



South Lanarkshire Council
Annual Accounts

2020



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Joint Introduction by Chief Executive and Council Leader

Welcome to South Lanarkshire Council's annual accounts for the financial year 2019/2020.

As the name suggests, this document is the result of a yearly exercise, the main purpose of which is to publicly demonstrate how the council manages its finances. It is also an opportunity to show how the council has coped with challenges and reacted to opportunities.

This set of annual accounts, however, are published in a year unlike any that has come before.

COVID-19 has changed everything, with a serious and ongoing impact on every aspect of our society and the economy. Like all local authorities, South Lanarkshire Council has played a leading role in the response to the pandemic, working with the Scottish Government, the NHS and other partners, and local groups and volunteers.

Although we have had to cope with our own staffing and other issues, the council has done everything possible to ensure that key frontline services can continue to be delivered, while at the same time taking on vital new support and recovery work. The council has also been central to the delivery of financial support for local businesses, and we will continue to work with them to benefit the local economy in the months and years ahead.

The support we have provided for our communities was arguably most particularly important when it came to help for vulnerable people. We are grateful for the invaluable help we received from community groups and volunteers from across South Lanarkshire, who assisted with the delivery of food, medicines and other necessities. We applaud our "can do" communities for their assistance and resilience.

The financial impact of this unprecedented crisis on the council's income and expenditure is of course significant, though this impact on 2019/2020 was limited to that financial year's final weeks. Leisure facilities and schools were respectively closed on 18 and 20 March, with the start of lockdown following on 23 March 2020. However, the full financial repercussions will be felt for many years. The full scale of this will be more clear in the months to come, and will be reflected more fully when we publish our 2020/2021 annual accounts in mid-2021. In the meantime, to turn to the main themes of 2019/2020, we can look back at what had been in very many ways a successful year for the council.

Even before we had ever heard of COVID-19, the public sector was already facing challenging times, but we were able to balance our budget, thanks to a sound financial approach based on good planning for both the short and longer term. Although once again had to find a number of efficiencies, totalling £10.764 million, we did everything possible to ensure these were delivered while maintaining quality services for our residents, and in particular protecting key frontline services.

The council was also able to fund some significant initiatives. We had already introduced auto-enrolment to make it easier to get free school meals and clothing grants for children who need them, and throughout 2019/2020 we progressed the roll out of free breakfast clubs and holiday lunch clubs in primary schools.

By the end of the financial year 2019/2020 more than 300,000 free breakfasts had been served to pupils in primary schools, while the number of clothing grant awards had risen to 11,856, and 8,794 pupils were receiving free school meals. We were able to plan for continued progress through the agreement of a consensus budget for 2020/2021, agreed by all political groups in February 2020. In 2019 the council's £850m-plus primary schools modernisation programme was also completed, meaning that every child at every level is now being educated in a first-class, modern learning environment. We are confident this will have a lasting legacy in terms of attendance and attainment.

Overall, during 2019/2020 our revenue budget was £729m and once again the largest area of spend was Education, followed by Social Work, and with the balance funding Community and Enterprise Resources, Housing and Technical Resources, and Finance and Corporate Resources.

2019/2020 was also the final year of an ambitious three-year capital investment programme originally approved in 2017/2018, with the revised budget allocation for the year 2019/2020 being £76.804m.

Another £51m was invested in local housing through the 2019/2020 Housing Capital Programme. This increased the amount of affordable housing in the area and resulted in the upgrading of existing housing stock. This will continue in future years, though one impact of COVID-19 is that there will be some delays due to construction being suspended.

This is by no means the only ongoing impact of the pandemic, and we will also continue to support the recovery of the local economy, by helping local businesses get back on their feet and then grow, and by encouraging further investment in the area and supporting people through training and skills development.

We conclude this introduction by offering our thanks to our staff for their hard work and dedication in 2019/2020, and particularly as we faced the challenges caused by the pandemic. We also thank our residents for their understanding of the challenges we faced, and we recommit ourselves to serving our communities and making the most of the opportunities ahead.

Before COVID-19 South Lanarkshire was a great place to live, visit and do business. It still is – and our pledge is to work tirelessly with our communities and businesses to help make it greater still.

South Lanarkshire Council – Management Commentary

Background

The Management Commentary will provide the reader with key messages in relation to the council's year end position and performance for the year 2019/2020 and how this has supported delivery of the council's priorities. This commentary also looks forward, outlining the council's future financial plans and the challenges, risks and uncertainties it faces, while trying to maintain service delivery and meet the needs of the people of South Lanarkshire. Before this, the Commentary will provide a brief introduction to the council area and its functions as well as its key ambitions and achievements. It will also highlight the Council's reaction to the global coronavirus pandemic.

The Council's Response to the Coronavirus Pandemic

From March 2020, the impact of the coronavirus meant there has been significant disruption to 'business as usual' impacting on our service delivery.

Since then, the council has proven itself able to respond to unprecedented circumstances and the pressures arising from being a Category One Emergency Responder. In terms of the council's capacity and capability to respond to the pandemic, a number of measures have been put in place at both a strategic and operational level. Key examples include: regular councillor/senior management meetings and briefings; new IT systems to support employees working from home; the redeployment of employees to work in hubs for the children of key workers; the Community Wellbeing Helpline / Shielding Initiative; the delivery of community meals; and facilitating business and employability supports.

The council recognises the invaluable support received from local people within our communities, partners and third sector providers in responding to the pandemic which has further expanded the council's capacity to respond. The financial impact of this pandemic is detailed in a later section of this commentary.

Introduction to South Lanarkshire Council

The Area

The South Lanarkshire area is both urban and rural and covers 686 square miles from the Cathkin Braes to the Pentlands and down through the Southern Uplands. The council faces the dual challenge of catering for the busy towns in the north west (East Kilbride, Hamilton, Cambuslang and Rutherglen), while meeting the needs of residents in Lanark and rural Clydesdale area.

The Council Structure

The council provides a range of essential public services across the area through its 5 Resources, employing the commitment, dedication and ability of our 14,780 employees (12,235.63 full time equivalents).



South Lanarkshire Council Organisation structure



These Resources serve around 320,000 people and this population is expected to increase by 1.5% in the 10 years to 2026 and by a further 0.1% in the years 2026 to 2037. The council is currently facing an aging population, with more than 18% of the current population being over the age of 65. This trend is expected to continue, with the number of over 65s significantly increasing.

Although the predicted population increases are below those of Scotland as a whole it is expected that South Lanarkshire will see significant increases in numbers in the Community Growth areas, particularly in the number of children, which is anticipated to have an impact on Education and Children's Services. These changes in population influence how the council and its partners shape future service design and delivery and feed into the Council Plan.

The Council Plan

The [Council Plan, Connect 2017-2022](#) sets out the council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire. A review was carried out part way through the 5 year timeframe, with the [Outcome of Mid-Term Review of Connect](#) reported to the Executive Committee on 24 June 2020.

The Vision, Values and Priorities of the Council Plan are shown below. We work together with our partners to achieve our Vision, with our Priorities and Values at the core of everything the council does.

Our Vision

Improve the quality of life of everyone in South Lanarkshire

Our Values

- Focused on people and their needs
- Working with and respecting others
- Accountable, effective, efficient and transparent
- Ambitious, self aware and improving
- Fair, open and sustainable
- Excellent employer

The council is also a statutory Community Planning Partner and the [Community Plan 2017-2027](#) provides a common vision for the South Lanarkshire Community Planning Partnership and sets out how the partners aim to achieve that vision.

The Golden Thread

The Council Plan feeds down to Resource then Service Plans, and on to the individual members of staff who are responsible for service delivery. Each employee has their own personal development plan and, on a regular basis, they discuss with their line manager, how this links to the Vision, Priorities and Values in the Council Plan.

Council Performance

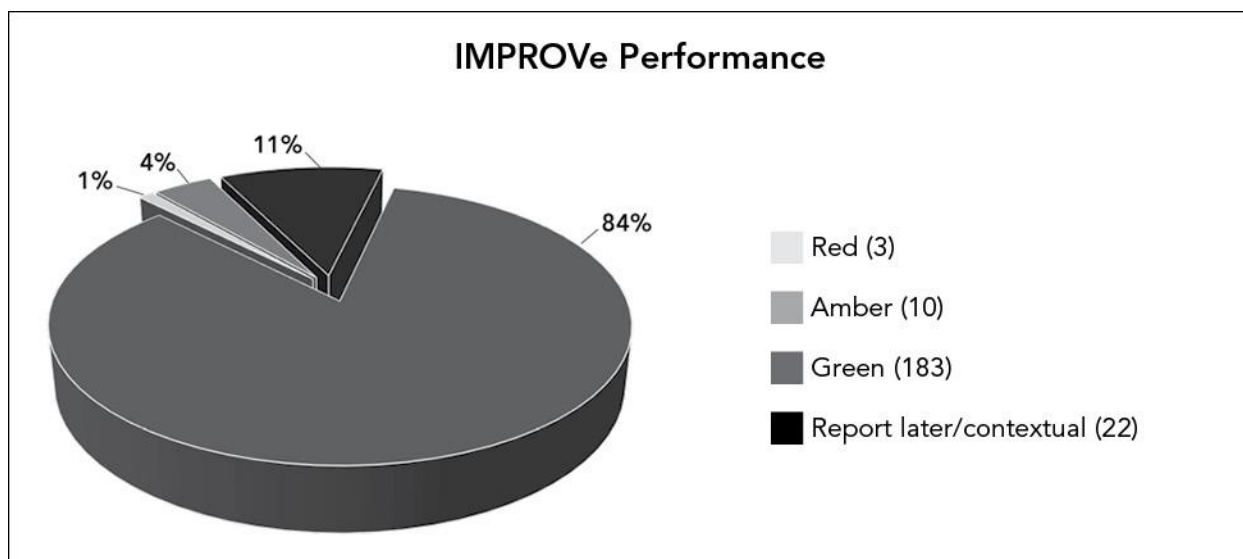
The council rates its performance using a number of measures. These are aligned to the Priorities and Objectives set out in the Council Plan. A total of 583 measures were identified within Resource Plans for 2019/2020. Of those 140 (24%) are linked to the achievement of the Connect Objectives detailed in the Council Plan. The measures are detailed within the individual Resource Plans and bi-annual progress reports, and can be found on the [Performance pages](#) of the council's website.

In addition, the [Connect 2017-2022 Quarter 4 Progress Report 2019/2020](#) was reported to the Executive Committee on 24 June 2020.

As at the end of Quarter 4 (31 March 2020), 106 (76%) measures had been achieved. Of the remaining measures, 7 experienced minor issues and 22 are included for information only or the statistics are not yet available in 2019/2020. There were 5 measures that were not achieved.

The 5 measures not achieved were:

- 75% of reports to be submitted to the Children’s Reporter within 20 days (71% achieved)
- 90% of statutory supervising officer visits completed within timescales for private welfare guardianship orders (86% achieved)
- Maximise the number of attendances at facilities managed by the sports and Physical Activity section of SLLC (would have been exceeded but COVID lockdown on 18 March had a significant impact)
- Deliver activity programmes to support equitable access for all: Number of under 16 reduced rate attendances at SLLC halls, school lets, indoor and outdoor leisure (COVID-19 lockdown on 18 March had a negative impact on attendance rates)
- 100% coverage of Performance Appraisals of employees in scope – council wide



The council continues to remain an active participant in the Local Government Benchmarking Framework (LGBF). As well as allowing the council to self-assess its performance across years, the main benefit of the LGBF is the ability to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

The latest [Local Government Benchmarking Framework \(LGBF\) 2018-2019 Results and Action Plan](#) was reported to the Performance and Review Scrutiny Forum on 18 February 2020. Across the 89 indicators in the 2018/2019 suite, the council’s performance improved against 34 (38%) indicators, remained the same against 3 (3%) indicators, and declined for 34 (38%) indicators. There are 18 (21%) indicators for which there are no results or trend information available for 2018/2019.

		Number (%) of indicators 2016/17	Number (%) of indicators 2017/18	Number (%) of indicators 2018/19
	South Lanarkshire Performance			
↑	improving performance in SLC	38 (52%)	32 (40%)	34 (38%)
↓	declining performance in SLC	28 (38%)	35 (44%)	34 (38%)
↔	No change in performance in SLC	2 (3%)	2 (2%)	3 (3%)
----	Results/trends not available	5 (7%)	11 (14%)	18 (21%)
	Comparison with Scottish Average			
ü	SLC results better than Scottish average	39 (53%)	39 (49%)	44 (49%)
X	SLC results worse than Scottish average	27 (37%)	28 (35%)	28 (32%)
↔	SLC results same as Scottish average	2 (3%)	2 (2%)	3 (3%)
----	Results not available	5 (7%)	11 (14%)	14 (16%)

In terms of South Lanarkshire’s figures relative to the Scottish results, our performance was better than the Scottish average for 44 (49%) indicators and the same for 3 (3%) indicators.

External Assessment of the Council's Performance – Best Value Review – an Update


South Lanarkshire Council was subject to a Best Value Audit Review (BVAR) by Audit Scotland during 2018/2019. The outcome of the audit was positive with the key messages being that the council has demonstrated a steady pace of improvement since the last Best Value Audit Review in 2009. The council benefits from effective leadership and clear strategic direction and demonstrates sound financial management, delivering large-scale capital projects and having good processes in place for long term financial planning. It was recognised that future financial plans are challenging but the council is well placed to address the projected funding gaps.

The council also demonstrated improved performance in many services, but other areas still require improvement. These were documented in an Action Plan addressing each of the BVAR recommendations, which was approved by the Council at its meeting on 26 June 2019. The [Best Value Assurance Report: Action Plan Update](#) was presented to the Performance and Review Scrutiny Forum on 18 February 2020.

At the end of March 2020, the majority of actions were complete or pending completion (14 out of 16), with the remainder having longer-term aspects continuing beyond this date. The council's response to COVID-19 has delayed the final stages of some areas of work, however the impact is mostly in relation to the formal reporting of progress to Elected Members.

Key Achievements in 2019/2020

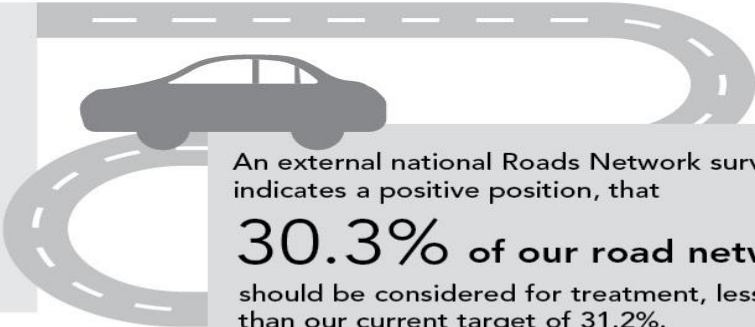
476 new affordable homes were delivered in partnership with our Registered Social Landlords.



Over **1,650** adaptations have been completed in council and private homes allowing people to remain in their own home.

654 properties have been upgraded to meet the Scottish Government Amenity specification.

Vehicle emissions reduced by **13.3%** in 2019/2020 against the baseline of 2014/2015, higher than the target of 10%.



An external national Roads Network survey indicates a positive position, that

30.3% of our road network should be considered for treatment, less than our current target of 31.2%.

As a direct result of business support interventions via grants, loans or advice to businesses,

943 jobs were created or sustained

and additional sales of £11.910 million were generated.



492,000 nutritious, healthy breakfasts were served during 2019/2020 as part of the council's new Breakfast Club Initiative.

The new Early Learning Unit in Hamilton which caters for young children aged 0-5 with special and complex needs, opened to children on **1 October 2019**.



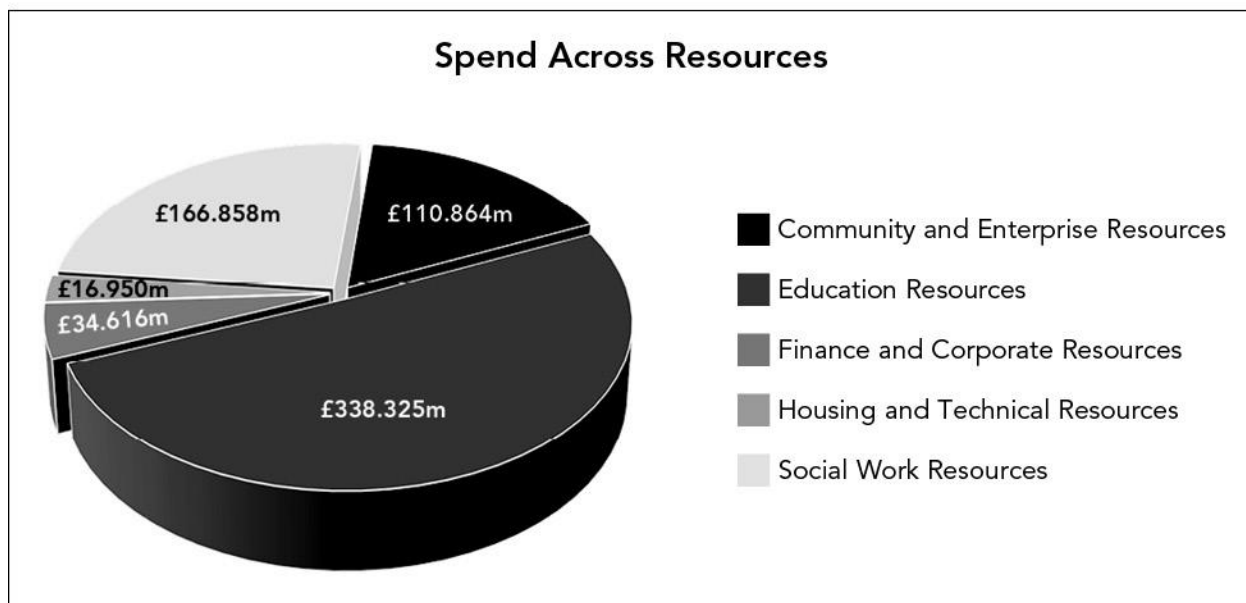
A new school in Elsrickle (Black Mount Primary School) with community facilities was **completed on schedule in August 2019**.

Financial Performance

General Fund Position at end 2019/2020

The council's operational budget for 2019/2020, known as the General Fund budget, was approved by the Council on 27 February 2019. There is also a General Fund Reserve which the council maintains in order to earmark funds for specific projects in the future or to meet any unexpected expenditure needs. At the end of 2019/2020, the council added £3.021m to its General Fund Reserve, after accounting for all known commitments. The full position for the council's five Resources is detailed in the [Revenue Budget Outturn 2019-2020 reported to Executive Committee on 24 June 2020](#). This position takes account of the achievement of £10.233m of the £10.764m of approved savings.

The split of the spend across the individual Resources is shown below. This reflects the Council's spend based on its operational structure, with the biggest Resource being Education Resources. The budget is monitored internally on the basis of the 5 Resources.



This spend against budget is shown in the South Lanarkshire Performance section of the table on page 9, which shows the Resources' final outturn position before any transfers were made to reserves for specific funding or commitments. The main variances are explained as:

- **Education Resources** (underspend £4.672m) due to the timing of spend on multi-year programmes such as Early Learning and Childcare, Pupil Equity Fund and Counselling in Schools. These monies will be carried into 2020/2021.
- **Social Work Resources** (overspend of £1.855m) mainly reflecting increased demand for services in Children and Families Services and Adult and Older People Services.
- **Loan Charges** (underspend of £8.887m) as a result of not having to borrow during the year, reprofiling some debt repayments and also achieving lower interest rates in 2018/2019, which carries into 2019/2020.
- **Council Tax/Council Tax Reduction Scheme** (over-recovery £4.261m) mainly as a result of lower demand for the Council Tax Reduction Scheme, collection of Council Tax arrears for previous years and a higher in-year collection of Council Tax.

The position shown also includes 2019/2020 spend on COVID-19 (£0.751m) which was funded by Government Grant. This £0.751m includes £0.365m provided to South Lanarkshire Leisure and Culture Limited, to assist with the income pressures they experienced in March due to lockdown. COVID-19 will be further discussed later in this commentary.

