gross income	(67)	
<b>452</b>	<b>Net Cost of Services</b>		<b>647</b>
(162)	Financing & Investment Income and Expenditure - interest income		(75)
(137)	Taxation & Non Specific Grant Income - capital grants & contributions		(19)
<b>(153)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>553</b>
(278)	(Surplus) or deficit on revaluation of non-current assets	(478)	
256	Other unrealised (gains)/ losses	(286)	
<b>(22)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>(764)</b>
<b>131</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(211)</b>

**Movements in Reserves Statement**

	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2019</b>	<b>(344)</b>	<b>(8,478)</b>	<b>(8,822)</b>
<b>Movements in Reserves during 2019/20</b>			
(Surplus) or Deficit on provision of services	153	0	153
Other Comprehensive Income & Expenditure	0	(22)	(22)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>153</b>	<b>(22)</b>	<b>131</b>
<b>(Increase)/ decrease in year</b>	<b>153</b>	<b>(22)</b>	<b>131</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(191)</b>	<b>(8,500)</b>	<b>(8,691)</b>
<b>Movements in Reserves during 2020/21</b>			
(Surplus) or Deficit on provision of services	553	0	553
Other Comprehensive Income & Expenditure	0	(764)	(764)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>553</b>	<b>(764)</b>	<b>(211)</b>
<b>(Increase)/ decrease in year</b>	<b>553</b>	<b>(764)</b>	<b>(211)</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>362</b>	<b>(9,264)</b>	<b>(8,902)</b>

**Common Good Balance Sheet**

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
6,337	Property, Plant & Equipment - other land & buildings	6,308
1,299	Long term investments	1,586
<b>7,636</b>	<b>Long Term Assets</b>	<b>7,894</b>
63	Short Term Debtors	63
1,004	Cash & Cash Equivalents	949
<b>1,067</b>	<b>Current Assets</b>	<b>1,012</b>
(12)	Short Term Creditors	(4)
<b>(12)</b>	<b>Current Liabilities</b>	<b>(4)</b>
<b>8,691</b>	<b>Net Assets</b>	<b>8,902</b>
191	Usable Reserves	(362)
	Unusable Reserves	
7,545	- Revaluation Reserve	8,021
898	- Capital Adjustment Account	899
57	- Available for Sale Financial Instruments Account	344
8,500		9,264
<b>8,691</b>	<b>Total Reserves</b>	<b>8,902</b>

## Notes

## 1. Common Good Funds 2020/21

## Comprehensive Income &amp; Expenditure Account for year ended 31 March 2021

	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	169	19	16	23	0	1	291	13	4	175	3	0	714
Gross Income	(5)	(10)	(2)	(2)	0	0	(11)	(2)	0	(32)	(3)	0	(67)
<b>Net Cost of Services</b>	<b>164</b>	<b>9</b>	<b>14</b>	<b>21</b>	<b>0</b>	<b>1</b>	<b>280</b>	<b>11</b>	<b>4</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>647</b>
- interest income	(21)	(6)	(1)	(8)	(1)	(6)	(20)	(1)	(1)	(4)	(6)	0	(75)
- capital grants & contributions	(2)	0	0	0	0	0	0	0	0	(17)	0	0	(19)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>141</b>	<b>3</b>	<b>13</b>	<b>13</b>	<b>(1)</b>	<b>(5)</b>	<b>260</b>	<b>10</b>	<b>3</b>	<b>122</b>	<b>(6)</b>	<b>0</b>	<b>553</b>
(Surplus) or Deficit on revaluation of non-current assets	0	0	0	(23)	0	0	(155)	0	0	(266)	(34)	0	(478)
Other unrealised (gains)/losses	(157)	0	0	0	0	0	(129)	0	0	0	0	0	(286)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(157)</b>	<b>0</b>	<b>0</b>	<b>(23)</b>	<b>0</b>	<b>0</b>	<b>(284)</b>	<b>0</b>	<b>0</b>	<b>(266)</b>	<b>(34)</b>	<b>0</b>	<b>(764)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(16)</b>	<b>3</b>	<b>13</b>	<b>(10)</b>	<b>(1)</b>	<b>(5)</b>	<b>(24)</b>	<b>(10)</b>	<b>3</b>	<b>(144)</b>	<b>(40)</b>	<b>0</b>	<b>(211)</b>