The **Comprehensive Income and Expenditure Statement** of the Accounts (page 43) sets out the council's year-end position on expenditure and income, in accordance with accounting requirements. This is different to the way that the council reports its financial monitoring internally as we are required to make a number of accounting adjustments. The **Expenditure and Funding Analysis** (EFA) on page 42 provides a link between the council's internal financial monitoring reports, and the figures in the Comprehensive Income and Expenditure Statement.

Table 1 shows the reader of the Accounts how to go from the internal Monitoring Report, through to the first column of the EFA (page 42) and then on to the Comprehensive Income and Expenditure Statement (page 43).

	SLC Annual Budget	SLC Actual Outturn	SLC Outturn Variance	<i>Building the EFA</i> Actual Outturn	<i>Building the EFA</i> Move / Remove items not included in Cost of Services	<i>Building the EFA</i> Net Expenditure Chargeable to the General Fund and HRA Services	<i>Building the EFA</i> Net Expenditure Chargeable to the General Fund and HRA Services
	(Col 1)	(Col 2)	(Col 3)	(Col 2 Data)			
	£m	£m	£m	£m	£m	£m	£m
Community and Enterprise	110.339	110.864	(0.525)	110.864	-	110.864	110.864
Education	342.997	338.325	4.672	338.325		338.325	338.325
Finance and Corporate	34.517	34.616	(0.099)	34.616	-	34.616	34.616
HRA	-	-	-	-	(0.240)	(0.240)	(0.240)
Housing and Technical	17.351	16.950	0.401	16.950	-	16.950	16.950
Social Work	165.003	166.858	(1.855)	166.858	-	166.858	166.858
Joint Boards	2.151	2.150	0.001	2.150	-	2.150	2.150
Corporate Items	-	-	-	-	1.460	1.460	1.460
Net Cost of Services	672.358	669.763	2.595	669.763	1.220	670.983	670.983
Other Income and Expenditure	(672.358)	(686.659)	14.301	(686.659)	32.178	(654.481)	(654.481)
(Surplus) / Deficit on Provision of Services	-	(16.896)	16.896	(16.896)	33.398	16.502	16.502

The council's final reported outturn position for the year is a surplus of £3.021m (surplus of £16.896m if you exclude the transfers to reserves at the end of the year – see col 2 above). However, as previously noted, this is not how the surplus is displayed in the various statements in the accounts due to accounting requirements to both exclude and include certain items for both the EFA and CIES, with the final entries being included as part of the Movement in Reserves Statement.

The final column in the table shows a deficit of £16.502m which corresponds to the figures in the first column on the Comprehensive Income and Expenditure Statement on page 43. To this, accounting regulations require us to add in other entries for items including pensions, holiday pay, capital financed from revenue and loans fund principal payments (column 2 on CIES page 43) to arrive at a surplus on the provision of services of £2.788m. To this, we need to take into account accounting requirements to reverse some entries to the balance sheet and also transfers from reserves which were required to fund projects during the year and transfers to reserves at the end of the year which are required to fund commitments in future years. After taking into account all of these items, the final outturn position for the council was a surplus of £3.021m, as reported to the Executive Committee.

The **Movement in Reserves Statement** on page 45 reconciles the financial position shown in the Comprehensive Income and Expenditure Statement (page 43) to the movement on the council's Reserves (pages 55 and 60).

During the year, the council drew money down from reserves, to meet current commitments or for agreed use in the 2019/2020 budget strategy, including Early Years expansion, Pupil Equity Fund for schools, children and young people funding, monies for new initiatives and funding for multi year projects. In addition, the Council made contributions to reserves for a variety of projects including Pupil Equity funding and Early Years expansion to meet future commitments and for specific funding for counselling in schools and additional support for learning. Money was also set aside for future budget strategies.

The balance on the council's total General Fund Reserve is £75.579m. The Earmarked element (£35.251m) as detailed in Note 12, comprises monies for future strategies and amounts set aside by Resources in relation to specific funding or for agreed commitments. In addition to this, there is other funds set aside for future strategies, which has not previously been allocated to a specific year, however, part of these were required in the 2020/2021 Strategy and at the end of 2019/2020, the total General Fund reserve included a total of £46.311m of funding for future strategies. The 2021/2022 Revenue Budget Strategy presented to the council's Executive Committee in June 2020, detailed that all of these reserves have now been committed for use. After taking into account the amount for Resource specific projects of £16.225m, this leaves an uncommitted balance of £13.043m that can be used to manage future unforeseen circumstances. This balance of £13.043m equates to 1.76% of Annual Budgeted Net Expenditure (for 2020/2021).

The council's Reserves policy identifies that there is no prescribed minimum level of reserves which should be held by a council. The level of Uncommitted General Fund currently reflects a suitable cushion to contribute towards any unanticipated pressures that the council may face.

Housing Revenue Account

As well as running a General Fund account to deliver services, the council also manages a stock of housing. The annual expenditure on the council houses (£104m in 2019/2020) and the rental income received, are held as a ring-fenced Housing Revenue Account (HRA). Any surplus funds are held in a Reserve on the council's balance sheet and can be used in future years. The details are shown on pages 99-100.

At the end of financial year 2019/2020, there was an underspend of £0.240m on the Housing Revenue Account. This was transferred to the Housing Revenue Account Reserve. The Reserve was also increased by £0.462m for income received through Council Tax from owners of second homes. These monies are ring-fenced for social housing. These transfers mean an increase of £0.702m in the Housing Revenue Reserve, taking its total to £9.713m at the end of 2019/2020.

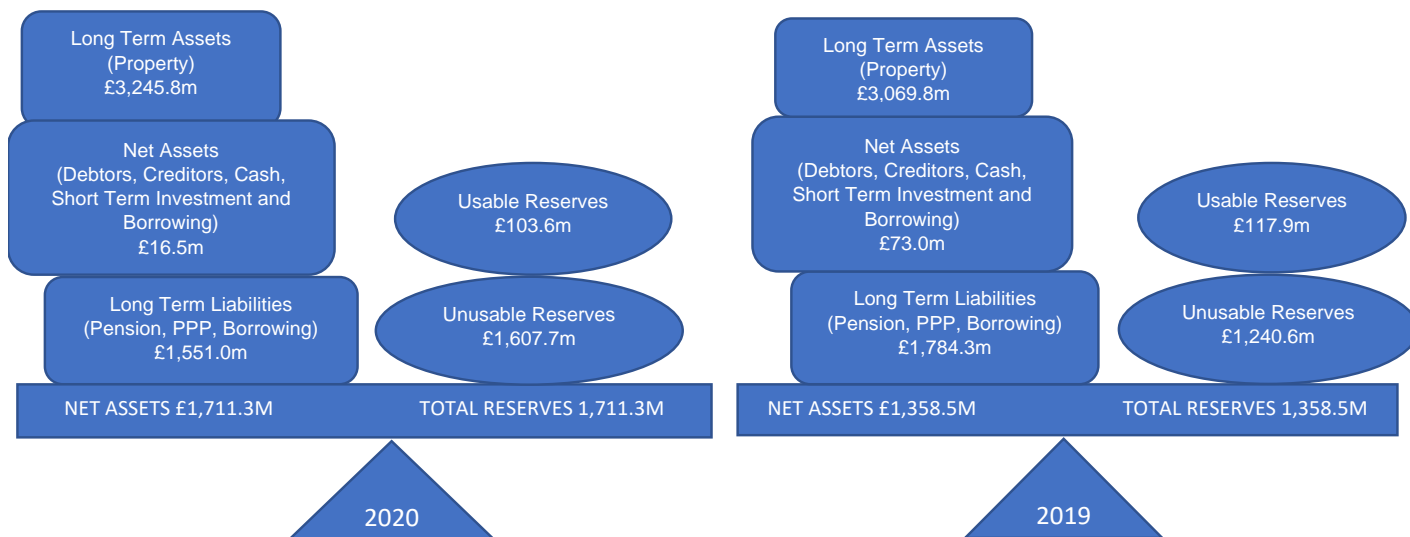
These monies will be carried forward to future years to fund the ongoing impact of welfare reform, the development costs related to the new housing management I.T. system and the continuation of the housing investment programme, as well as maintaining a reasonable level of reserves.

The council has a medium to long term financial business plan for the HRA. This ensures the affordability of the council's approved Strategic Housing Investment Programme (SHIP), a key part of the Local Housing Strategy (LHS) process. The strategic outcomes identified in the LHS, guide investment priorities outlined within the SHIP, including the increase in supply of affordable housing in areas of housing pressure, as well as coping with the needs of an ageing population.

The Balance Sheet

Taking the year's activity into account, the council's balance sheet (page 44) shows the position as at 31 March 2020 and brings together the council's year end balances including the assets owned, the monies owed to and by the council and the reserves available to the council for use in future years.

The position at the end of March 2020 as well as the previous year for information, is shown below.



The main change year on year is the increase in Long Term Fixed Assets (Property) which reflects the council's spend on its property assets, as well as an increase in the value of its secondary schools. The other significant change is a reduction in the Long Term Liabilities which relates to a reduction in the pension liability, and a reduction in long term borrowing. The reduction in borrowing reflects the age profile of our debt and also that we did not take any new borrowing during the year.

Whilst the pension liability is indicative of a broad position, the reader should be aware that the council is meeting its pension costs on an annual basis. Further information is noted on pages 76-81.

The council's assets and liabilities are funded by an equivalent level of Reserves. These Reserves comprise Unusable Reserves of £1,608m (maintained for accounting purposes only) and Usable Reserves of £103m which as the name suggests, are those which the council can use to support service delivery through its Revenue and Capital budgets. The detail of these Reserves is noted in the Movement in Reserves Statement on page 45 with more detail provided in Note 13 (page 59) and the Accounting Policies (pages 91 to 98).

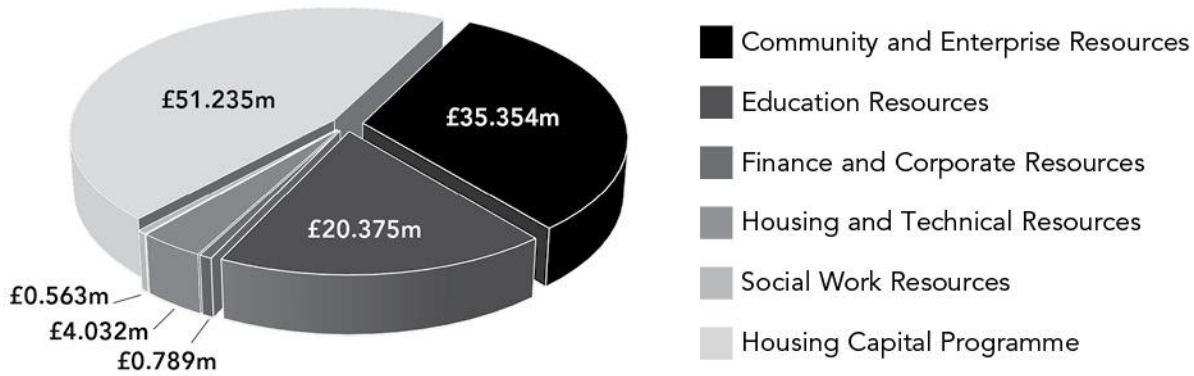
In July the pension fund's actuary reviewed the assumptions in relation to the pension liability, following the issue of a consultation in relation to the McLeod and Sargeant pension rulings. This resulted in a decrease of £15.9m in the council's pension liability and the revised figure is reflected in the council's Balance Sheet.

It is expected that future revenue income, alongside the council's budgeting and planning processes, will ensure management of future liabilities. It is therefore considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Capital Programme

The council operates two distinct capital programmes: the General Services Capital Programme and the Housing Capital Programme. The spend across Resources and Housing is shown in the graphic overleaf.

Capital Programme



The **General Services Capital Programme** spend was £61.113m in 2019/2020, equating to 80% of the budget available. The underspend reflects the impact of the Global Coronavirus pandemic as well as a variation from the expected timing of spend across a number of projects within multi-year programmes. The main projects contributing to the underspend include works at Greenhills Road, East Kilbride as part of the City Deal project, works in relation to the Early Years 1,140 hours expansion, Education Information Communication Technology, investment and essential works on various council buildings, energy efficiency measures and works on a care facility in Blantyre.

Significant project spend during the year has been incurred on a number of build projects including:

- The upgrade of Springhall Community Centre,
- The Scottish Government's Early Years 1,140 hrs Programme,
- Woodhead Primary School Extension,
- The new Black Mount Primary School in Elsrickle,
- Continuation of the council's involvement in the Glasgow City Region City Deal Programme,
- Significant Roads improvement investment.

The General Services Programme has been funded from a combination of grants from various funding bodies (including Scottish Government) and partner organisations (£47.222m), borrowing (£12.025m) and contributions from the council's Revenue Budget (£1.866m).

As noted above, the closure of construction sites in advance of the financial year end because of COVID-19 had an impact on the spend in 2019/2020. This impact is anticipated to continue into the new financial year.

New Early Learning Unit, Hamilton



New Blackmount Primary School, Elsrickle

The **Housing Capital Programme** spent £51.235m in 2019/2020, 83% of its budget available. The underspend was due to timing of spend on the provision of additional housing supply and other Housing Investment Programme projects and the impact of COVID-19. The focus of Housing Capital Programme expenditure on Council housing stock was on the provision of additional housing and improvement and environmental works. The Housing Programme is ring-fenced and funded by the Housing Revenue Account, Government Grant, borrowing and house/land sales.

As noted above, the level of spend on the Housing Programme has been impacted by the COVID-19 lockdown in advance of the financial year-end. This will continue into the new financial year and will impact on the 2020/2021 programme.

St Blanes



South Vennel

The [Capital Budget Monitoring Final Outturn – 2019/20](#) for both programmes was reported to Executive Committee on 24 June 2020.

The council is able to regulate its own capital spending limits within a prudential framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. As such, the repayment of borrowing, which falls as a future commitment against the council's Revenue Budget, must be affordable. The repayments form part of the approved revenue budget, and the spend and debt repayments remain within the prudential framework limits approved by the Council. The ratio of financing costs to the council's net revenue stream for 2019/2020 (Government Grant plus Council Tax Income) is 7.76%.

Key Financial Ratios

In order to monitor financial performance and to supplement the figures contained within the Annual Accounts, the council prepares a number of financial ratios as a result of best practice guidance contained within the Prudential Code for Capital Finance in Local Authorities. These relate to the borrowing the council undertakes.

The following table provides information on these indicators. These are reported to committee throughout the year. The information in the table represents our estimated borrowing position set at the start of the year, and the level of debt repayments. The actual position for the year is shown also.

Financial Indicator and Commentary	2019/ 2020 Estimate / Target £m	2019/ 2020 Outcome £m
Debt/Long-term Borrowing		
Capital Financing Requirement (CFR) for the current year	1,288	1,265
External Debt Levels for the current year	1,237	1,237
Gross Borrowing (External Debt Levels excluding PPP Finance Lease Liability and accrued interest)	1,035	1,035
Ratio of Financing Costs to Net Revenue Stream (as a %) which indicates how much the Council's net revenue budget is used for servicing debt:		
General Services	7.94%	7.76%
Housing Revenue Account	16.82%	16.83%

The Capital Financing Requirement (CFR) shows much the council needs to borrow in order to fund its capital expenditure. The actual CFR for the year is £23m less than forecast due to a reduction in borrowing required to fund the 2019/2020 capital programmes – reflecting timing of spend across both capital programmes (General Services and HRA), as well as additional one-off funding meaning we needed to borrow less.

For both External Debt levels as well as the level of Gross Borrowing, the actual is in line with the target for the year.

The ratio of financing costs to net revenue stream for General Services shows what percentage of our income from Council Tax and Government Grant is used to pay the cost of borrowing. For the Housing Revenue Account, the ratio shows how house rents have been used to pay off the cost of borrowing. For both ratios, the actual % is less than the target, so less has been spent on paying off the cost of borrowing.

Financial Planning

The council is operating in a climate of financial pressures with increasing cost burdens such as pay award, contract inflation, demands for social care provision, reducing grant settlements and the added financial burden of the coronavirus pandemic in early 2020.

Financial Planning is a key tool in managing these pressures and the council has a number of key documents which assist in this, including a [Long Term Revenue Budget Strategy](#) and a [Long Term Capital Strategy](#). A Revenue Budget Strategy is prepared every year along with an annual report on the Prudential Indicators, the [Treasury Management Strategy and the Annual Investment Strategy](#). This suite of reports lays out the position for the council across the coming years, and identifies the key areas of financial risk and pressure. The [Revenue Budget Strategy for 2021/2022](#) was reported to the Executive Committee on 24 June 2020.

Financial Outlook including Risks and Uncertainties

COVID-19: These Accounts cover the period to the end of March 2020. This is just over a week after the lockdown was announced as a result of the coronavirus pandemic. The costs incurred in response to COVID-19 during 2019/2020 will be a small proportion of what will be the final position in terms of the financial burden on the council. That burden will include the full costs of the lockdown exercise, the additional costs for services implemented by the council during the lockdown, the loss of income experienced by services of the council, and the costs of bringing council services back on-stream and potentially working in a new and different way. .

Plans for returning council services and how they will now operate, given the national guidelines, are currently in development. The financial impact on the council and the resulting loss of income during this period is being closely monitored. Current projections show that the Government funding received so far is insufficient to cover the estimated costs to the end of this financial year. As there is a lack of confirmation of any further support funding from the Government, the impact of COVID-19 presents a substantial and imminent financial risk to the council.

Detail on the cost of COVID-19 in 2020/2021 was included in the first of the council's regular monitoring reports, [Revenue Budget Monitoring for Period 2: 1 April 2020 to 22 May 2020](#), which was reported to the Executive Committee on 24 June 2020.

The council's development work should help clarify the financial impact of COVID-19 on the council's current budget and potentially those of future years, and will require decisions to be taken by the council on which services are resumed and at what pace.

A full report on the current position of the council regarding [COVID-19 – Recovery Planning](#) was presented to the Executive Committee on 24 June 2020, along with the detailed [Recovery Plan](#).

Outlook

The council's Budget Strategy indicates an expectation of financial pressure arising from a number of areas including grant reductions, pay awards and inflation. The imminent costs of the COVID-19 pandemic will only add to these pressures. The overall result of these pressures is a significant budget shortfall for the coming years, and a continued need to make savings.

The [2021/2022 Revenue Budget Strategy and Savings](#) was presented to Elected Members on 24 June 2020. This is based on the best information available, including information from independent economic advisors, and assumes a reducing level of Government Grant going forward. It also presents a way forward for the coming years through the utilisation of Reserves as well as taking advantage of the ability to reprofile debt repayments and reduce costs in the coming 5 years.

Risks and Uncertainties

In addition to the immediate impact and uncertainty brought about by the global coronavirus pandemic, there are a number of other risks and uncertainties faced by the council.

In looking at these areas of risk and uncertainty, it is important to note the council's governance arrangements. These are detailed in the Annual Governance Statement which sets out the proper arrangements for the governance of the council's activities, facilitating the effective exercise of its functions and including clear arrangements for the management of risk. The Annual Governance Statement can be found on page 16.

The council maintains a Risk Register which is updated on a regular basis by senior management and is presented to elected members. The latest reported version of the Risk Register was the [Review of Council's Top Risks/Year End Risk](#), reported to committee in November 2019. The risk register is one of the key sources of assurance that inform the council's annual review of its governance arrangements.

As a result of the COVID-19 Pandemic, a new risk has been developed. Given the level of impact, this will be proposed as a Category 1 risk in the updated Risk Report to Committee later in the year.

The council's Top Risks (Category 1) are therefore detailed below.

1. COVID-19: The council does not provide an adequate response to the pandemic: maintaining critical services; delivering emergency response commitments as a Category One Responder; and protecting wellbeing of employees and service users as far as reasonably practicable. This is a key risk as responding to the pandemic will impact on everything else the council does.
2. Reduction in council funding/income, as well as increased service demands, results in difficulties achieving savings and maintaining front line services. This is a key risk due to the potential impact it can have on the council's financial position. The impact is mitigated by a sound financial planning process and good financial controls.
3. The council is significantly affected by the impact of the UK leaving the European Union. The financial impact of this cannot yet be quantified. A group of senior officers are involved in the planning process to mitigate any impact before it arises.
4. Failure to adequately prepare for the national expansion in early years education and child care provision. While there would be a reputational risk of not achieving a Scottish Government policy, the risk is mitigated by an approved plan of capital projects which are now in the delivery stage. Large scale recruitment campaigns are also being undertaken.

These key risks as well as the remainder of the Council's high level risks (Category 2 Risks) are shown below:



Taken together, these risks and external influences represent a fast-changing environment, bringing opportunities as well as challenges, and driving the requirement for the council and its services to be open to new ways of working, to innovation and continuous improvement.

Supplementary Information

Common Good and Trust Funds

The council operates Common Good and Trust Fund accounts which record the financial transactions in relation to funds which the council administers. These do not represent charges or income to council tax payers. These are shown in pages 89-90 of the Accounts.

Our Group

The council has adopted the recommendations of the Accounting Code of Practice in the United Kingdom 2019/2020 and has produced a full set of Group Accounts. These accounts incorporate any material balances from identified associates of the council, and include a Group Movement in Reserves Statement, a Group Balance Sheet, a Group Expenditure Funding Analysis Statement, a Group Income and Expenditure Statement and a Group Cash Flow.

By including the Group entities along with the Council's own Accounts, the effect on the Group Balance Sheet is an increase in both Reserves and Net Assets of £69.360m. This represents the Council's share of the net assets in these entities. The Group Accounts, including details of associates are included in pages 103-115.

More Information

Further information about South Lanarkshire Council can be obtained on the Council's website (www.southlanarkshire.gov.uk). Alternatively, contact Finance and Corporate Resources, Floor 4, Almada Street, Hamilton ML3 0AB.



Paul Manning
Executive Director, Finance and Corporate Resources



Cleland Sneddon
Chief Executive



Councilor John Ross
Leader of the Council

South Lanarkshire Council
Annual Governance Statement 2019/2020

1. Scope of responsibility

The residents of South Lanarkshire expect the council to conduct its business in a lawful and transparent way. In particular, the council has a duty to safeguard public money and account for it; and to continuously review and improve how its functions are discharged, focussing on the priorities of economy, efficiency and effectiveness.

The council is responsible for putting in place proper arrangements for the governance of its activities, facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A [Local Code of Corporate Governance](#) (referred to as the “Code” from here on) has been approved and adopted. The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework entitled ‘Delivering Good Governance in Local Government’.

This statement explains how the council has complied with the Code during 2019/2020 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts.

2. The purpose of the council

The [Council Plan, Connect 2017-22](#) sets out the council’s vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire.

The council is also a statutory Community Planning Partner and the [Community Plan 2017-27](#) provides a common vision for the South Lanarkshire Community Planning Partnership and sets out how the partners aim to achieve that vision.

The council has set the framework for strong corporate governance by having a clear vision and values which are outlined in the diagram below:-



3. The purpose of the council’s governance framework

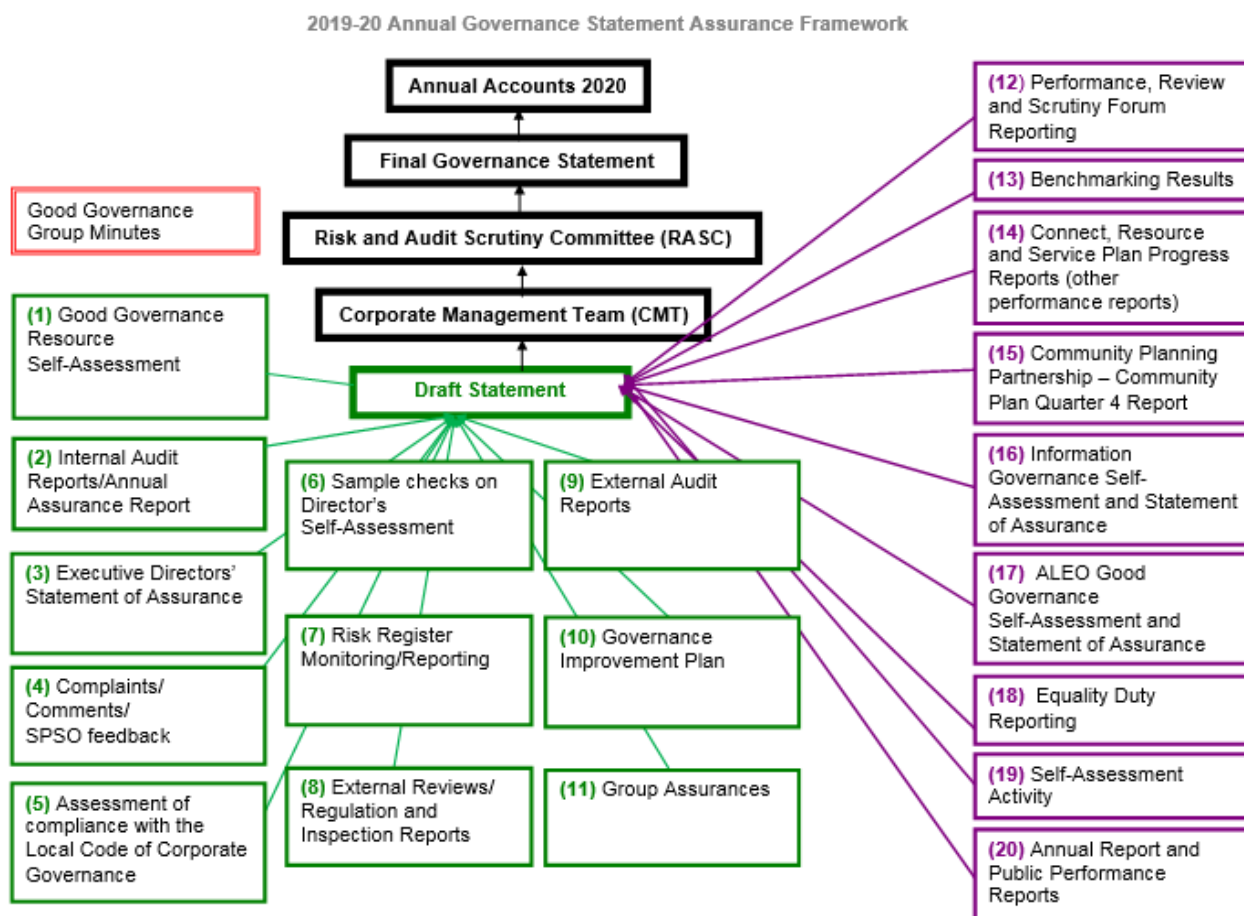
The governance framework comprises the culture, values, systems and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council’s aims and objectives by evaluating the likelihood and potential impact of those risks being realised. This enables the council to manage risk efficiently, effectively and economically.

The governance framework has been in place at South Lanarkshire Council for the year ended 31 March 2020 and up to the date of approval of the Annual Report and Accounts.

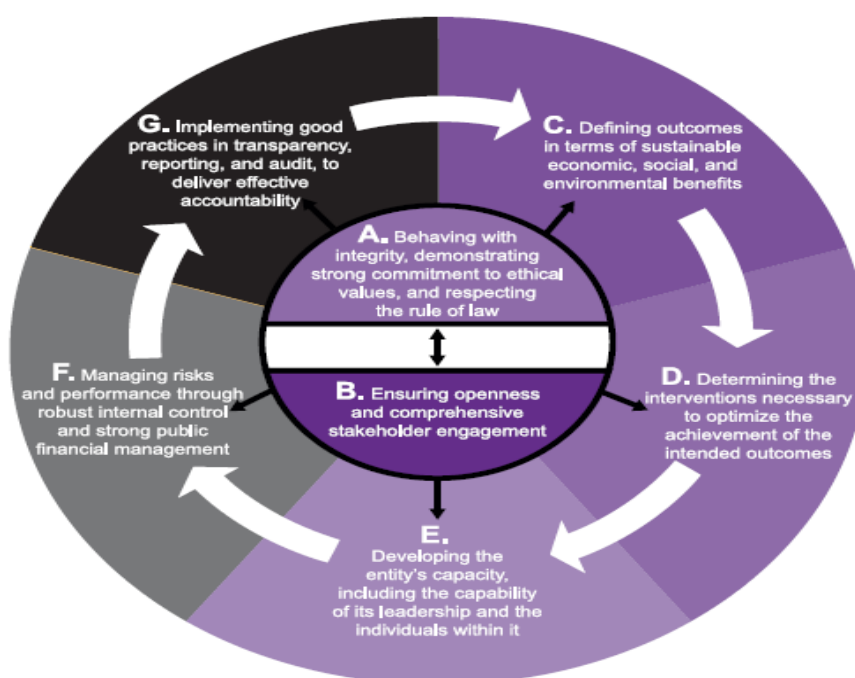
4. How the council monitors and evaluates the effectiveness of its governance arrangements?

The council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review and underpin the statements made within this document are shown in the diagram below. This diagram is reviewed annually for completeness and during 2019/2020 this was revised to formally include Information Governance.



5. Key elements of the council's governance assurance framework

The council aims to achieve good standards of governance by adhering to the seven national principles below, which form the basis of the council's Code. These principles are used each year to evaluate governance arrangements and identify areas for improvement.



The following table demonstrates how the council has complied with these principles and provides assurance as to how they are met. Significant elements of the systems and processes that comprise the council's governance arrangements and important changes/developments are described. Links to the key council documents referred to below can be found in Section 2 of the Code. The impact of the COVID-19 pandemic can be found at the end of this section.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
Links to council's values: <ul style="list-style-type: none"> Accountable, effective, efficient and transparent; Working with and respecting others
How we do this: <ul style="list-style-type: none"> The council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes. Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum. A revised Code of Conduct for Councillors was published and further awareness training was completed during May 2019. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct. The employee Code of Conduct outlines standards of conduct and integrity and all breaches were investigated through the employee disciplinary process and the recommended actions taken. To support integrity in decision making, the council has a number of committee procedural documents including decision making protocols known as the Scheme of Delegation, Terms of Reference documents, Standing Orders on Procedures and Contracts and Financial Regulations. To ensure openness and transparency in decision making processes, all declarations of interest made by councillors at meetings were recorded and made available for public inspection. There are a range of policies such as the Counter Fraud, Bribery and Corruption Policy Statement and Strategy, Fraud Response Plan, Whistleblowing for Third Parties and Confidential Reporting procedures that are used to support a culture of ethical behaviour amongst employees and councillors. These policies were reviewed and updated during 2019 to ensure that they reflected best practice. The council responded to all reported cases concerning employees of suspected unethical behaviour and non-compliance with the law/policy.
Principle B: Ensuring openness and comprehensive stakeholder engagement
Links to council's values: Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs; Working with and respecting others
How we do this: <ul style="list-style-type: none"> To ensure transparency and openness in decision making processes, all committee and forum meetings (except the Standards and Procedures Advisory Forum) were open to the public and agendas, reports and minutes were published on the council's website and printed copies were available for public inspection. The Committee Management Information System allows members of the public to register and be notified when committee and forum papers are published. The system also facilitates the creation of online petitions to increase the potential reach of signatories. All committee/forum meetings are held in accessible venues and in the council's rural area, area committees are now held in different community venues across the area. The first public meetings of the Petitions Committee took place during 2019. The work of the council and key information from our partners is communicated regularly using a range of communication channels. The South Lanarkshire View pages on the council website provide a dedicated source of local information and news for communities. A variety of social media channels are used to communicate updates and share information. The council's Community Engagement Team continues their work to increase stakeholder engagement and involvement in decision making processes through the development of a further four new Community Planning Partnership Neighbourhood Plans which are aimed at improving outcomes and reducing inequalities. The Community Engagement Co-ordination Group maintained an overview of partnership community engagement activity. The work of this group is underpinned by the Community Engagement Framework. The council carried out 350 surveys and engagement activities with residents, employees and partners, and through the council's Citizens Panel to inform policy and service delivery. Further information on our surveys is published on the council's website. To ensure inclusivity and help shape service delivery, the council co-ordinates regular engagement with targeted groups of people such as young people, older people, people with disabilities, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting. The Participation Requests and Community Asset Transfer processes support communities to engage with the council to improve local outcomes. The council's performance Spotlights which now link to additional performance information have simplified how the council reports annually to the public on what has been achieved and the 18 public performance reports provide a comprehensive overview of service performance. These demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its objectives and how it is performing locally and nationally.

- The council's Digital Inclusion Strategy 2020-23 sets out the actions that the council will take to assist those people who are unable to get online to access services digitally.
- A comprehensive range of information on how the council operates is available on the website. The [Freedom of Information Publication Scheme](#) ensures that key information about how the council works is accessible to the public.

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits

Links to council's values:

Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs

How we do this:

- The council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027/2028). This document is underpinned by a suite of Asset Management Plans which are aligned with the council's objectives and focus on creating an efficient, fit-for-purpose and sustainable core estate that delivers best value in terms of investment, running costs and environmental impact.
- The Council Plan 2017-22 and Community Plan 2017-27 have clearly defined economic, social and environmental outcomes to be delivered during the period.
- Annual Resource Plans which deliver the objectives of the Council Plan were reviewed and updated. These plans outline the outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the council and partnership plans.
- The Sustainable Development and Climate Change Strategy 2017-22 which sets out the council's strategic outcomes in terms of the council, environment and communities for sustainable development and climate change during the period was developed using the principles of the United Nation's Sustainable Development Goals.
- A new Climate Change and Sustainability Committee was introduced to oversee the delivery of the Climate Change and Sustainable Development Strategy and the council's transition to net-zero greenhouse gas emissions.
- Sustainability principles are embedded in procurement processes and in recognition of the importance of our suppliers in achieving the council's aim to become more sustainable.
- Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2019/2020 and the council was recognised for good practice in a national SEA research publication.
- The proposed [South Lanarkshire Local Development Plan 2](#) is currently undergoing examination by a Reporter appointed by Scottish Ministers. The spatial strategy of the plan is to encourage sustainable economic growth and regeneration, a move towards a low carbon economy, protect the natural and historic environment and mitigate against the impacts of climate change.
- A summary of the findings resulting from [Equality Impact Assessments](#) of the council's key decisions on service users, communities and businesses have been published on the council's website.
- Strategic decisions of the council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Links to council's values:

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Focused on people and their needs; Working with and respecting others

How we do this:

- There is a standard approach to identifying savings across the council. The council's efficiency programme is overseen by the Senior Management Team. Frameworks are in place for holding discussions with key stakeholders. Savings achievements are monitored monthly and reported to the Senior Management Team quarterly.
- The Financial Strategy which is aligned with the council's objectives was updated during the year to reflect the latest internal and external influences. This plan sets out the assumptions in terms of commitments, grant funding and efficiency requirements and demonstrates sound financial management and the ability to address projected funding gaps.
- The annual budget setting consultations took place with members of the public, councillors, trade unions and employees to inform savings proposals. Work took place during 2019 to widen the reach of the consultation with members of the public. The budget is open to scrutiny and amendment by councillors until the approval of the final budget.
- The council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; Committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.
- The review of performance reporting during 2019 has resulted in a simplified process with the number of measures reported in Resource Plans being reduced by 21% and the number reported against the Council Plan, Connect by 36%.
- The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB). These services continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and annual IJB Directions.
- The council considers the specification and achievement of community benefits, which focus on the health, economic, social and environmental wellbeing of the South Lanarkshire area, when awarding contracts.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Links to council's values:

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Excellent employer; Focused on people and their needs; Working with and respecting others

How we do this:

- Senior Managers have overseen the annual scrutiny of the council's assets through the review of a suite of Asset Management Plans. Service Asset Management Plans have been developed in line with CIPFA guidance and these feed into the Corporate Asset Management Plan which outlines priorities and provides an overview of how the council has performed in this area.
- The council's Scheme of Delegation and Terms of Reference ensured that committees, officers and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role. These documents were updated and approved by Committee during 2019/2020.
- Training requirements were identified and learning and development programmes were developed and offered to all councillors.
- The council continues to work with a range of public sector, business and academic partners to improve outcomes for those living and working in South Lanarkshire. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal.
- Each Resource reviews Workforce plans and related action plans to better understand workforce capacity issues, further challenges and opportunities to ensure that resources are in the right place, at the right time and people have the right skills. The council-wide Workforce plan 2020-23 was reviewed during 2019.
- The council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to the council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.
- A survey of all council employees was undertaken during 2019 and the feedback will be used to develop improvement plans. 77% of those who responded said that they were generally satisfied with their job.
- In terms of the 2018/2019 Local Government Benchmarking Framework results, the council is performing better than the Scottish average levels for almost half of the indicators. Comparisons against other councils showed a similar result. The results were analysed and an action plan was developed and will be monitored by the Senior Management Team.
- The council completed its annual self-assessment programme and progress of improvement activity was reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- The council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and committee and [learning from complaints](#) which is integral to this process is also published on the council's website.
- A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Links to council's values:

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving

How we do this:

- The council has put in place comprehensive arrangements for identifying, evaluating and controlling significant risks which threaten the council's ability to meet its objectives to deliver services to the public. There is also a robust process in place for compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans.
- A full review of the Risk Management Strategy which clearly defines roles and responsibilities for councillors and employees was completed during 2019/2020. A number of changes were made to reflect national best practice.
- The council's Internal Audit Service which complies with Public Sector Internal Audit Standards completed its annual programme of risk based audits with an objective of providing an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. Where improvements were required, action plans were developed and monitored and where necessary follow-up audit work completed.
- The Information Governance Board ensured regular scrutiny and the promotion of effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- The annual review of compliance with the council's Information Management Framework did not highlight any significant areas of concern.
- The system of internal financial control is based upon the Financial Regulations which set out the rules to ensure robust internal control over the council's finances. Control is maintained through regular management information, management supervision and a structure of delegation and accountability. External Audit of the council's accounts is robust and a "clean audit certificate" was issued for 2018/2019.
- Through a well-established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is monitored and reported regularly to both managers and councillors. This includes areas of under-performance and the related improvement actions.
- The new South Lanarkshire Charitable and Educational Trusts were approved by OSCR during December 2019 and arrangements are being made to transfer the assets. The new constitutions will ensure that these Trusts operate in a manner designed to benefit communities.

- The Executive Director of Finance and Corporate Resources is a member of the council's Senior Management Team and as such, is integral in all major decisions taken by the council, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.

Principle G: Fair, Open and Sustainable; Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Links to council's values:

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Working with and respecting others

How we do this:

- The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Governance improvement actions have also been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and committee.
- In the 2019 annual audit report, the external auditor concluded that the council in its annual governance statement discloses the extent to which the organisation complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016 published by CIPFA and SOLACE and highlighted this approach as good practice.
- All Directors completed their annual Statement of Assurance and one Director identified compliance issues.
- The council prepares and publishes an Annual Governance Statement which reflects on the adequacy and effectiveness of the council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated [governance web page](#).
- The annual review of governance arrangements for the council's at Arm's Length External Organisation (ALEO) and key external service providers has not highlighted any areas for improvement.
- The annual review of the Local Code of Corporate Governance was completed and the revised Code was approved by committee and re-published on the council's website.
- Committee meetings were held in public and all agendas, reports and decisions were published (except those exempt under the Local Government (Scotland) Act 1973) on the council's website.
- The Risk and Audit Scrutiny Committee considered the adequacy and effectiveness of the council's governance arrangements and internal control environment and approved the Annual Governance Statement and Accounts.
- Outcomes from internal audit activity were reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee.
- Outcomes from external audit and inspection activity is reported to the appropriate committee.
- The council's latest Best Value Assurance Review concluded that the "council performs very well, benefits from strong leadership, clear direction and displays many of the characteristics of best value". Significant progress has been made against the improvement action plan and progress has been reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- During 2019/2020, the council were the subject of a joint inspection of services for children and young people in need of care and protection. The outcomes from the report have been reviewed and an improvement plan has been developed for implementation.

COVID-19 Governance Arrangements

During March 2020, the council's governance arrangements were impacted by the COVID-19 pandemic and the resulting requirement to amend governance arrangements and normal business operations in response to unprecedented circumstances.

This event has tested the council's Risk Management Framework and has expedited new ways of working to allow the council to continue to deliver normal services in conjunction with a responsibility to be facilitators and administrators of new sources of central government funding and wider emergency support mechanisms to the community at this time. Robust resilience arrangements and controls have been put in place to manage the impacts of the pandemic. However, it is recognised that the nature, scale and prolonged period of the issues arising from COVID-19 and its potential impacts present unprecedented challenges to the council.