## Balance Sheet as at 31 March 2021

	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
<b>Long Term Assets</b>													
Other Land & Buildings	656	204	333	481	0	150	1,778	168	105	2,222	211	0	6,308
Long term investments	890	0	0	1	0	0	686	0	0	0	9	0	1,586
	<b>1,546</b>	<b>204</b>	<b>333</b>	<b>482</b>	<b>0</b>	<b>150</b>	<b>2,464</b>	<b>168</b>	<b>105</b>	<b>2,222</b>	<b>220</b>	<b>0</b>	<b>7,894</b>
<b>Current Assets</b>													
Short term debtors	0	0	0	0	1	0	57	0	0	0	5	0	63
Cash & cash equivalents	(33)	205	40	267	18	22	21	43	20	168	178	0	949
	<b>(33)</b>	<b>205</b>	<b>40</b>	<b>267</b>	<b>19</b>	<b>22</b>	<b>78</b>	<b>43</b>	<b>20</b>	<b>168</b>	<b>183</b>	<b>0</b>	<b>1,012</b>
<b>Current Liabilities</b>													
Short term creditors	0	0	0	0	0	0	0	0	0	(4)	0	0	(4)
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4)</b>	<b>0</b>	<b>0</b>	<b>(4)</b>
<b>Net Assets</b>	<b>1,513</b>	<b>409</b>	<b>373</b>	<b>749</b>	<b>19</b>	<b>172</b>	<b>2,542</b>	<b>211</b>	<b>125</b>	<b>2,386</b>	<b>403</b>	<b>0</b>	<b>8,902</b>
Usable Reserves	148	23	(35)	(35)	19	22	(181)	34	(166)	(225)	34	0	(362)
Unusable reserves	1,365	386	408	784	0	150	2,723	177	291	2,611	369	0	9,264
	<b>1,513</b>	<b>409</b>	<b>373</b>	<b>749</b>	<b>19</b>	<b>172</b>	<b>2,542</b>	<b>211</b>	<b>125</b>	<b>2,386</b>	<b>403</b>	<b>0</b>	<b>8,902</b>

**2. Accounting Issues**

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

Investments are stated at their market value at 31 March 2021.

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

## **Group Accounts**

### **Introduction to Group Accounts**

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

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

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

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

### **Subsidiaries**

Subsidiary entities are those over which the Council has been deemed to have control. The Council administers Common Good Fund and Charitable Trust Funds, whereby accounts are included on page 101 to 106 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**

2019/20				2020/21		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
167,548	(12,243)	155,305	Education & Learning	168,463	(14,770)	153,693
27,927	(4,279)	23,648	Social Work Services	28,573	(4,163)	24,410
			Integrated Joint Board (IJB)			
158,415	(91,661)	66,754	Communities	168,700	(100,572)	68,128
149,359	(52,675)	96,684	Economy & Resources	141,129	(44,494)	96,635
56,573	(13,518)	43,055	Non Distributed Costs	58,477	(11,945)	46,532
6,345	(601)	5,744	Support Service	5,296	(557)	4,739
0	(407)	(407)	Recharges	0	(417)	(417)
4,608	(768)	3,840	SWestrans	4,501	(660)	3,841
<b>570,775</b>	<b>(176,152)</b>	<b>394,623</b>	<b>Net Cost of Services</b>	<b>575,139</b>	<b>(177,578)</b>	<b>397,561</b>
		1,380	Other Operating Expenditure			1,645
		27,620	Financing and Investment Income & Expenditure			25,907
		(385,946)	Taxation & Non Specific Grant Income			(412,263)
		<b>37,677</b>	<b>Deficit on the Provision of Services</b>			<b>12,850</b>
		2,944	Share of Surplus on the Provision of Services by Joint Venture			(6,935)
		<b>40,621</b>	<b>Group Deficit on the Provision of Services</b>			<b>5,915</b>
		(63,265)	Surplus on revaluation of non-current assets			(6,854)
		(64,700)	Remeasurement of net defined liability			79,224
		0	Other unrealised (gains)/ losses			0
		<b>(127,965)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>72,370</b>
		<b>(87,344)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>78,285</b>

## Group Movement in Reserves Statement

	Authority Usable Reserves	Authority Unusable Reserves	Total Reserves	Authorities Share of Group Entities Reserves	Total Group Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019</b>	<b>(48,196)</b>	<b>(29,009)</b>	<b>(77,205)</b>	<b>(5,679)</b>	<b>(82,884)</b>
<b>Movements in Reserves during 2019/20</b> (Surplus) or Deficit on provision of services Other Comprehensive Income & Expenditure	37,407 0	0 (127,965)	37,407 (127,965)	3,214 0	40,621 (127,965)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>37,407</b>	<b>(127,965)</b>	<b>(90,558)</b>	<b>3,214</b>	<b>(87,344)</b>
Adjustments between accounting basis & funding basis under regulations	(41,722)	0	(41,722)	0	(41,722)
<b>Net (increase) before transfers to /(from) other statutory reserves</b>	<b>(4,315)</b>	<b>(127,965)</b>	<b>(132,280)</b>	<b>3,214</b>	<b>(129,066)</b>
Transfers to/ (from) Other Statutory Reserves	(1)	41,722	41,721	0	41,721
<b>(Increase) in year</b>	<b>(4,316)</b>	<b>(86,243)</b>	<b>(90,559)</b>	<b>3,214</b>	<b>(87,345)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(52,512)</b>	<b>(115,252)</b>	<b>(167,764)</b>	<b>(2,465)</b>	<b>(170,229)</b>
<b>Movements in Reserves during 2020/21</b> (Surplus) or Deficit on provision of services Other Comprehensive Income & Expenditure	12,872 0	0 72,370	12,872 72,370	(6,957) 0	5,915 72,370
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>12,872</b>	<b>72,370</b>	<b>85,242</b>	<b>(6,957)</b>	<b>78,285</b>
Adjustments between accounting basis & funding basis under regulations	(38,614)	0	(38,614)	0	(38,614)
<b>Net (increase)/ decrease before transfers to /(from) other statutory reserves</b>	<b>(25,742)</b>	<b>72,370</b>	<b>46,628</b>	<b>(6,957)</b>	<b>39,671</b>
Transfers to/ (from) Other Statutory Reserves	0	38,614	38,614	0	38,614
<b>(Increase)/ decrease in year</b>	<b>(25,742)</b>	<b>110,984</b>	<b>85,242</b>	<b>(6,957)</b>	<b>78,285</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(78,254)</b>	<b>(4,268)</b>	<b>(82,522)</b>	<b>(9,422)</b>	<b>(91,944)</b>