There has been significant disruption to 'business as usual' impacting on both established service delivery and pre-existing governance arrangements.

The council has proven itself as able to respond to unprecedented circumstances and the pressures arising therefrom, not least as a Category One Emergency Responder. Where required, Internal Audit has reviewed internal controls within new processes to ensure that these are proportionate and pragmatic within the context of time pressures to make a new service accessible to South Lanarkshire residents and businesses.

As the council is unable to hold committee meetings in public, a temporary decision-making arrangement (as outlined in the council's Scheme of Delegation) was put into place to ensure that the business of the council continued. This arrangement means that council business is being considered by the Chief Executive in consultation with all political group leaders. To ensure transparency, committee reports have continued to be published ahead of the date of the scheduled committee, and a note on decisions taken is also published on the council's website on the day that the meeting was due to take place.

In terms of the council's capacity and capability to respond to the pandemic, a number of measures have been put in place at both a strategic and operational level. Key examples include: regular councillor/senior management meetings and briefings; new communication platforms and additional arrangements to support employees working from home; the redeployment of employees to

support the operation of hubs for the children of key workers and a Community Wellbeing Helpline in parallel with the Shielding initiative to support those who are self-isolating or otherwise made vulnerable by the impacts of the pandemic; the delivery of community meals; and facilitating business and employability supports.

The council recognises the invaluable support received from partners, third sector providers and local people within our communities in responding to the pandemic which has further expanded the council's capacity to respond.

In the longer term, plans for returning to 'business as usual' and 'pandemic recovery' are currently in development and the latter will be a significant area of work for the council and has therefore been highlighted as such in Section 7 of this statement. The financial impacts on the council and the resulting loss of income during this period has been closely monitored. As the impacts of COVID-19 have continued into the current financial year 2020/2021, these will be considered in more detail when preparing the Annual Governance Statement for 2020/2021.

6. Review of Effectiveness

The review of governance arrangements for 2019/2020 has also considered the following assurance outcomes:-

Group Assurances

In respect of the Joint Boards, Charities and Companies that fall within the council's group boundary, the review of their internal financial control systems is informed by:-

- Annual Governance Statements included in the respective financial statements of the Joint Boards;
- Assurances from company directors and/or other senior company officials; and
- The work of the relevant bodies respective external auditors (and where relevant internal auditors) and other interim reports.

The Executive Director of Finance and Corporate Resources, the council's Chief Financial Officer, has considered the effectiveness of the group's internal financial control system for the year ended 31 March 2020. It is the Executive Director of Finance and Corporate Resources' opinion that reasonable assurance can be placed on its effectiveness.

Internal Assurance

It should be noted that the following opinions were formed in the period before revised service delivery arrangements took effect as a result of the COVID-19 pandemic.

It is the opinion of the council's Risk Management Service that a good level of assurance can be placed on the council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.

It is the opinion of the council's Audit and Compliance Manager that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2020.

7. Significant Governance Areas

The 2018/2019 Annual Governance Statement identified 10 significant governance areas that the council were working to address. Progress updates can be found on the council's website; see the [Significant Governance Areas Update Q4 2019-20](#). Of these areas, three have progressed and are now embedded in our processes, the other seven remain as significant areas of action for the council moving forward into 2020/2021 and will continue to be monitored as such.

Through the 2019/2020 annual governance review, the following areas which outline the actions being taken to address them have been identified as significant areas of work for the council during 2020/2021. Seven of these actions have been carried forward from the 2018/2019 statement:-

No.	Areas identified in 2019/20	Actions	Lead Officer
1	COVID-19 pandemic The council will continue to respond to matters arising from the COVID-19 pandemic	The council will continue to monitor national guidance; maintain ongoing resilience arrangements; and implement further measures as and when required in response to the pandemic. A recovery working group has been established with the remit to develop a council recovery plan for implementation. The plan will focus on the following four themes:- <ul style="list-style-type: none"> • Council Services; • Business Support; • Health and Social Care Partnership; and • Community Groups Corporate and Resource risk registers will continue to be monitored and updated to reflect national and local developments.	Chief Executive

2	Brexit Impact of the UK leaving the European Union on the council	<p>The potential implications for the council in relation to:-</p> <ul style="list-style-type: none"> • Funding and finance; • Workforce and employment; • Procurement and trade; • Legislation; and • Support to local businesses <p>have been considered and the council will continue to closely monitor the situation with contingency arrangements being implemented where required.</p>	Director of Finance and Corporate Resources
3	I.T Infrastructure Migration of computer systems to an external provider.	<ul style="list-style-type: none"> • Conduct procurement to identify and award contract for external hosting services. • Complete planning for migration of all computer systems from Caird Data Centre. • Complete preparatory work to set up new network hubs. • Commence move of IT systems to new provider. 	Director of Finance and Corporate Resources
4	Cyber Resilience Compliance with legislative and regulatory policy	<ul style="list-style-type: none"> • Maintaining Public Sector Network (PSN) accreditation and instilling an ethos of ongoing compliance. • Continued compliance and accreditation to Cyber Essentials Plus. • Moving forward working towards the guidelines outlined within the Scottish Public Sector Cyber Resilience Framework. • Continued awareness training for all SLC staff around the area of Cyber Resilience. 	Director of Finance and Corporate Resources
5	Participatory Budgeting 1% of the council's budget to be subject to Participatory Budgeting	<p>By 2021 all Scottish councils are required to commit 1% of their budget to Participatory Budgeting (with the "council budget" being defined as the council's Total Estimated Expenditure (TEE) less Assumed Council Tax Income both taken from the Government's Finance Settlement).</p> <p>Councillor's awareness sessions have been conducted and a webinar made available for councillors. Further update reports will be submitted to committee.</p>	Director of Finance and Corporate Resources
6	Financial Challenges Reduction in council funding, resulting in difficulties maintaining front line services	<p>The council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand.</p> <p>The council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028/2029.</p> <p>The Budget Strategy for 2021/2022 will be updated and presented to councillors during autumn 2020.</p>	Director of Finance and Corporate Resources
7	GDPR Compliance with the new General Data Protection Regulations (GDPR)	<p>GDPR came into effect on 25 May 2018. The council is progressing its GDPR action plan and has appointed a Data Protection Officer; approved an Information Security Policy; completed an information audit; and delivered internal and external training.</p> <p>The council is currently in the process of developing and implementing a new file plan system to provide a greater level of control over the management of all data held by the council. Stage One was completed December 2018 and Stage Two is ongoing and work is taking place to implement a case management system to be used by Councillors.</p> <p>Work is ongoing to improve performance relating to requests for information. An action plan has been developed and is being implemented. This is being monitored by the Senior Management Team.</p>	Director of Finance and Corporate Resources

8	<p>Integrated Joint Board – Health and Social Care The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2019-22</p>	<p>The current strategic direction set out and approved by the IJB is detailed within the Strategic Commissioning Plan. The council and NHS Board are required to deploy their resources in line with this strategic direction.</p> <p>The IJB issues Directions that set out the key actions to be delivered by the council during the year 2020/2021 and these Directions were agreed by the IJB at its special budget meeting in March 2020.</p> <p>The council will provide progress updates against Directions for which it is the lead organisation.</p>	Director, Health and Social Care, South Lanarkshire Health and Social Care Partnership
9	<p>Integrated Joint Board – Health and Social Care The need for the council to deliver improvements within Care at Home to meet regulatory requirements</p>	<p>Following inspection activity in the latter half of 2019, the Care Inspectorate identified concerns in the delivery of Care at Home services in both the Hamilton and Rutherglen/Cambuslang services.</p> <p>Improvement plans have been devised and are being progressed by the services with progress overseen by a Programme Board. Regular updates on progress are provided to the Health and Social Care Partnership Senior Management Team; the council's Senior Management Team; the Social Work Committee; and the Integrated Joint Board.</p>	Director, Health and Social Care, South Lanarkshire Health and Social Care Partnership
10	<p>National expansion in early years education and childcare provision The council is likely to face challenges in acquiring the necessary physical assets and staffing levels to meet the commitments by 2020</p>	<p>The impact of the COVID-19 pandemic and the announcement by the Scottish Government to close all schools and educational settings from 20 March 2020 for an indefinite period will result in a delay in meeting the target dates for the full delivery of 1,140 hours early learning and childcare by August 2020.</p> <p>COSLA have intimated to councils the extension given in legislation to the timeframe for the delivery of 1,140 hours. This will be subject to review by the council in partnership with the Scottish Government.</p> <p>Strategic and operational plans are in place with key milestones identified in terms of infrastructure, financial, personnel, quality standards, training and recruitment and on consultation with partners and parents.</p> <p>Regular reporting mechanisms are also in place with updates provided to committee including engagement with partner providers to increase private and third sector partnership.</p>	Director of Education Resources
11	<p>Welfare Reform Impact of Welfare Reform on council services</p>	<p>Regular update reports on Welfare Reform are provided to the Senior Management Team (SMT), committee and the Community Planning Partnership (CPP) Board to ensure effective partnership working. During the year, a Welfare Reform Workshop was held with Partners and Third Sector Organisations. As a result, the Welfare Reform information provided to the SMT and the CPP Board and the membership of the Welfare Reform Group is being reviewed.</p> <p>During 2020/2021, the council will be looking at the structures and services used to support those affected by Welfare Reform.</p>	Director of Finance and Corporate Resources
12	<p>Review of Community Planning Provide support to the review of Community Planning arrangements</p>	<p>During 2019, the Community Planning Partnership Board undertook a self-assessment of the current Community Planning arrangements. Improvement actions were later supplemented by the recommendations from the council's Best Value Assurance Review and a group has been set up to take these forward.</p> <p>The review group will consider several key areas including structures, governance and accountability arrangements and the council will provide resources to support the group and the implementation of the agreed actions.</p>	Director of Finance and Corporate Resources

8. Summary

The annual review of governance arrangements across the council and overall compliance with the council's Code demonstrate sufficient evidence that the Code's principles of Delivering Good Governance in Local Government operated effectively and that the council complies with its Code.

During 2020/2021, steps will be taken to address the significant governance areas highlighted in this statement to further strengthen the council's governance arrangements and evidence our commitment to continuous improvement.



Councillor John Ross
Leader of the Council

Date: 16 November 2020



Cleland Sneddon
Chief Executive

Date: 16 November 2020

Statement of Responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). South Lanarkshire Council has designated the Executive Director of Finance and Corporate Resources as the officer with these responsibilities.
- 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 the Coronavirus (Scotland) Act 2020), 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 Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Risk and Audit Scrutiny Committee at its meeting on 16 November 2020



Councillor John Ross
Leader of the Council

Executive Director of Finance and Corporate Resources' responsibilities

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

In preparing the Annual Accounts, the Executive Director of Finance and Corporate Resources has:

- selected suitable accounting policies and then 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 Executive Director of Finance and Corporate Resources has also:

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

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the council (and its group) at the reporting date and the transactions of the council (and its group) for the year ended 31 March 2020.



Paul Manning
Executive Director (Finance and Corporate Resources)
South Lanarkshire Council

Date: 16 November 2020

Remuneration Report

Remuneration Policy

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 Officers of Scottish local authorities. Circular CO/150 sets the amount of salary for Chief Officers and the Chief Executive of South Lanarkshire Council for 2018/2019 to 2020/2021.

Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended most recently by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2019 (SSI 2019/23). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (or Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic head (or Provost) cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019/2020 the salary for the Leader of the Council is £40,765. The Regulations permit the Council to remunerate one Civic Head or Provost. The regulations set out the maximum salary that may be paid to that Civic Head. The Council follows the regulations and pays a salary of £30,575 to the Provost.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent 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 shall not exceed £456,416 (excluding the Leader and Provost). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors up to a maximum of 19 and their salary within these maximum limits.

In 2019/2020, the Council had 18 Senior Councillors and the salary paid to these councillors totalled £433,394. 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.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

Audit Arrangements

All information disclosed in the tables numbered 1 to 6 in this Remuneration Report will be audited by the Council's auditors, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Note 14 to the Accounts contains total payments made to all Councillors, and will be audited as part of the audit of the Financial Statements and supplementary Notes to the Accounts.

Table 1 – General Pay Band Disclosure for Senior Employees

Annual Remuneration	2019/20 Number of Employees	2018/19 Number of Employees
50,000 - 54,999	331	168
55,000 - 59,999	172	84
60,000 - 64,999	138	52
65,000 - 69,000	42	22
70,000 - 74,999	16	1
75,000 - 79,999	4	1
80,000 - 84,999	1	10
85,000 - 89,999	6	9
90,000 - 94,999	8	8
95,000 - 99,999	14	2
100,000 - 104,999	3	-
105,000 - 124,999 (Note 1)	-	-
125,000 - 129,999	-	1
130,000 - 134,999	-	3
135,000 - 139,999	4	1
140,000 - 149,999 (Note 1)	-	-
150,000 - 154,999	1	-
155,000 - 159,999	-	-
160,000 - 164,999	-	1

Note 1: These are merged pay bands covering more than £5,000 due to the fact that no employees fell into these bands in either financial year.

Note 2: The number of employees earning over £50,000 has increased due to the implementation of pay awards during 2019/2020. While the impact of these pay awards was relatively minor, it resulted in a number of employees exceeding the £50,000 reporting threshold for the first time.

Disclosure of Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Table 2 – Exit Packages

Exit package cost band (including special payments) £	Number of Compulsory Redundancies 2019/20	Number of Compulsory Redundancies 2018/19	Number of Other Departures Agreed 2019/20	Number of Other Departures Agreed 2018/19	Total Number of Exit Packages by cost Band 2019/20	Total Number of Exit Packages by cost Band 2018/19	Cash Value £ 2019/20	Notional CAY Value £ 2019/20	Total Cost Of Exit Packages In Each Band £ 2019/20	Cash Value £ 2018/19	Notional CAY Value £ 2018/19	Total Cost Of Exit Packages In Each Band £ 2019/20
0 - 20,000	-	-	-	-	-	-	-	-	-	-	-	-
20,001 - 40,000	-	-	-	-	-	-	-	-	-	-	-	-
40,001 - 60,000	-	-	-	-	-	-	-	-	-	-	-	-
60,001 - 80,000	-	-	-	-	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-	-	-	-	-
100,001 - 150,000	-	-	1	-	1	-	24,109	125,053	149,162	-	-	-
>150,000	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	1	-	1	-	24,109	125,053	149,162	-	-	-
Provision	-	-	-	1	-	1	-	-	-	24,109	-	24,109
Total incl Provisions	-	-	1	1	1	1	24,109	125,053	149,162	24,109	-	24,109

The total cost of exit packages shown for 2019/2020 totals £0.149 million. In terms of the cash payments made, the £0.024 million was not included in the 2019/2020 Comprehensive Income and Expenditure Statement as the £0.024 million was provided for in the 2018/2019 Comprehensive Income and Expenditure Statement for the known leaver. Accounting guidelines also require the inclusion of an amount to represent the capitalised value of compensatory added years pension payments which will be made over future years. For non-teaching staff this totals £0.125 million, however, this has not been paid out by the Council in 2019/2020.

The table does not include any provisions as there are no known exit packages that relate to employees who will leave the Council in the coming year. The annual salary costs of the employee detailed in the table who left during 2019/2020 totalled £0.087 million. This saving will be used to contribute towards the Council's efficiency targets.

Disclosure of Remuneration

The tables below provides details of the remuneration paid to the Council's Senior Employees and Senior Councillors and to the Chief Executive of Routes to Work South which is a subsidiary of South Lanarkshire Council. Comparative figures for 2018/2019 have been shown if they were in post at that time. We have also disclosed the remuneration of Councillors who hold Convenor and Vice-Convenor roles with Joint Boards. The Council pays the Councillor on behalf of the Joint Board for their role, and recovers these charges from the Joint Board. The annual return of Councillors' remuneration for 2019/2020 is available on the Council's website (www.southlanarkshire.gov.uk).

Table 3 – Senior Officers

Post	Salary / fees £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2019/20 Total £	2018/19 Total £
C Sneddon Chief Executive (From 6 January 2020)	37,281 (Full Year Equivalent 156,755)	-	-	-	37,281 (Full Year Equivalent 156,755)	n/a
L Freeland Chief Executive (To 23 September 2019)	88,988 (Full Year Equivalent 174,128)	-	-	-	88,988 (Full Year Equivalent 174,128)	162,383
P Manning Executive Director of Finance and Corporate Resources	153,576	-	-	-	153,576	137,058
V De Souza Executive Director of Health and Social Care (Note 1)	136,032	-	-	-	136,032	131,635
D Lowe Executive Director of Housing and Technical Resources	136,032	-	-	-	136,032	131,635
T McDaid Executive Director of Education Resources	136,032	-	-	-	136,032	129,833
M McGlynn Executive Director of Community and Enterprise Resources	136,865	-	-	-	136,865	131,635
L Purdie Chief Social Work Officer	102,030	-	-	-	102,030	94,417
2018/19 senior officers where post holders are no longer in post	-	-	-	-	-	-
Total	926,836	-	-	-	926,836	918,596

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has 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 the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

Note 1 While the Executive Director of Health and Social Care is contractually employed by the Council, a proportion of their total remuneration is funded by the South Lanarkshire Health and Social Care Partnership in respect of their role as Chief Officer of the Partnership.

Table 4 - Senior Employees of the Council's Subsidiary Bodies

Name and Post	Salary/fees	Taxable Expenses £	Compensation for Loss of office £	Any other Remuneration £	2019/20 Total £	2018/19 Total £
S Barr Chief Executive of Routes to Work South	67,848	-	-	-	67,848	63,409

Table 5 - Remuneration of Senior Councillors and Convenors and Vice-Convenors of Joint Boards

The table below shows the full year remuneration for all senior councillors in 2019/2020. This includes senior councillors who started or ended their role during the year.

Name and Post	Salary £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2019/20 Total £	2018/19 Total £
A Allison Opposition Leader - Conservative	23,122	-	-	-	23,122	22,493
J Anderson Community and Enterprise Resources Committee Chair	26,515	-	-	-	26,515	25,793
J Bradley Social Work Resources Committee Chair	26,515	-	-	-	26,515	25,793

Name and Post	Salary £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2019/20 Total £	2018/19 Total £
W Brogan Opposition Leader - Labour (To 9 May 2018)	-	-	-	-	-	2,756 (Full Year Equivalent 25,793)
Depute Opposition Leader - Labour (From 10 May 2018 to 29 May 2019)	3,738 (Full Year Equivalent 23,122)	-	-	-	3,738 (Full Year Equivalent 23,122)	20,090 (Full Year Equivalent 22,493)
A Buchanan East Kilbride Area Committee Chair (From 21 November 2018)	20,861	-	-	-	20,861	7,283 (Full Year Equivalent 20,293)
M Chalmers Depute Leader of the Council	26,515	-	-	-	26,515	25,793
G Convery Depute Opposition Leader - Labour (From 30 May 2019)	19,448 (Full Year Equivalent 23,122)	-	-	-	19,448 (Full Year Equivalent 23,122)	n/a
P Craig Business Manager Majority Party	26,515	-	-	-	26,515	25,793
M Devlin Business Manager - Opposition (To 9 May 2018)	-	-	-	-	-	2,168 (Full Year Equivalent 20,293)
Business Manager - Opposition (From 19 September 2019)	11,145 (Full Year Equivalent 20,861)	-	-	-	11,145 (Full Year Equivalent 20,861)	n/a

Name and Post	Salary £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2019/20 Total £	2018/19 Total £
M Donnelly Hamilton Area Committee Chair	20,861	-	-	-	20,861	20,293
I Dorman Planning Committee Chair (From 29 May 2019)	22,374 (Full Year Equivalent 26,515)	-	-	-	22,374 (Full Year Equivalent 26,515)	n/a
F Dryburgh Business Manager - Opposition (From 10 May 2018 to 10 August 2019)	7,544 (Full Year Equivalent 20,861)	-	-	-	7,544 (Full Year Equivalent 20,861)	18,125 (Full Year Equivalent 20,293)
J Fagan Opposition Leader - Labour (From 10 May 2018)	26,515	-	-	-	26,515	23,037 (Full Year Equivalent 25,793)
A Fulton Planning Committee Chair (to 28 May 2019)	4,213 (Full Year Equivalent 26,515)	-	-	-	4,213 (Full Year Equivalent 26,515)	25,793
R Lockhart Clydesdale Area Committee Chair	20,861	-	-	-	20,861	20,293
K Loudon Education Resources Committee Chair	26,515	-	-	-	26,515	25,793
I McAllan Provost	30,575	-	-	-	30,575	29,742
G Miller Finance and Corporate Resources Committee Chair	26,515	-	-	-	26,515	25,793

Name and Post	Salary £	Taxable Expenses £	Compensation for Loss of Office £	Any Other Remuneration £	2019/20 Total £	2018/19 Total £
C Nugent Cambuslang and Rutherglen Area Committee Chair	20,861	-	-	-	20,861	20,293
J Ross Leader of the Council	40,765	-	-	-	40,765	39,655
D Shearer Licensing Committee Chair	20,861	-	-	-	20,861	20,293
C Stevenson Depute Provost	25,385	-	-	-	25,385	24,693
J Wilson Housing and Technical Resources Committee Chair	26,515	-	-	-	26,515	25,793
2018/19 senior councillors where post holders are no longer in post	-	-	-	-	-	13,010
Total	504,734	-	-	-	504,734	490,568
Councillors with Joint Board Responsibilities						
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board	20,748	-	-	-	20,748	20,183
2018/19 councillors with joint board responsibilities where post holders are no longer in post	-	-	-	-	-	-
Total	20,748	-	-	-	20,748	20,183

The Council is reimbursed by Lanarkshire Valuation Joint Board for the additional remuneration that the Council paid to the member for being a Depute Convenor (equivalent to Vice Convenor) of the Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Convenor/Depute Convenor roles:

- Recharge to Lanarkshire Valuation Joint Board in 2019/2020 - £3,267 (2018/2019 - £3,190)

Pension Rights

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

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits built up are calculated using pensionable pay each scheme year, rather than final salary. All benefits built up prior to this date are protected.

From 1 April 2009, a five-tier contribution system was introduced with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership. Under The Local Government Pension Scheme (Scotland) Regulations 2014, the earnings ranges used to determine annual contribution rates are to be increased each year by any increase applied to pensions under the Pensions (Increase) Act 1971. In accordance with this the salary bands for 2018/2019 were uprated by the Consumer Prices Index (CPI) increase for 2019/2020.

The member contribution rates and tiers for 2019/2020 are shown below along with those that applied in 2018/2019:

Pensionable Pay	Contribution rate 2019/20	Pensionable Pay	Contribution Rate 2018/19
On earnings up to an including £21,800	5.5%	On earnings up to an including £21,300	5.5%
On earnings above £21,800 and up to £26,700	7.25%	On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,700 and up to £36,600	8.5%	On earnings above £26,100 and up to £35,700	8.5%
On earnings above £36,600 and up to £48,800	9.5%	On earnings above £35,700 and up to £47,600	9.5%
On earnings above £48,800	12%	On earnings above £47,600	12%

From April 2015, if a person works part-time their contribution is based on their part-time pay. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49th of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service and prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

The value of the benefits has been calculated without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation.

In those cases where members have transferred pension entitlements from previous employments, the pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment. It also reflects both employer and employee contributions.

Table 6 – Pension Benefits: Senior Employees

The Pension entitlement of Senior Employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the council to each senior employees' pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title		Accrued Pension Benefits to March 2020	Movement in	Pension Contribution Made by the Council 2019/20	Pension Contribution Made by the Council 2018/19
			Accrued pension Benefits since 31 March 2019		
			£000	£	£
C Sneddon Chief Executive (From 6 January 2020)	Pension	66	n/a	7,195	n/a
	Lump Sum	112	n/a		
L Freeland Chief Executive (To 23 September 2019)	Pension	95	2	17,175	30,784
	Lump Sum	185	-		
T McDaid Executive Director	Pension	41	3	26,254	25,058
	Lump Sum	71	-		
M McGlynn Executive Director	Pension	61	5	26,254	25,405
	Lump Sum	103	3		
V De Souza Executive Director	Pension	47	4	26,254	25,405
	Lump Sum	64	2		
P Manning Executive Director	Pension	58	5	27,695	26,452
	Lump Sum	89	4		
D Lowe Executive Director	Pension	55	4	26,254	25,405
	Lump Sum	86	2		
L Purdie Chief Social Work Officer	Pension	43	4	19,691	18,223
	Lump Sum	72	5		
Total				176,772	176,732

All senior employees shown in the table above are members of the Local Government Pension Scheme (LGPS). Where employees have joined the council but not transferred previous employment pension benefits into the Strathclyde Pension Fund the pension figures shown relate only to their current appointment, otherwise the figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service including payments for election duties.

Table 7 – Pension Benefits: Senior Employees of the Council’s Subsidiary Bodies

Routes to Work South operates a defined contributions scheme for its employees. Accordingly, the only information to be provided in respect of its senior employees is the amount of any pension contributions made to that scheme by the subsidiary body.

Name and Post Title	Pension Contribution 2019/20 £	Pension Contribution 2018/19 £
S Barr Chief Executive of Routes to Work South	5,428	5,072

Table 8 – Pension Benefits: Senior Councillors

The Pension entitlement of Senior Councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the council to each Senior Councillors’ pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title		Accrued Pension Benefits to March 2020	Movement in Accrued pension Benefits since 31 March 2019 £000	Pension Contribution Made by the Council 2019/20 £	Pension Contribution Made by the Council 2018/19 £
A Allison Opposition Conservative Leader	Pension Lump Sum	1 -	- -	4,463	4,341
J Anderson Community and Enterprise Resources Committee Chair	Pension Lump Sum	5 2	- -	5,117	4,978
J Bradley Cambuslang and Rutherglen Area Committee Chair	Pension Lump Sum	1 -	- -	5,117	4,978
W Brogan Opposition Leader - Labour (To 9 May 2018) Depute Opposition Leader - Labour (From 10 May 2018 to 29 May 2019)	Pension Lump Sum	5 1	1 -	721	4,409

Name and Post Title		Accrued Pension Benefits to March 2020	Movement in Accrued pension Benefits since 31 March 2019	Pension Contribution Made by the Council 2019/20	Pension Contribution Made by the Council 2018/19
			£000	£	£
A Buchanan East Kilbride Areas Committee Chair (From 21 November 2018)	Pension Lump Sum	4 1	- -	4,026	1,406
M Chalmers Depute Leader of the Council	Pension Lump Sum	2 -	1 -	5,117	4,978
P Craig Business Manager Majority Party	Pension Lump Sum	5 1	1 -	5,117	4,978
M Devlin Business Manager - Opposition (To 9 May 2018) Business Manager - Opposition (From 19 September 2019)	Pension Lump Sum	3 -	1 -	2,151	418
I Dorman Planning Committee Chair (From 29 May 2019)	Pension Lump Sum	3 -	1 -	4,318	n/a
F Dryburgh Business Manager - Opposition (From 10 May 2018 to 10 August 2019)	Pension Lump Sum	1 -	- -	1,456	3,498
J Fagan Opposition Leader - Labour (From 10 May 2018)	Pension Lump Sum	1 -	- -	5,117	4,446
A Fulton Planning Committee Chair (To 28 May 2019)	Pension Lump Sum	1 -	- -	813	4,978
K Loudon Education Resources Committee Chair	Pension Lump Sum	2 -	- -	5,117	4,978
I McAllan Provost	Pension Lump Sum	2 -	- -	5,901	5,740
G Miller Finance and Corporate Resources Committee Chair	Pension Lump Sum	3 -	- -	5,117	4,978
J Ross Leader of the Council	Pension Lump Sum	3 -	1 -	7,868	7,653

Name and Post Title		Accrued Pension Benefits to March 2020	Movement in Accrued pension Benefits since 31 March 2019	Pension Contribution Made by the Council 2019/20	Pension Contribution Made by the Council 2018/19
			£000	£	£
D Shearer Licensing Committee Chair	Pension Lump Sum	7 7	1 -	4,026	3,917
C Stevenson Depute Provost	Pension Lump Sum	1 -	- -	4,899	4,766
2018/19 senior councillors where post holders are no longer in post or are no longer a member of a pension fund	Pension Lump Sum		-	-	2,511
Total				76,461	77,951
Councillors with Joint Board Responsibilities					
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board	Pension Lump Sum	3 -	1 -	4,004	3,884
Total				4,004	3,884

All Senior Councillors shown in the table above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service and not just their current appointment.

The council is reimbursed by the Joint Board for the additional pension contributions paid by the council for the Depute Convenor (equivalent of Vice-Convenor) of such a Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Depute Convenor roles:

Recharge to Lanarkshire Valuation Joint Board in 2019/2020 - £630 (2018/2019 - £616)

Trade Union Facility Time

In addition to the regulation governing Senior Employees and Councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employers to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives. The figures below cover the period 1 April 2019 to 31 March 2020 and include employees of South Lanarkshire Council, South Lanarkshire Leisure and Culture, SEEMIS and Lanarkshire Valuation Joint Board.

Relevant Trade Union Officials

Number of employees who were relevant union officials during the relevant period	216
FTE Employee Number	204.3

Percentage of Time Spent on Facility Time

% Time	Number of Representatives
0%	85
1% - 50%	124
51% - 99%	2
100%	5

Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£503,735
Total pay bill	£543,723,414
Percentage of the total pay bill spent on facility time	0.09%

Paid Trade Union Activities

Time spent on paid Trade Union activities as a percentage of total paid facility time hours	9.09%
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Councillor John Ross
Leader of the Council

Date: 16 November 2020



Cleland Sneddon
Chief Executive

Date: 16 November 2020

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the council (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the council in accordance with the CIPFA Accounting Code of Practice. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 43. The segmental analysis in the Expenditure and Funding Analysis reflects the council's management structure, as reported to the relevant Committees during the financial year.

2018/19			2019/20			
Net Expenditure Chargeable To the General Fund And HRA Balance £000	Net Expenditure (Note 4) Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable To the General Fund And HRA Balance £000	Net Expenditure (Note 4) Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
115,771	22,279	138,050	Community and Enterprise Resources	110,864	30,970	141,834
308,444	4,069	312,513	Education Resources	338,325	(24,033)	314,292
34,127	5,317	39,444	Finance and Corporate Resources	34,616	7,017	41,633
			Housing and Technical Resources			
2,613	(9,039)	(6,426)	- Housing Revenue Account	(240)	(5,445)	(5,685)
19,646	4,419	24,065	- Housing Other	16,950	7,678	24,628
153,990	11,913	165,903	Social Work Resources	166,858	16,934	183,792
2,363	-	2,363	Joint Board	2,150	-	2,150
(340)	35,120	34,780	Corporate Items	1,460	(15,107)	(13,647)
-	130	130	Corporate and Democratic Core (HRA)	-	114	114
-	327	327	Non-Distributed Costs - Non Operational Assets (HRA)	-	-	-
636,614	74,535	711,149	Net Cost of Services	670,983	18,128	689,111
(637,756)	(20,119)	(657,875)	Other Income and Expenditure	(654,481)	(37,418)	(691,899)
(1,142)	54,416	53,274	(Surplus) or Deficit	16,502	(19,290)	(2,788)

General Fund	HRA	Total General Fund and HRA		General Fund	HRA	Total General Fund and HRA
(71,040)	(11,624)	(82,664)	Opening General Fund and HRA Balance	(82,785)	(9,011)	(91,796)
(3,755)	2,613	(1,142)	Less/plus Surplus or Deficit on General Fund	16,742	(240)	16,502
(7,990)	-	(7,990)	Transfers to/from Other Reserves	(9,536)	(462)	(9,998)
(82,785)	(9,011)	(91,796)	Closing General Fund and HRA Balance	(75,579)	(9,713)	(85,292)

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with the CIPFA Accounting Code of Practice, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and Movement in Reserves Statements.

	Restated 2018/19			2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
167,516	29,466	138,050	Community and Enterprise Resources	181,943	40,109	141,834
332,843	20,330	312,513	Education Resources	347,718	33,426	314,292
126,043	86,599	39,444	Finance and Corporate Resources	119,685	78,052	41,633
			Housing and Technical Resources			
80,806	87,232	(6,426)	- Housing Revenue Account	85,318	91,003	(5,685)
38,542	14,477	24,065	- Housing Other	71,305	46,677	24,628
364,069	198,166	165,903	Social Work Resources	394,774	210,982	183,792
2,363	-	2,363	Joint Board	2,150	-	2,150
35,343	563	34,780	Corporate Items	(13,096)	551	(13,647)
130	-	130	Corporate and Democratic Core (HRA)	114	-	114
327	-	327	Non-Distributed Costs - Non Operational Assets (HRA)	-	-	-
1,147,982	436,833	711,149	Net Cost of Services	1,189,911	500,800	689,111
-	6,106	(6,106)	Other Operating Expenditure (Note 9)	-	1,262	(1,262)
72,550	1,345	71,205	Financing and Investment Income and Expenditure (Note 10)	76,488	2,772	73,716
-	722,974	(722,974)	Taxation and Non Specific Grant Income (Note 11)	-	764,353	(764,353)
1,220,532	1,167,258	53,274	(Surplus) / Deficit on Provision of Services	1,266,399	1,269,187	(2,788)
		(99,717)	(Surplus) / Deficit on Revaluation of Fixed Assets			(107,963)
		133,141	Re-measurement of the Net Defined Benefit Liability / (Asset)			(242,093)
		33,424	Other Comprehensive Income and Expenditure			(350,056)
		86,698	Total Comprehensive Income and Expenditure			(352,844)

Note 1 Internal recharges totalling £83.667m have been removed from the figures (2018/2019: £25.407m).

Note 2 The 2018/2019 Surplus on Revaluation of Fixed Assets has been restated to reflect adjustments in relation to the treatment of Assets Under Construction for Council Dwellings.

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 of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

- The first category of reserves are usable reserves, that is 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- 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 (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 31 March 2019 £000		Note	31 March 2020 £000
3,065,754	Property, Plant and Equipment	20	3,241,866
3,826	Heritage Assets	21	3,826
179	Intangible Assets	21	129
2,018	Long Term Debtors		2,065
3,071,777	Non Current Assets		3,247,886
134,377	Short Term Investments		62,658
3,429	Inventories		3,580
53,549	Short Term Debtors	23	68,516
782	Current Intangible - Carbon Reduction Allowances		-
417	Assets Held for Sale	21	819
74,585	Cash and Cash Equivalents (see cash flow notes)		89,348
267,139	Current Assets		224,921
(40,282)	Short Term Borrowing	32	(39,393)
(144,903)	Short Term Creditors	25	(160,649)
(239)	Contract Liability - IFRS15	7	(156)
(628)	Carbon Reduction Commitment Liability		-
(7,478)	Other Short Term Liabilities (PPP / Finance Leases)	28	(7,704)
(657)	Provisions	26	(521)
(1,891)	Receipts in Advance	27	(2,033)
(196,078)	Current Liabilities		(210,456)
(745)	Long Term Provisions	26	(704)
(1,035,433)	Long Term Borrowing	32	(1,005,540)
(201,447)	Other Long Term Liabilities (PPP / Finance Lease)	28	(193,743)
(546,720)	Other Long Term Liabilities (Pension)	30	(351,027)
(1,784,345)	Long Term Liabilities		(1,551,014)
1,358,493	Net Assets		1,711,337
117,908	Usable Reserves		103,590
1,240,585	Unusable Reserves		1,607,747
1,358,493	Total Reserves		1,711,337

Note 1 The 2018/2019 Property, Plant and Equipment figure has been restated to reflect adjustments in relation to the treatment of Assets Under Construction and the Debtor and Creditor figures have been adjusted to create a net Non-Domestic Rates debtor. These restatements have been reflected in all the main statements and the corresponding notes to the accounts, including the Group Accounts.

The notes on pages 49 to 98 form part of the financial statements. The unaudited accounts were authorised for issue on 18 June 2020 and the audited accounts were authorised for issue on 16 November 2020.



Paul Manning
Executive Director (Finance and Corporate Resources)
16 November 2020

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 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 and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000	Housing Revenue Account £000	Revenue Statutory Fund Repairs and Renewals Fund £000	Revenue Statutory Fund Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	(Note 13) Unusable Reserves £000	Total Council Reserves £000
Restated Balance at 1 April 2019	82,785	9,011	6,929	3,278	10,496	5,409	117,908	1,240,585	1,358,493
<u>Movement in reserves during 2019/20</u>									
Total Comprehensive Expenditure and Income	(6,603)	9,391	-	-	-	-	2,788	350,056	352,844
Adjustments between accounting basis and funding basis under regulations (note 8)	(10,139)	(9,151)	-	-	-	2,184	(17,106)	17,106	-
Net Increase / (Decrease) before Transfers to Reserves	(16,742)	240	-	-	-	2,184	(14,318)	367,162	352,844
Transfers to/ (from) Reserves	9,536	462	(1,011)	(1,225)	(2,262)	(5,500)	-	-	-
Increase / (Decrease) in Year	(7,206)	702	(1,011)	(1,225)	(2,262)	(3,316)	(14,318)	367,162	352,844
Balance at 31 March 2020 carried forward	75,579	9,713	5,918	2,053	8,234	2,093	103,590	1,607,747	1,711,337

	General Fund Balance £000	Housing Revenue Account £000	Revenue Statutory Fund Repairs and Renewals Fund £000	Revenue Statutory Fund Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	(Note 13) Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2018	71,040	11,624	7,232	4,516	11,445	6,784	112,641	1,332,550	1,445,191
<u>Movement in reserves during 2018/19</u>									
Total Comprehensive Expenditure and Income	(60,161)	6,887	-	-	-	-	(53,274)	(33,424)	(86,698)
Adjustments between accounting basis and funding basis under regulations (note 8)	63,916	(9,500)	-	-	-	4,125	58,541	(58,541)	-
Net Increase / (Decrease) before Transfers to Reserves	3,755	(2,613)	-	-	-	4,125	5,267	(91,965)	(86,698)
Transfers to/ (from) Reserves	7,990	-	(303)	(1,238)	(949)	(5,500)	-	-	-
Increase / (Decrease) in Year	11,745	(2,613)	(303)	(1,238)	(949)	(1,375)	5,267	(91,965)	(86,698)
Restated Balance at 31 March 2019 carried forward	82,785	9,011	6,929	3,278	10,496	5,409	117,908	1,240,585	1,358,493

Cash Flow Statement

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

Restated 2018/19 £000		2019/20 £000
(53,274)	Net surplus / (deficit) on the provision of services	2,788
93,994	Adjust net surplus / deficit on the provision of services for non-cash movements	50,373
(38,802)	Adjust for items included in the net surplus / deficit on the provision of services that are investing and financing activities	(40,115)
1,918	Net cash flows from Operating Activities	13,046
(118,037)	Investing Activities	39,785
154,646	Financing Activities	(38,068)
38,527	Net increase / (decrease) in cash and cash equivalents	14,763
36,058	Cash and cash equivalents at the beginning of the reporting period	74,585
74,585	Cash and cash equivalents at the end of the reporting period	89,348

Cash Flow Statement Note - Non-Cash Movements

The balance of non-cash movements is made up of the following elements:

Restated 31 March 2019 £000		31 March 2020 £000
86,232	Depreciation, impairment and amortisation of assets	42,772
9,889	Movement in creditors	11,533
8,407	Movement in debtors	(10,755)
(72)	Movement in inventories	(151)
76,303	Movement in pension liability	46,400
(6,106)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,262)
(80,659)	Other non cash items charged to the net surplus / deficit on the provision of services	(38,164)
93,994	Net cash flows from the provision of services for non cash movements	50,373

Cash Flow Statement Note - Operating Activities - Items Included in Net Surplus / (Deficit) on the Provision of Services That are Investing and Financing Activities

The cash flows for these activities include the following items:

2018/19 £000		2019/20 £000
490	Interest received	1,855
(39,292)	Interest paid	(41,970)
(38,802)	Net cash flows from items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	(40,115)

Cash Flow Statement Note - Investing Activities

2018/19 £000		2019/20 £000
(58,091)	Purchase of property, plant and equipment and intangible assets	(111,662)
(134,000)	Purchase of short-term investments	(261,500)
73,974	Proceeds from the sale of property, plant and equipment and intangible assets	79,889
-	Proceeds from short term investments	333,000
80	Other receipts from investing activities	58
(118,037)	Net cash flows from investing activities	39,785

Cash Flow Statement Note - Financing Activities

2018/19 £000		2019/20 £000
184,240	Cash receipts of short term and long-term borrowing	-
(7,213)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(7,478)
(22,381)	Repayments of short term and long-term borrowing	(30,590)
154,646	Net cash flows from financing activities	(38,068)

Cash Flow Statement Note - Cash and Cash Equivalents

31 March 2019 £000		31 March 2020 £000
100	Cash held by officers	105
(5,163)	Bank current accounts	(3,326)
79,648	Short term deposits	92,569
74,585	Total cash and cash equivalents	89,348

The credit figures shown against Bank Accounts in 2020 relate to balances in the financial ledger. This is due to timing differences in posting transactions in the ledger. Actual balances held at bank are not in an overdraft position.