## Group Balance Sheet

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
906,559	Property, Plant & Equipment	883,735
2,310	Heritage Assets	2,310
145	Intangible Assets	30
965	Long Term Investments	929
10,338	Long Term Debtors	9,979
1,271	Investment in Joint Ventures and Associates	8,206
<b>921,588</b>	<b>Long Term Assets</b>	<b>905,189</b>
841	Assets Held For Sale	795
834	Inventories	1,128
24,602	Short Term Debtors	20,351
17,972	Cash & Cash Equivalents	44,086
<b>44,249</b>	<b>Current Assets</b>	<b>66,360</b>
(41,020)	Short Term Borrowing	(4,610)
(47,661)	Short Term Creditors	(73,528)
(3,038)	Short Term Liabilities	(3,316)
(348)	Short Term Provisions	(213)
<b>(92,067)</b>	<b>Current Liabilities</b>	<b>(81,667)</b>
(199,203)	Long Term Borrowing	(199,165)
(107,755)	Other Long Term Liabilities	(104,439)
(396,583)	Other Long Term Liabilities (Pensions)	(494,334)
<b>(703,541)</b>	<b>Long Term Liabilities</b>	<b>(797,938)</b>
<b>170,229</b>	<b>Net Assets</b>	<b>91,944</b>
52,512	Usable Reserves	78,254
115,252	Unusable Reserves	4,268
1,194	Group Usable Reserves	8,206
1,271	Group Unusable Reserves	1,216
<b>170,229</b>	<b>Total Reserves</b>	<b>91,944</b>

The audited accounts were issued on 21 September 2021.

**Paul Garrett**  
Head of Finance and Procurement

**Group Cash Flow Statement**

<b>(Restated)</b> <b>2019/20</b> <b>£000</b>		<b>2020/21</b> <b>£000</b>	<b>£000</b>
40,621	Net deficit on the provision of services	5,915	
(96,336)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(95,649)	
25,983	Adjustments to net (surplus) or deficit on the provision of services that are investing or financing activities	16,435	
<b>(29,732)</b>	<b>Net cash flow from operating activities</b>	<b>(73,299)</b>	
	Investing activities		
28,848	- purchase of property, plant & equipment, heritage assets & intangible assets	24,134	
(610)	- proceeds from the sale of property, plant, equipment	(744)	
(25,983)	- Other receipts from investing activity	(15,691)	
2,255		7,699	
	Financing activities		
(180,621)	- cash receipts from short & long term borrowing	(18,866)	
2,836	- cash payments for the reductions of outstanding liabilities relating to PFI/PPP contracts	3,038	
208,424	- repayments of short & long term borrowing	55,232	
(59)	- other payments for financing activities	82	
30,580		39,486	
<b>3,103</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(26,114)</b>
21,075	Cash and cash equivalents at the beginning of the year		17,972
<b>17,972</b>	<b>Cash and cash equivalents at the end of the reporting year</b>		<b>44,086</b>

**Notes to the Group Accounts****Group Accounting Policies**

The financial statements in the group accounts have been prepared in accordance with the Councils Accounting Policies. Where applicable consolidation adjustments have been made in eliminate inter group transactions. All entities have the same reporting date as the Council.

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

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

	% Share	2020/21			2019/20		
		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
<b>Subsidiaries</b>							
Swestrans	100%	1,344	(128)	(22)	1,334	(140)	270
<b>Joint Ventures</b>							
Integration Joint Board	50%			(6,935)	0	0	2,944

**Financial Impact of Consolidation**

The inclusion of the group entities results in an increase of £9.4 Million in the net assets and reserves from that shown on the Council's single entity Balance Sheet. This represents the inclusion of Swestrans assets and our investment in the IJB. The inclusion of group entities has also reduced the deficit on the provision of service from £12.9 Million to £5.9 Million.