Notes to the Financial Statements

Note 1 Accounting Standards Issued but Not Adopted

The Accounting Code of Practice requires the council to disclose information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted.

For this disclosure, the standards introduced by the 2020/2021 Code, which are required to be applied by 1 April 2020, and will be adopted by the council on 1 April 2020 are:

- **Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-Term Interests in Associates and Joint Ventures**

The amendments clarify that IFRS 9 applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- **Annual Improvements to IFRS Standards 2015–2017 Cycle**

The amendments include clarifications of IFRS in the following areas:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: Previously held Interest in a Joint Operation
- IAS 12 Income Taxes: Income Tax consequences of Payments on Financial Instruments classified as Equity, and
- IAS 23 Borrowing Costs: Borrowing Costs Eligible for Capitalisation

- **Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement**

The amendments require that when a plan amendment, curtailment or settlement occurs during a reporting period, entities use updated actuarial assumptions to determine current service cost and net interest for the remaining annual reporting period.

Adoption of the standards by the council on 1 April 2020 is not expected to have a significant impact on the financial statements.

Note 2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements 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 as at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability – Actuarial Assumptions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Strathclyde Pension Fund, to provide the council with expert advice about the assumptions to be applied. Following recent decisions in relation to Age Discrimination and Guaranteed Minimum Pensions, the Actuary has included the estimated impact of these in the reported pension liability figure. However, the actual impact is influenced by a number of factors and therefore the actual impact could vary from the impact currently estimated and included in the liability.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £237.563m. However, the assumptions interact in complex ways. During 2019/2020, the council's actuaries advised that the net pension liability had increased by £128.256m as a result of the return on fixed assets and estimates being corrected through experience and had decreased by £370.349m attributable to the updating of the demographic and financial assumptions.
Arrears – Sundry Debtors	At 31 March 2020, the council has a balance of sundry debtors of £12.284m. A review of balances suggested that an allowance for doubtful debts of £4.786m was appropriate. However, in the current climate, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £0.479m to be set aside as an allowance.

Property, Plant and Equipment – Useful Life	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of repairs and maintenance on its assets. Any decision to reduce spend in this area could affect the useful lives of assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, it is estimated that the annual depreciation charge would increase and the carrying value would fall by £8.587m for each year that useful lives were reduced.
COVID-19 Impact on Asset Valuations	<p>The 2019/2020 Asset Valuation program had a valuation date of 1st April 2019.</p> <p>The current response to COVID-19 means we are faced with an unprecedented set of circumstances on which to base valuation judgement.</p> <p>The Valuer's opinion is that it is not possible to reliably attempt to measure the impact of the present situation on the property market and in particular values and other key valuation inputs. Sub-sectors, localities, etc. will respond in various ways and not all in the same way or as generally might broadly be, is our view.</p> <p>The effects on value have not been evidenced at this point, therefore the asset values have not been reappraised. The situation will continue to be monitored and reviewed.</p>	If asset values were impacted by a reduction of 5%, then the carrying amount of the assets would fall by £85.002m. This asset value figure is based on the values of Operational Land and Buildings and Surplus and Historical Surplus assets.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Note 3 Material Items of Expenditure and Income

Where material items of expenditure and income are not disclosed on the face of the Consolidated Expenditure Income Statement, or contained within other notes, the Code requires disclosure of the nature and amounts of these items. Material items of expenditure and income are detailed below:

Item	Nature	Amount £000
Housing Benefit Paid	Benefit paid to support customers on low income with Housing rent costs	71,996
Housing Benefit Received	Benefit received to support customers on low income with Housing rent costs	67,020

**Note 4 Notes to the Expenditure and Funding Analysis Statement
Adjustments Between Funding and Accounting Basis**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement

2019/20				
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	18,891	11,808	271	30,970
Education Resources	(11,352)	7,865	(20,546)	(24,033)
Finance and Corporate Resources	1,001	5,206	810	7,017
Housing and Technical Resources				
- Housing Revenue Account	4,210	1,966	(11,621)	(5,445)
- Housing Other	1,773	6,342	(437)	7,678
Social Work Resources	1,905	14,507	522	16,934
Joint Board	-	-	-	-
Corporate Items	-	(14,995)	(112)	(15,107)
Corporate and Democratic Core (HRA)	-	-	114	114
Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	-	-
Net Cost of Services	16,428	32,699	(30,999)	18,128
Other Income and Expenditure from the Expenditure and Funding Analysis	(80,109)	13,701	28,990	(37,418)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(63,681)	46,400	(2,009)	(19,290)

2018/19				
	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustments (Note b) £000	Other Differences (Note c) £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	19,090	7,135	(3,946)	22,279
Education Resources	29,403	2,688	(28,022)	4,069
Finance and Corporate Resources	939	4,151	227	5,317
Housing and Technical Resources				
- Housing Revenue Account	1,209	1,560	(11,808)	(9,039)
- Housing Other	4,941	958	(1,480)	4,419
Social Work Resources	1,446	11,103	(636)	11,913
Joint Board	-	-	-	-
Corporate Items	52	33,227	1,841	35,120
Corporate and Democratic Core (HRA)	-	-	130	130
Non-Distributed Costs – Non-Operational Assets (HRA)	-	-	327	327
Net Cost of Services	57,080	60,822	(43,367)	74,535
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,865)	15,481	35,265	(20,119)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(13,785)	76,303	(8,102)	54,416

Note a – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing and other contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those that are receivable in the year to those that are receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note b – Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note c – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable /receivable to be recognised under statute:

- For Services, this represents the accrual made for the cost of holiday leave entitlements earned by employees but not taken before the year end which employees can carry into the next financial year. These require to be included in the Net Cost of Services under generally accepted accounting practices, however, are not chargeable to the General Fund.
- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Note 5 Reconciliation of Adjustments Between Funding and Accounting Basis Shown in the Expenditure and Funding Analysis (EFA) to Those Shown in the Movement in Reserves Statement (MIRS)

2018/19 £000		2019/20 £000
54,416	Adjustments between Funding and Accounting Basis as per EFA	(19,290)
7,430	Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve (Note 8)	2,336
(3,305)	Use of Capital Receipts Reserve to finance capital expenditure (Note 8)	(152)
58,541	Adjustments between Funding and Accounting Basis as per MIRS	(17,106)

Note 6 Expenditure and Income Analysed by Nature

The council's expenditure and income is analysed as follows:

	Community and Enterprise £000	Education £000	Finance and Corporate £000	Housing Revenue Account £000	Housing and Technical £000	Social Work £000	Joint Boards £000	Corporate Items £000	Other Non-Resource Lines £000	2019/20 Total £000	2018/19 Total £000
Expenditure											
Employee Benefits Expenses	92,668	280,981	39,901	9,796	48,371	105,230	-	(14,856)	-	562,091	486,058
Other Services Expenditure	70,384	78,089	78,783	44,968	21,161	287,639	2,150	1,760	114	585,048	575,692
Support Services Recharges	-	-	-	-	-	-	-	-	-	-	-
Depreciation, Amortisation, Impairment	18,891	(11,352)	1,001	30,554	1,773	1,905	-	-	-	42,772	86,232
Interest Payment	-	-	-	-	-	-	-	-	59,885	59,885	58,504
Pension Net Interest Expense	-	-	-	-	-	-	-	-	13,701	13,701	9,996
Impairment on Financial Instruments	-	-	-	-	-	-	-	-	2,902	2,902	3,152
Deficit on Trading Operations	-	-	-	-	-	-	-	-	-	-	898
Loss on the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	181,943	347,718	119,685	85,318	71,305	394,774	2,150	(13,096)	76,602	1,266,399	1,220,532
Income											
Fees and Charges and Other Service Income	37,473	4,564	7,420	91,003	45,092	205,006	-	551	-	391,109	333,213
Surplus on Trading Operations	-	-	-	-	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	-	-	-	2,139	2,139	1,331
Impairment on Financial Instruments	-	-	-	-	-	-	-	-	633	633	14
Gain on the Disposal of Assets	-	-	-	-	-	-	-	-	1,262	1,262	6,106
Income from Council Tax	-	-	-	-	-	-	-	-	136,268	136,268	129,526
Government Grants and Contributions	2,636	28,862	70,632	-	1,585	5,976	-	-	628,085	737,776	697,068
Total Income	40,109	33,426	78,052	91,003	46,677	210,982	-	551	768,387	1,269,187	1,167,258
Surplus or Deficit on the Provision of Services	141,834	314,292	41,633	(5,685)	24,628	183,792	2,150	(13,647)	(691,785)	(2,788)	53,274

Note 7 Revenue from Contracts with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients.

2018/19 £000		2019/20 £000
44,064	Revenue from contracts with service recipients	46,608
-	Impairment of receivables or contract assets	-
44,064	Total included in Comprehensive Income and Expenditure Statement	46,608

Amounts included in Balance Sheet for contracts with service recipients.

2018/19 £000		2019/20 £000
45	Receivables which are included in debtors (note 23)	125
-	Contract Assets	-
(239)	Contract Liabilities	(156)
(194)	Total Included in Net Assets	(31)

Specific changes in the contract assets and the contract liabilities balances during the period are as follows:

2018/19 Contract Asset £000	2018/19 Contract Liability £000		2019/20 Contract Asset £000	2019/20 Contract Liability £000
-	(316)	Contract assets and liabilities at the beginning of the year	-	(239)
-	77	Increases / decreases due to cash received (paid)	-	83
-	(239)	Transfers from contract assets / (liabilities) recognised at the beginning of the period to receivables (payables)	-	(156)
-	-	Changes as a result of changes in the measure of progress	-	-
-	(239)	Contract assets and liabilities at the end of the year	-	(156)

Note 8 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund

The General Fund is the statutory fund into which all the receipts of the council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Housing Revenue Account

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing in accordance with the Local Government and Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the council's landlord function.

Repairs and Renewals Fund

The Repairs and Renewals Fund comprises a combination of balances brought forward from previous years adjusted for any utilisation of funds and contributions to the Fund in year. The funds will be used to deal with repairing or renewing council assets.

Insurance Fund

The Insurance Fund is held as a provision against unpaid claims. Council Services contribute to the Fund which meets the cost of property damage, public liability, employee liability, vehicle fleet and other claims. The council holds insurance cover to meet any large claims, the premium for which is charged to the Fund. Actuarial reviews are required on a regular basis and for South Lanarkshire this will occur every 3 years. A review took place during 2017.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Usable Reserves							
2019/20	General Fund Balance £000	Housing Revenue Account £000	Repairs And Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	Capital Receipts Reserve £000	Total £000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
▪ Pensions Costs transferred to (or from) the Pensions Reserve	43,892	2,508	-	-	-	-	46,400
▪ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(279)	(81)	-	-	-	-	(360)
▪ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	5,763	66	-	-	-	-	5,829
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,761	30,607	-	-	-	-	36,368
Total Adjustments to Revenue Resources	55,137	33,100	-	-	-	-	88,237
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(2,290)	(46)	-	-	-	2,336	-
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(14,004)	(5,755)	-	-	-	-	(19,759)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(1,760)	(20,589)	-	-	-	-	(22,349)
Total Adjustments between Revenue and Capital Resources	(18,054)	(26,390)	-	-	-	2,336	(42,108)
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(152)	(152)
Application of capital grants to finance capital expenditure	(47,222)	(15,861)	-	-	-	-	(63,083)
Total Adjustments to Capital Resources	(47,222)	(15,861)	-	-	-	(152)	(63,235)
Total Adjustments	(10,139)	(9,151)	-	-	-	2,184	(17,106)
Total Comprehensive Expenditure and Income	(6,603)	9,391	-	-	-	-	2,788
Net Increase / (Decrease) before transfers to / (from) Reserves	(16,742)	240	-	-	-	2,184	(14,318)
Transfers to / (from) Reserves	9,536	462	(1,011)	(1,225)	(2,262)	(5,500)	-
Increase / (Decrease) in Year	(7,206)	702	(1,011)	(1,225)	(2,262)	(3,316)	(14,318)

Usable Reserves							
2018/19	General Fund Balance £000	Housing Revenue Account £000	Repairs And Renewals Fund £000	Insurance Fund £000	Capital Statutory Funds £000	Capital Receipts Reserve £000	Total £000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
▪ Pensions Costs transferred to (or from) the Pensions Reserve	74,312	1,991	-	-	-	-	76,303
▪ Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(279)	(81)	-	-	-	-	(360)
▪ Holiday Pay (transferred to (or from) the Accumulated Absences Reserve)	(3,361)	(9)	-	-	-	-	(3,370)
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	49,523	30,820	-	-	-	-	80,343
Total Adjustments to Revenue Resources	120,195	32,721	-	-	-	-	152,916
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	(4,125)	(3,305)	-	-	-	7,430	-
Statutory Provision for the repayment of debt (transfer from Capital Adjustment Account)	(16,791)	(5,322)	-	-	-	-	(22,113)
Capital expenditure financed from revenue balances (transfer to Capital Adjustment Account)	(1,261)	(23,830)	-	-	-	-	(25,091)
Total Adjustments between Revenue and Capital Resources	(22,177)	(32,457)	-	-	-	7,430	(47,204)
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	(3,305)	(3,305)
Application of capital grants to finance capital expenditure	(34,102)	(9,764)	-	-	-	-	(43,866)
Total Adjustments to Capital Resources	(34,102)	(9,764)	-	-	-	(3,305)	(47,171)
Total Adjustments	63,916	(9,500)	-	-	-	4,125	58,541
Total Comprehensive Expenditure and Income	(60,161)	6,887	-	-	-	-	(53,274)
Net Increase / (Decrease) before transfers to / (from) Reserves	3,755	(2,613)	-	-	-	4,125	5,267
Transfers to / (from) Reserves	7,990	-	(303)	(1,238)	(949)	(5,500)	-
Increase / (Decrease) in Year	11,745	(2,613)	(303)	(1,238)	(949)	(1,375)	5,267

Note 9 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2018/19 £000		2019/20 £000
(6,106)	(Gains) / losses on the disposal of non-current assets	(1,262)
(6,106)	Total	(1,262)

Note 10 Comprehensive Income and Expenditure Statement -Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
58,504	Interest payable and similar charges	59,885
9,996	Pensions interest cost and expected return on pensions assets	13,701
(1,331)	Interest receivable and similar income	(2,139)
3,138	Impairment on Financial Instruments	2,269
898	Gains on trading operations	-
71,205	Total	73,716

Note 11 Comprehensive Income and Expenditure Statement - Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
(129,526)	Council tax income	(136,268)
(295,500)	National non-domestic rates	(341,166)
(254,082)	Non-ringfenced government grants	(223,836)
(43,866)	Capital grants and contributions	(63,083)
(722,974)	Total	(764,353)

Note 12 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/2020.

	2018/19 Balance At 1 April 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	2018/19 Closing Balance 31 March 2019 £000	2019/20 Balance At 1 April 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	2019/20 Closing Balance 31 March 2020 £000
General Fund								
Future Budget Strategies – allocated to specific years	15,955	(2,936)	8,635	21,654	21,654	(9,618)	6,990	19,026
Developing Scotland's Young Workforce (Specific funding)	393	-	-	393	393	(85)	-	308
Early Years (Multi-year)	3,510	-	1,364	4,874	4,874	(2,287)	1,603	4,190
Children and Young People Act inc. Getting It Right for Every Child (Multi-year)	4,452	(417)	-	4,035	4,035	(1,872)	-	2,163
Pupil Equity Fund (Specific funding)	2,859	(2,859)	1,534	1,534	1,534	(1,534)	1,422	1,422
Multi Year Projects	1,345	(326)	-	1,019	1,019	(297)	222	944
Schools (Multi-year)	1,983	(688)	798	2,093	2,093	(1,144)	221	1,170
City Deal	410	(410)	-	-	-	-	-	-
Scheme of Assistance	319	-	136	455	455	(111)	-	344
University West of Scotland	378	(56)	-	322	322	(59)	-	263
Eddlewood Catering Facility - Productivity Kitchen	184	-	-	184	184	(184)	-	-
Community and Enterprise Resources including Public Health and Local Plan	442	(63)	515	894	894	(572)	30	352
Social Work and Bequest	1,136	(900)	-	236	236	(215)	-	21
Temporary Homelessness / Community Safety (Specific funding)	835	(20)	1,004	1,819	1,819	(54)	434	2,199
Scottish Welfare Fund	132	(132)	-	-	-	-	-	-
Prevent Grant (Specific funding)	38	(29)	-	9	9	-	-	9
Community Participation Team (Multi-year)	660	(73)	-	587	587	(330)	-	257
New Initiatives (Multi-year)	-	-	5,202	5,202	5,202	(4,288)	-	914
Sanitary Products Funding	-	-	168	168	168	-	-	168
Counselling in Schools	-	-	-	-	-	-	542	542
Additional Support for Learning	-	-	-	-	-	-	959	959
Total General Fund	35,031	(8,909)	19,356	45,478	45,478	(22,650)	12,423	35,251
Housing Revenue Account								
Housing Revenue Account	11,624	(2,613)	-	9,011	9,011	-	702	9,713
Total Housing Revenue Account	11,624	(2,613)	-	9,011	9,011	-	702	9,713
Total Earmarked Reserves	46,655	(11,522)	19,356	54,489	54,489	(22,650)	13,125	44,964

Note 13 Balance Sheet - Unusable Reserves

Unusable Reserves are those that the council is not able to utilise to provide services. These reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council.

The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former represents the gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The reserve arising from accounting for financial instruments is the Financial Instruments Adjustment Account. This is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the council.

The Pensions Reserve arises from IAS19 Accounting Disclosures for Retirement Benefits and recognises the council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the council's share of the Pension Fund liability chargeable to the CIES.

The Accumulated Absences Reserve arises from IAS19 accounting disclosures for Short Term Accumulated Benefits and recognises the council's liability for compensated absences (annual leave) earned by staff but not taken in the year. The Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Reserve.

Unusable Reserves						
2019/20						
	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000	Accumulating Compensated Absences Adjustment Account £000	Total £000
Restated Opening Balance	937,115	868,055	(5,650)	(546,720)	(12,215)	1,240,585
Movement in Year	84,792	92,146	360	195,693	(5,829)	367,162
Closing Balance	1,021,907	960,201	(5,290)	(351,027)	(18,044)	1,607,747
Other Comprehensive Income and Expenditure	107,963	-	-	242,093	-	350,056
Adjustments Between Accounting Basis and Funding Basis Under Regulation						
Charges for Depreciation and Impairment of Non-Current Assets	-	(84,743)	-	-	-	(84,743)
Revaluation Gains / Losses on Property, Plant and Equipment	-	42,030	-	-	-	42,030
Amortisation of Intangible Assets	-	(59)	-	-	-	(59)
Non-Current Assets Written Off on Disposal or Sale	-	(429)	-	-	-	(429)
Difference Between Fair Value and Historic Cost Depreciation	(22,526)	22,526	-	-	-	-
Accumulated Gains on Assets Sold or Scrapped	(645)	-	-	-	-	(645)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	152	-	-	-	152
Capital Grants and Contributions	-	63,083	-	-	-	63,083
Statutory Charge for the Repayment of Debt	-	19,759	-	-	-	19,759
Statutory Provision for Financing of Capital Investment	-	7,478	-	-	-	7,478
Capital Expenditure Charged Against the General Fund and HRA Balance	-	22,349	-	-	-	22,349
Premiums to be Charged Against the General Fund and HRA Balance	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(98,119)	-	(98,119)
Employer's Pension Contribution Payable in Year	-	-	-	51,719	-	51,719
Amounts Accrued at the End of the Financial Year	-	-	-	-	(5,829)	(5,829)
Total Movement in Year	84,792	92,146	360	195,693	(5,829)	367,162

Unusable Reserves						
Restated 2018/19						
	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Pension Reserve £000	Accumulating Compensated Absences Adjustment Account £000	Total £000
Opening Balance	858,817	832,604	(6,010)	(337,276)	(15,585)	1,332,550
Movement in Year	78,298	35,451	360	(209,444)	3,370	(91,965)
Closing Balance	937,115	868,055	(5,650)	(546,720)	(12,215)	1,240,585
Other Comprehensive Income and Expenditure	99,717	-	-	(133,141)	-	(33,424)
Adjustments Between Accounting Basis and Funding Basis Under Regulation						
Charges for Depreciation and Impairment of Non-Current Assets	-	(82,384)	-	-	-	(82,384)
Revaluation Gains / Losses on Property, Plant and Equipment	-	(3,763)	-	-	-	(3,763)
Amortisation of Intangible Assets	-	(85)	-	-	-	(85)
Non-Current Assets Written Off on Disposal or Sale	-	(1,084)	-	-	-	(1,084)
Difference Between Fair Value and Historic Cost Depreciation	(21,179)	21,179	-	-	-	-
Accumulated Gains on Assets Sold or Scrapped	(240)	-	-	-	-	(240)
Use of Capital Receipts Reserve to Finance New Capital Expenditure	-	3,305	-	-	-	3,305
Capital Grants and Contributions	-	43,866	-	-	-	43,866
Statutory Charge for the Repayment of Debt	-	22,113	-	-	-	22,113
Statutory Provision for Financing of Capital Investment	-	7,213	-	-	-	7,213
Capital Expenditure Charged Against the General Fund and HRA Balance	-	25,091	-	-	-	25,091
Premiums to be Charged Against the General Fund and HRA Balance	-	-	360	-	-	360
Reversal of Items Relating to Retirement Benefits	-	-	-	(123,587)	-	(123,587)
Employer's Pension Contribution Payable in Year	-	-	-	47,284	-	47,284
Amounts Accrued at the End of the Financial Year	-	-	-	-	3,370	3,370
Total Movement in Year	78,298	35,451	360	(209,444)	3,370	(91,965)

Note 14 Members Allowances

The council paid the following amounts to Members of the council during the year:

	2019/20 £	2018/19 £
Salaries	997,363	971,224
Mileage Allowance	38,582	44,103
Expenses	3,049	2,164
Total	1,038,994	1,017,491

Note 15 External Audit Costs

The council has incurred the following external audit costs:

	2019/20 £000	2018/19 £000
Fee payable to Audit Scotland for external audit services	499	490
Total	499	490

The council incurred these costs in relation to the audit of the Annual Accounts, the certification of grant claims and a contribution towards Audit Scotland's national work programme. Fees payable in respect of other services provided by the appointed auditor were nil (2018/2018: nil).

Note 16 Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 6.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/2020 is shown in Note 14. During 2019/2020, works and services to the value of £3.686m were commissioned from companies in which 13 members had an interest (2018/2019 – £5.342m). Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £2.289m were paid to voluntary organisations in which 47 members had an interest (2018/2019 – £2.469m). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest which can be found on the council's website. As these payments relate to payments ledgered in the financial year there are no outstanding balances to be disclosed.

Officers

During 2019/2020, no senior officer of the council declared an interest in any organisation outwith those controlled or significantly influenced by the council. In addition, no senior officer declared an interest of close family members in any organisations outwith those controlled or significantly influenced by the council.

During 2018/2019, no senior officer of the council declared an interest in any organisation outwith those controlled or significantly influenced by the council.

Receipts and Payments Between the Council and Entities Controlled or Significantly Influenced by the Council

	2019/20 Receipts £000	2019/20 Payments £000	2018/19 Receipts £000	2018/19 Payments £000
Lanarkshire Valuation Joint Board	731	2,102	478	1,813
South Lanarkshire Health and Social Care Partnership	183,787	136,616	168,336	126,543
Total Joint Boards	184,518	138,718	168,814	128,356
Strathclyde Partnership for Transport	1,069	11,018	1,534	11,323
Strathclyde Concessionary Travel Scheme Joint Committee	-	595	-	563
South Lanarkshire Leisure and Culture Limited	4,341	19,503	3,061	19,592
Routes to Work South	-	1,891	-	1,492
Regen FX Youth Trust	-	113	-	132
Clyde Valley Learning and Development Joint Committee	59	11	28	7
SEEMIS Group LLP	77	307	76	289
Common Good	58	105	56	80
	190,122	172,261	173,569	161,834

The amounts due (to) / from related parties are detailed below:

	2019/20 £	2018/19 £
Strathclyde Partnership for Transport	1,803	861
South Lanarkshire Leisure and Culture Limited	514	(632)
South Lanarkshire Health and Social Care Partnership	(612)	(701)

Note 17 Leases

Council as Lessee

Finance Leases

The council currently has obligations in relation to Glasgow Southern Orbital infrastructure and secondary schools. These are classed as PPP/PFI finance leases and are reported under Note 28 - Public Private Partnerships and Similar Contracts.

Operating Leases

The council has entered into a number of operating leases and details are provided across the asset categories of Vehicles, Property, Plant and Equipment, and Land and Buildings.

Vehicles, Plant and Equipment – the council uses vehicles, computers, photocopying equipment and items of plant financed under the terms of an operating lease. The amount paid under these arrangements in 2019/2020 was £4.480m (2018/2019 £5.329m).

Land and Buildings – the council leases a number of properties, including Our Lady of Lourdes Primary School, which have been accounted for as operating leases. The rentals payable in 2019/2020 were £2.951m (2018/2019 £3.043m).

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	7,672	6,911
Later than one year and not later than five years	16,201	15,963
Later than five years	41,531	29,770
Total	65,404	52,644

The sub lease payments receivable in future years are:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	335	387
Later than one year and not later than five years	940	1,173
Later than five years	170	342
Total	1,445	1,902

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

	2019/20 £000	2018/19 £000
Minimum lease payments	7,432	8,373
Sublease payments receivable	(369)	(387)
Total	7,063	7,986

Council as Lessor

Operating Leases

The council leases out property under operating leases. The purpose of the Lease Portfolio is principally Socio Economic – by supporting the wider corporate objectives of the council as stated in the Council Plan, Connect 2017-22, through strategic influence, control, occupational use and management of lease agreements. In particular, but not exclusively, to ‘support the local Economic Development by providing the right conditions for growth, improving skills and employability’.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2020 £000	31 March 2019 £000
Not later than one year	4,173	5,020
Later than one year and not later than five years	10,700	12,035
Later than five years	114,696	124,240
Total	129,569	141,295

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/2020 £0.002m contingent rents were receivable by the council (2018/2019 £0.002m).

Note 18 Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/2020:

	2019/20 £000	2018/19 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax	136,268	129,526
Non Ring-Fenced Government Grants	223,836	254,082
Non-Domestic Rate Redistribution	341,166	295,500
Total	701,270	679,108
Credited to Services		
Scottish Government	35,788	25,282
European Grant Funding	1,903	1,300
Skills Development Scotland	297	381
Central Government	69,192	75,479
Lottery	75	112
Creative Scotland	410	409
NHS	23	97
Other Grants	2,003	560
Total	109,691	103,620

Note 19 Events After the Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Executive Director (Finance and Corporate Resources) on 18 June 2020. There were no events that occurred between 1 April 2020 and the date that the unaudited Accounts were authorised for issue that would have an impact on the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Since the unaudited accounts were authorised for issue on 18 June, the pension fund actuary updated their assumptions on the impact of McCloud included in the pension liability, following the issue of a consultation issued in July, which required the council to amend the pension liability included in the Annual Accounts. Full details are provided in Note 30: Defined Benefit Pension Schemes (page 76).

Note 20 Property, Plant and Equipment

Movements on Balances

Movements in 2019/2020:

	Council Dwellings £000	Other Land And Buildings £000	Vehicles, Plant And Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets Included in Property, Plant and Equipment £000
Cost or Valuation									
As at 1 April 2019 (Restated)	1,170,857	1,636,670	54,135	416,910	2,045	8,804	44,715	3,334,136	400,659
Additions	13,421	6,065	3,539	26,813	96	10	62,394	112,338	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(43,600)	84,821	-	-	124	(273)	23	41,095	74,183
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	26,149	-	-	219	(178)	-	26,190	25,989
De-recognition - Disposals	(48)	(2,046)	(20,030)	(32)	-	(5)	-	(22,161)	-
Assets reclassified from Held for Sale	-	-	-	-	-	(717)	-	(717)	-
Other movements in Cost or Valuation	33,542	15,181	529	2,230	284	1,544	(53,310)	-	-
At 31 March 2020	1,174,172	1,766,840	38,173	445,921	2,768	9,185	53,822	3,490,881	500,831

	Council Dwellings £000	Other Land And Buildings £000	Vehicles, Plant And Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets Included in Property, Plant and Equipment £000
Accumulated Depreciation and Impairment									
As at 1 April 2019	-	92,568	35,478	140,288	16	32	-	268,382	35,083
Depreciation Charge	29,313	38,085	5,077	12,224	14	30	-	84,743	9,780
Depreciation written out to the Revaluation Reserve	(29,313)	(37,495)	-	-	(25)	(34)	-	(66,867)	(29,065)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(15,780)	-	-	-	(61)	-	(15,841)	(10,249)
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	(1,293)	(20,030)	(32)	-	-	-	(21,355)	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	(47)	-	(47)	-
Other movements in Depreciation and Impairment	-	(152)	-	-	25	127	-	-	-
At 31 March 2020	-	75,933	20,525	152,480	30	47	-	249,015	5,549

Net book value									
At 31 March 2020	1,174,172	1,690,907	17,648	293,441	2,738	9,138	53,822	3,241,866	495,282
At 31 March 2019 (Restated)	1,170,857	1,544,102	18,657	276,622	2,029	8,772	44,715	3,065,754	365,576

Movements on Balances

Restated Movements in 2018/2019:

	Council Dwellings £000	Other Land And Buildings £000	Vehicles, Plant And Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets Included in Property, Plant and Equipment £000
Cost or Valuation									
As at 1 April 2018	1,117,393	1,593,436	49,086	390,432	2,156	9,624	28,253	3,190,380	393,436
Additions	20,517	6,662	4,418	26,411	92	10	54,122	112,232	226
Revaluation increases / (decreases) recognised in the Revaluation Reserve	31,955	20,109	-	-	(201)	31	(223)	51,671	5,481
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(2,057)	(11,321)	-	-	(1)	85	(321)	(13,615)	1,516
De-recognition - Disposals	(198)	(5,686)	(22)	-	-	(344)	-	(6,250)	-
Assets reclassified from Held for Sale	-	-	-	-	-	(282)	-	(282)	-
Other movements in Cost or Valuation	3,247	33,470	653	67	(1)	(320)	(37,116)	-	-
At 31 March 2019 (Restated)	1,170,857	1,636,670	54,135	416,910	2,045	8,804	44,715	3,334,136	400,659

	Council Dwellings £000	Other Land And Buildings £000	Vehicles, Plant And Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets Included in Property, Plant and Equipment £000
Accumulated Depreciation and Impairment									
As at 1 April 2018	-	90,049	30,467	128,723	7	12	-	249,258	28,362
Depreciation Charge	28,603	37,163	5,034	11,565	9	10	-	82,384	8,987
Depreciation written out to the Revaluation Reserve	(28,603)	(19,469)	-	-	-	-	(23)	(48,095)	(1,765)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(9,940)	-	-	-	(2)	(34)	(9,976)	(501)
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	(5,151)	(23)	-	-	(1)	-	(5,175)	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	(14)	-	(14)	-
Other movements in Depreciation and Impairment	-	(84)	-	-	-	27	57	-	-
At 31 March 2019	-	92,568	35,478	140,288	16	32	-	268,382	35,083

Net book value									
At 31 March 2019 (Restated)	1,170,857	1,544,102	18,657	276,622	2,029	8,772	44,715	3,065,754	365,576
At 31 March 2018	1,117,393	1,503,387	18,619	261,709	2,149	9,612	28,253	2,941,122	365,074

Capital Commitments

At 31 March 2020, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment for housing and non-housing projects in 2020/2021 and future years. The major commitments for both Housing and General Services are as follows:

Housing Projects	£000	Non-Housing Projects	£000
Housing investment projects including Heating Projects, Windows and Doors and External Fabric Upgrades	10,033	City Deal - Greenhills Road/A726 Strathaven Road	10,134
New Build Housing	54,846	City Deal - Westburn Road Roundabout	640
		Electric Vehicle Charge Points	282
		Central Energy Efficiency Fund Projects	502
		Headquarters Fabric Upgrade	478
		Mobile Teaching Units	550
		Early Years (1140) Nursery Infrastructure	11,703

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Vehicles, plant and equipment, despite being valued in the Balance Sheet at current costs are not included in the five year revaluation programme as any changes in valuation are considered to be immaterial. Council dwellings are revalued every year.

The significant assumptions applied in estimating the fair values are:

- All valuations are prepared in accordance with the current edition of the RICS Valuation Standards.
- All valuations are provided by a Valuer directly employed by South Lanarkshire Council and are accordingly defined as internal valuations.

Valuation Assumptions

Unless the Appointed Valuer is advised or reports to the contrary, the following valuation assumptions shall apply to all asset valuations provided under this service:

- It is assumed that the Local Authority shall continue to provide the services to which the assets relate;
- It is assumed that the property valued, is not at the date of valuation, affected by any mining subsidence and will not be affected in the future;
- It is assumed that the site is stable and will not occasion any extraordinary costs with regard to mining subsidence;
- It is assumed that the title to the subject contains no onerous burdens and restrictive conditions and that it has not been ascertained what minerals, rights of support and compensation is attached to the land nor whether rights of use and re-entry have been reserved;
- It is assumed that the property and its value are unaffected by any matters which would be revealed by local search and replies to the usual enquiries or by inspection of any register and that its condition, use, or intended use was, is or will be lawful;
- It is assumed that the property has the necessary statutory consents for the current buildings and use and that there are no policies or proposals by statutory authorities that could impact positively or adversely on the value;
- No investigation shall be undertaken or information provided regarding the use of hazardous or deleterious materials or techniques in the construction of the property. It is assumed that no such materials or techniques have been used;
- No investigation shall be undertaken or information provided regarding the presence of contamination or hazardous substances in the property (including the site) and neighbouring properties. It is assumed that no such contamination or hazardous substances are present;
- No environmental assessment shall be carried out or information provided on the presence of naturally occurring radon gas. It is assumed that no radon gas is present in the property;
- It is assumed that adequate repairs and maintenance is being undertaken;
- Unless otherwise stated, the date of valuation shall be 1 April of the specified financial year; and
- Valuers have acknowledged that the impact of the coronavirus outbreak on the property market are not fully known and therefore it is not currently possible to confirm that Council assets valued between 1 April 2019 and 31 March 2020 will be properly stated at the balance sheet date. In their opinion, the asset valuations for financial year 2019/2020 are on the basis of 'material valuation uncertainty' as per Red Book Global and consequently, less certainty and a higher degree of caution should be attached to this financial year's valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, it is recommended that the 2019/2020 asset valuations be kept under review.

Revaluation Programme

The table below shows the progress of the council's programme for the revaluation of Property, Plant and Equipment that ensures that all its PPE assets required to be measured at fair value are revalued at least every five years. The measurement basis used for determining the gross carrying amount, and the significant assumptions applied in estimating the fair values are disclosed above and in Note 36 - Accounting Policies under Section P 'Property, Plant and Equipment'.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £0000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	-	17,648	293,441	2,738	-	53,822	367,649
Valued at fair value								
2019/20	1,174,172	595,438	-	-	-	1,928	-	1,771,538
2018/19	-	317,921	-	-	-	446	-	318,367
2017/18	-	184,209	-	-	-	242	-	184,451
2016/17	-	223,822	-	-	-	2,250	-	226,072
2015/16	-	363,938	-	-	-	4,272	-	368,210
5 years ago and greater	-	5,579	-	-	-	-	-	5,579
Total Cost or Valuation	1,174,172	1,690,907	17,648	293,441	2,738	9,138	53,822	3,241,866

Note 21 Other Assets - Intangible, Heritage and Assets Held For Sale

	Intangible Assets	Intangible Assets	Heritage Assets	Heritage Assets	Assets Held for Sale	Assets Held for Sale
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Cost or Valuation						
Balance at 1 April	1,063	1,039	3,826	3,826	431	603
Additions	9	24	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	(57)
Revaluation increases / (decreases) in the Comprehensive Income and Expenditure Statement	-	-	-	-	-	(148)
De-recognition - Disposals	-	-	-	-	(282)	(249)
Assets reclassified (to) / from Assets Held for Sale	-	-	-	-	717	282
Balance at 31 March	1,072	1,063	3,826	3,826	866	431
Accumulated Depreciation						
Balance at 1 April	884	799	-	-	14	32
Depreciation charge	59	85	-	-	-	-
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	(8)
Depreciation written out to the Surplus / Deficit on Provision of Services	-	-	-	-	-	(24)
Depreciation - Disposals	-	-	-	-	(14)	-
Elimination on reclassification to Assets Held for Sale	-	-	-	-	47	14
Balance at 31 March	943	884	-	-	47	14
Net book value at 31 March	129	179	3,826	3,826	819	417

Note 22 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	General Fund 2019/20 £000	HRA 2019/20 £000	Total 2019/20 £000	General Fund 2018/19 £000	HRA 2018/19 £000	Total 2018/19 £000
Opening Capital Financing Requirement	1,030,003	235,305	1,265,308	1,031,175	223,544	1,254,719
Capital Investment						
Property, Plant and Equipment	61,103	51,235	112,338	58,171	54,062	112,233
Intangible Assets	9	-	9	24	-	24
Decrease in PPP Finance Lease Liability	(7,478)	-	(7,478)	(7,213)	-	(7,213)
Sources of Finance						
Capital Receipts	(106)	(46)	(152)	-	(3,305)	(3,305)
Government Grants and Other Contributions	(47,223)	(15,918)	(63,141)	(34,101)	(9,845)	(43,946)
Sums set aside from revenue:						
▪ Direct Revenue Contributions	(1,760)	(20,589)	(22,349)	(1,261)	(23,830)	(25,091)
▪ Loans Fund Principal	(14,005)	(5,754)	(19,759)	(16,792)	(5,321)	(22,113)
Closing Capital Financing Requirement	1,020,543	244,233	1,264,776	1,030,003	235,305	1,265,308
Explanation of movements in year:						
Increase in Underlying Need to Borrow	12,023	14,682	26,705	22,833	17,082	39,915
Loans Fund Repayments	(14,005)	(5,754)	(19,759)	(16,792)	(5,321)	(22,113)
Assets Acquired Under PFI/PPP Contracts	(7,478)	-	(7,478)	(7,213)	-	(7,213)
Increase / (Decrease) in Capital Financing Requirement	(9,460)	8,928	(532)	(1,172)	11,761	10,589

Note 23 Short Term Debtors

	31 March 2020 £000	Restated 31 March 2019 £000
Trade Receivables	18,024	16,620
Prepayments	5,560	2,813
Other Receivable Amounts	44,932	34,116
Total	68,516	53,549

Note 24 Debtors for Local Taxation

The past due but not impaired amount for local taxation and non-domestic rates can be analysed by age as follows:

	31 March 2020 Council Tax £000	31 March 2020 NDR £000	31 March 2019 Council Tax £000	31 March 2019 NDR £000
Less than one year	2,428	139	1,841	1,604
One to two years	627	-	472	-
Two to five years	-	-	56	-
More than five years	-	-	-	-
Total	3,055	139	2,369	1,604

Note 25 Short Term Creditors

	31 March 2020 £000	Restated 31 March 2019 £000
Trade Payables	45,967	42,767
Other Payables	114,682	102,136
Total	160,649	144,903

Note: Included within the Other Payables balance of £114.682m (2018/19: £4.766m) are balances held on behalf of third parties totalling £5.784m. They relate to Lanarkshire Valuation Joint Board, Clyde Valley Learning and Development Joint Committee, SEEMIS LLP, Regen FX Youth Trust, Supplier Development Programme, Common Good and Trust Funds whose financial transactions are hosted in the Council's Financial Management System.

Note 26 Provisions

	Injury and damage compensation claims (1) £000	Other provisions (2) £000	Total £000
Balance at 1 April 2019	745	657	1,402
Additional provisions made in 2019/20	-	521	521
Amount used in 2019/20	(41)	(657)	(698)
Unused amounts reversed in 2019/20	-	-	-
Unwinding of discounting in 2019/20	-	-	-
Balance at 31 March 2020	704	521	1,225

The above provisions can be further analysed into Short Term and Long Term as follows:

	Injury and damage compensation claims (1) £000	Other provisions (2) £000	Total £000
Short Term	-	521	521
Long Term	704	-	704
Balance at 31 March 2020	704	521	1,225

- (1) The majority of this amount relates to a long-term provision in respect of ongoing compensation claims. The council believes that the amount provided accurately represents the best estimate of the amounts due.
- (2) The majority of this amount relates to provisions in respect of orders for bespoke adaptations and property dilapidations.

Note 27 Receipts in Advance

The council has received a number of grants and contributions that have yet to be recognised as income. This is because they have conditions attached to them which requires the monies or property to be returned to the giver if these conditions are not met. These monies are committed to spend in 2020/2021.

The balances at 31 March 2020 are as follows:

	31 March 2020 £000	31 March 2019 £000
Revenue Grants and Contributions		
Big Lottery	110	-
Clyde Gateway	94	85
National Health Service	19	-
Scottish Coal	511	511
Scottish Government	751	359
Scottish Environmental Protection Agency (SEPA)	125	-
Wind Turbine Construction Compensation (Various)	220	760
Home Office	118	94
Other	85	82
Total	2,033	1,891

Note 28 Public Private Partnership and Similar Contracts

The council entered the PPP agreement in June 2006 for the provision of 17 new build schools (which includes 2 named Additional Support Needs schools) as well as the major refurbishment of Stonelaw High School and Hamilton Grammar. The Unitary Charge is index linked with the inflation rate in the January of the preceding financial year used to agree the charge for the new financial year. The agreement will last 30 years and will end in 2039/2040.

The unitary charge includes the repayment of construction costs, interest and service charges and the projected payments due under the agreement, based on assumed RPI of 2.5% per annum.

The council entered the PPP agreement in July 2006 for the Design, Build, Finance and Operate Contract which covered both the Glasgow Southern Orbital and the M77 Extension with a contract value of £130m. The agreement will last 30 years and will end in 2035/2036.

Payments remaining to be made under PFI contracts for both Schools and Glasgow Southern Orbital as at 31 March 2020 (assuming an inflation rate of 2.5% for Schools PPP and excluding any estimation of availability/ performance deductions) are as follows:

	Payment For Services £000	Reimbursement Of Capital Expenditure £000	Interest £000	Contingent Rents £000	Total £000
Payable in 2020/21	10,790	7,704	10,605	7,296	36,395
Payable within two to five years	54,423	29,097	38,486	32,893	154,899
Payable within six to ten years	90,360	36,578	39,355	50,107	216,400
Payable within eleven to fifteen years	83,915	57,409	27,941	75,538	244,803
Payable within sixteen to twenty years	77,687	70,659	9,645	89,696	247,687
Total	317,175	201,447	126,032	255,530	900,184

The impact of a 1% movement in inflation would mean a movement of £0.105m and £0.249m on the Payments for Services charge and Contingent Rentals respectively at 2020/2021 prices for 1 year.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2019/20 £000	2018/19 £000
Balance outstanding at start of year	208,925	216,138
Payments during year	(7,478)	(7,213)
Capital expenditure incurred in the year	-	-
Reduction in liability for prepaid assets	-	-
Balance outstanding at year end	201,447	208,925

Note 29 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2020, the council's own contributions equate to approximately 6.89%.

In 2019/2020, the council paid £30.215m to Teachers' Pensions in respect of teachers' retirement benefits, representing 17.2% of pensionable pay from 1 April to 31 August 2019 and 23.0% of pensionable pay from 1 September 2019 to 31 March 2020. The figures for 2018/2019 were £22.135m and 17.2%.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 30

Note 30 Pension Schemes Accounted for as Defined Benefit Schemes

Participation in Pension Schemes

The post-employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS), and is administered in the West of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

Benefits

- It is a defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- A new Career Average Related Earnings (CARE) pension scheme has been introduced from 1 April 2015. The pension accrual rate guarantees a pension that is built up at a rate of 1/49th of the pensionable pay in the financial year. The amount built up in the year is transferred to the member's pension account and at the end of each financial year the total in the member's pension account is adjusted in line with the cost of living to ensure it retains its purchasing power.
- For pension contributions from 2009 to 2015, the pension is based on 1/60th of final pensionable salary and years of service, and prior to 2009, the accrual rate guarantees a pension based on 1/80th and a lump sum based on 3/80th of final pensionable pay and years of pensionable service.
- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004. The scheme's retirement age is the normal age for the state pension. Pensions are increased annually in line with changes to the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Governance

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of Elected Members of Glasgow City Council. Employing authorities (including South Lanarkshire Council) are represented at the Strathclyde Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as South Lanarkshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

Principal Risks

- The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

Discretionary Post-employment Benefits

- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

Age Discrimination (McCloud) and Guaranteed Minimum Pension

McCloud Ruling – Age Discrimination

When the Local Government Pension Scheme (LGPS) Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to retirement age. The benefits accrued from 1 April 2015 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure.

In December 2018, the Court of Appeal upheld a ruling (McCloud case) that similar transitional protections were unlawful on the grounds of age discrimination. This means that the LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. The impact of this will depend on the compensation awarded, members’ future salary increases, length of service, retirement age and whether (when) members withdraw from active service.

In 2019, the Government Actuary Department estimated the impact of this decision and Strathclyde Pension Fund’s actuary further adjusted these estimates to better reflect the Fund’s local assumptions and circumstances, particularly salary increases and withdrawal rates. The estimate was included in the Pension Liability reported in the Council’s Balance Sheet.

In July 2020, the Government published a consultation covering Scotland which proposed amendments to the Local Government Pension Scheme in order to provide a remedy for the McCloud and Sargeant legal rulings. This consultation allowed the fund actuary to review the assumptions included in the 2019/2020 IAS19 reports in relation to McCloud and Sargeant cases. If the financial result was materially different, councils were required to update the Pension Liability reported in the 2019/2020 Accounts. A revised IAS19 report was obtained from the actuary and the Council’s Balance Sheet has been amended to reflect the updated assumptions in relation to the Pension Liability.

The outcome of the consultation and whether there will be any impact on future employer contribution rates into the pension fund is not currently known.

Guaranteed Minimum Pension

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. Although the value of GMP was inherently unequal between males and females due to a number of factors, the overall equality of benefits was achieved through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement, bringing uncertainty over the ongoing indexation of GMP’s which could lead to inequalities between men and women’s benefits.

An interim solution passed the responsibility for ensuring GMP’s kept pace with inflation to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This leads to increased costs for schemes including the LGPS and scheme employers. The Strathclyde Pension Funds’ actuary has carried out calculations to estimate the impact, assuming that the interim solution will be applied to all members retiring from 6 April 2016 onwards. The value has been included in the pension liability reported in the Council’s Balance Sheet.

These figures will be updated as part of the Pension Fund valuations and as more information becomes available.

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the council's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the council in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

The following transactions have been made in the accounting statements in 2019/2020 and the prior year 2018/2019.

	31 March 2020 £000	31 March 2019 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising:		
• current service cost	100,146	80,649
• past service costs	(15,728)	32,942
• unfunded benefits	-	-
Financing and Investment Income and Expenditure		
• net interest expense	13,701	9,996
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	98,119	123,587
Other Benefits Charged to the CIES		
Re-measurement of the net defined liability comprising:		
• Expected return on pension fund assets	142,325	(65,259)
• Actuarial (gains) or losses arising on changes in demographic assumptions	(89,609)	-
• Actuarial (gains) or losses arising on changes in financial assumptions	(280,740)	195,173
• Actuarial (gains) or losses arising on changes in other experiences	(14,069)	3,227
Total Post Employment Benefit Charged to the CIES	(143,974)	256,728
Net charge to the Surplus / Deficit on the Provision of Services brought forward	98,119	123,587
Movement in Reserves Statement (MIRS)		
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(46,400)	(76,303)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to Strathclyde Pension Fund	51,719	47,284

Pensions 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:

	31 March 2020 £000	31 March 2019 £000
Present value of the defined benefit obligation*	(2,398,810)	(2,679,399)
Fair value of pension fund assets	2,047,783	2,132,679
Net Liability arising from Defined Benefit Obligation	(351,027)	(546,720)
*Unfunded liabilities included in the figure for present value of liabilities		
• unfunded liabilities for Pension Fund	(53,626)	(63,190)
• teachers' unfunded pensions	(73,853)	(85,954)
• unfunded liabilities prior to 1996 local government reorganisation	(16,857)	(20,826)

A reconciliation of South Lanarkshire Council's share of the present value of Strathclyde Pension Fund's defined benefit obligation (liability) is as follows:

	31 March 2020 £000	31 March 2019 £000
Opening balance at 1 April	(2,679,399)	(2,349,397)
Current service cost	(100,146)	(80,649)
Interest cost	(64,959)	(64,336)
Contributions by Pension Fund participants	(13,608)	(12,108)
Re-measurement gains and (losses)		
• Actuarial gains and losses arising on changes in demographic assumptions	89,609	-
• Actuarial gains and losses arising on changes in financial assumptions	280,740	(195,173)
• Actuarial losses arising on changes in other experiences	14,069	(3,227)
Past service costs (including curtailment)	15,728	(32,942)
Settlements	-	-
Benefits paid	59,156	58,433
Closing balance at 31 March	(2,398,810)	(2,679,399)

A reconciliation of South Lanarkshire Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	31 March 2020 £000	31 March 2019 £000
Opening fair value of pension fund assets	2,132,679	2,012,121
Interest Income	51,258	54,340
Re-measurement gains and (losses)		
• Expected rate of return on pension fund assets	(142,325)	65,259
• Actuarial gains and(losses)	-	-
• Actuarial losses arising on changes in other experiences	-	-
The effect of changes in foreign exchange rates	-	-
Contributions from employers	51,719	47,284
Contributions from employees into the scheme	13,608	12,108
Benefits paid	(59,156)	(58,433)
Closing balance at 31 March	2,047,783	2,132,679

Analysis of Pension Fund's Assets

	31 March 2020			31 March 2019		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Cash and cash equivalents	105,418	101,596	207,014	109,788	105,808	215,596
Equity Instruments	472,379	1,240	473,619	491,963	1,290	493,253
Debt Instruments	64,252	1	64,253	66,916	1	66,917
Real Estate	-	185,407	185,407	-	193,094	193,094
Derivatives	42	-	42	44	-	44
Private Equity	-	244,701	244,701	-	254,846	254,846
Investment Funds	672,175	200,572	872,747	700,042	208,887	908,929
Total Assets	1,314,266	733,517	2,047,783	1,368,753	763,926	2,132,679

Basis for Estimating Assets and Liabilities

The council's share of the net obligations of the Strathclyde Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on.

The Fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund as at 31 March 2017. The significant assumptions used by the actuary are shown in the table below. Note 2 includes a sensitivity analysis for the pension obligation based on reasonably possible changes of these assumptions occurring at the reporting date.

	31 March 2020 £000	31 March 2019 £000
Long term expected rate of return on assets in the Fund		
• Equity investment	4.3%	2.4%
• Bonds	4.3%	2.4%
• Property	4.3%	2.4%
• Cash	4.3%	2.4%
Mortality Assumptions (years):		
• Men	20.7	21.4
• Women	22.9	23.7
Longevity at 65 for future pensioners (years):		
• Men	22.2	23.4
• Women	24.6	25.8
Rate of inflation	1.9%	2.5%
Rate of increase in salaries	3.0%	3.7%
Rate of increase in pensions	1.9%	2.5%
Rate for discounting Fund liabilities	2.3%	2.4%
Take-up option to convert annual pension into retirement lump sum		
- Pre April 2009 service	50.0%	50.0%
- Post April 2009 service	75.0%	75.0%

Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy [ALM] as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. The Fund invests in equities, bonds, properties and in cash.

Impact of COVID-19

The Fund's actuary confirmed that the IAS19 Balance Sheet is based on financial market values and future market expectation indicators as at 31 March to comply with the standard. The financial markets at the accounting date will have taken into account COVID-19 risks as one of the many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID-19 by the actuary.

Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2019/2020. Following the completion of the triennial valuation as at 31 March 2017, employers' contributions have been set at 19.3% for the next three years (2018/2019 to 2020/2021). The next triennial valuation of the Fund will take place as at 31 March 2020.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The total contributions expected to be made by the council to Strathclyde Pension Fund in the year to 31 March 2021 is £43.532 million.

The assumed weighted average duration of the defined benefit obligation for scheme members is 19.0 years.

Note 31 Contingent Assets and Liabilities

As at 31 March 2020 the council has the following material contingent liabilities:

Historical Childhood Abuse

The council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) Scotland Act 2017. At this stage the extent of the council's potential liability is unknown.

European Structural Funds

The council delivers projects which form part of the European Structural and Investment Funds Scotland Programme. The Scottish Government has advised that payments to councils and other Lead Partners from the European Social Fund (ESF) are subject to a full suspension by the European Commission. At this stage, the extent of any potential liability is unknown. There is no reason at this time to believe that this affects the amount of funds that the council will receive.

COVID-19 Impact

The full costs of the lockdown exercise, additional costs for services implemented by the council during the lockdown, loss of income, and the costs of the recovery process place a significant financial burden on the council.

Government funding received so far is insufficient to cover the full estimated costs. As there is a lack of confirmation of any further support funding from the Government, the impact of COVID-19 presents a substantial and imminent financial risk to the council.

Goodwin Tribunal

A recent circular from the Scottish Public Pension Agency (Local Government Pension Scheme 2020/04) refers to a ruling that same-sex survivors were originally entitled to survivor benefits, taking into account the member's service from 6 April 1978. Following the Goodwin Tribunal, regulatory amendments will now need to be made with effect from the same date to extend that entitlement to male spouse survivors of female members. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005, therefore affects the pension of male spouse survivors where their entitlement arose on or after 5 December 2005.

While this could have a financial impact on future years' costs, any impact cannot be quantified. Given the uncertainty, no provision has been made in the Accounts.

Note 32 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	31 March 2020			31 March 2019		
	Long Term £000	Current £000	Total £000	Long Term £000	Current £000	Total £000
Financial Assets						
Fair value through profit and loss	-	-	-	-	-	-
Amortised Cost	-	155,166	155,166	-	223,224	223,224
Total Financial Assets	-	155,166	155,166	-	223,224	223,224
Financial Liabilities						
Fair value through profit and loss	-	-	-	-	-	-
Amortised cost	1,199,283	47,097	1,246,380	1,236,880	47,760	1,284,640
Total Financial Liabilities	1,199,283	47,097	1,246,380	1,236,880	47,760	1,284,640

Income, Expense, Gains and Losses

		2019/20			2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Total £000
Net Gains/Losses on:						
Financial Assets Measured at Fair Value Through Profit and Loss	-	-	-	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-
Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial Liabilities Measured at Amortised Cost	-	-	-	-	-	-
Total Net Gains/Losses	-	-	-	-	-	-
Interest Revenue						
Financial Assets Measured at Amortised Cost	1,627	-	1,627	917	-	917
Other Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Total Interest Revenue	1,627	-	1,627	917	-	917
Interest Expense	(40,771)	-	(40,771)	(39,699)	-	(39,699)
Fee Income						
Financial Assets or Financial Liabilities that are not at Fair Value Through Profit and Loss	-	-	-	-	-	-
Trust and Other Fiduciary Activities	-	-	-	-	-	-
Total Fee Income	-	-	-	-	-	-
Fee Expense						
Financial Assets or Financial Liabilities that are not at Fair Value Through Profit and Loss	-	-	-	-	-	-
Trust and Other Fiduciary Activities	-	-	-	-	-	-
Total Fee Expense	-	-	-	-	-	-

Fair Value of Financial Assets

There are no financial assets held at fair value.

Transfers Between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

All financial assets and liabilities held by the authority are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loans Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For non PWLB loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding.

The fair values calculated are as follows:

	2019/20 Carrying Amount £000	2019/20 Fair Value £000	2018/19 Carrying Amount £000	2018/19 Fair Value £000
Financial Liabilities				
Financial Liabilities held at amortised cost: PWLB Debt	1,035,753	1,635,128	1,065,966	1,525,650
Financial Liabilities held at amortised cost: Non PWLB Debt	9,180	12,939	9,749	13,349
PFI and Finance Lease Liabilities	201,447	296,857	208,925	289,248
Total Financial Liabilities	1,246,380	1,944,924	1,284,640	1,828,247
Financial Assets				
Financial Assets held at amortised cost	155,166	155,166	223,224	223,224
Total Financial Assets	155,166	155,166	223,224	223,224

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £1,635.128m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £1,035.753m would be valued at £1,270.312m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £599.375m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,635.128m.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not Measured at Fair Value as at 31 March 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Total £000
Recurring fair value measurements using:				
Financial Liabilities				
Financial Liabilities held at amortised cost: PWLB Debt	-	1,635,128	-	1,635,128
Financial Liabilities held at amortised cost: Non PWLB Debt	-	12,939	-	12,939
PFI and Finance Lease Liabilities	-	296,857	-	296,857
	-	1,944,924	-	1,944,924
Financial Assets				
Financial Assets held at amortised cost	155,166	-	-	155,166
Total Assets / Liabilities	155,166	1,944,924	-	2,100,090

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not Measured at Fair Value as at 31 March 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1) £000	Other Significant Observable Inputs (Level 2) £000	Significant Unobservable Inputs (Level 3) £000	Total £000
Recurring fair value measurements using:				
Financial Liabilities				
Financial Liabilities held at amortised cost: PWLB Debt	-	1,525,650	-	1,525,650
Financial Liabilities held at amortised cost: Non PWLB Debt	-	13,349	-	13,349
PFI and Finance Lease Liabilities	-	289,248	-	289,248
	-	1,828,247	-	1,828,247
Financial Assets				
Financial Assets held at amortised cost	223,224	-	-	223,224
Total Assets / Liabilities	223,224	1,828,247	-	2,051,471

Note 33 Disclosure of Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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
- Refinancing Risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market Risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates or stock market movements.

Overall Procedures for Managing Risk

The procedures for risk management are set out through a legal framework set out in the Local Government (Scotland) Act 2003 and the associated regulations. These require the council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties;
- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - ✦ The council's overall borrowing
 - ✦ Its maximum and minimum exposures to fixed and variable rates
 - ✦ Its maximum and minimum exposures of the maturity structure of its debt
 - ✦ Its maximum annual exposures to investments maturing beyond a year

These are required to be reported and approved at, or before, the council's annual Council Tax budget setting. These items are reported within the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported quarterly to Members.

These policies are implemented by a central treasury team. The council maintains 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 through Treasury Management Practices (TMPs).

Nature and Extent of Risks – Credit Risk

Credit Risk

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers

The council manages this risk by ensuring that investments are placed with the Debt Management Office, other local authorities or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

The table below summarises the nominal value of the Council's investment portfolio at the end of 31 March 2020 into the relative credit ratings.

Balance Invested as at 31 March 2020									
Counterparty/Country	Long Term Rating (Fitch)	Up to 1 month £000	Greater than 1 month and up to 3 months £000	Greater than 3 months and up to 6 months £000	Greater than 6 months and up to 9 months £000	Greater than 9 months and up to 12 months £000	Greater than 12 months £000	Total £000	
Debt Management Office	AAA	55,521	-	-	-	-	-	55,521	
UK Government (UK Treasury bills)	AAA	-	-	-	-	-	-	-	
Total UK Government		55,521	-	-	-	-	-	55,521	
Local Authorities	AAA	39,058	46,625	14,024	-	-	-	99,707	
Total UK Local Authorities		39,058	46,625	14,024	-	-	-	99,707	
Bank of Scotland	A+	1	-	-	-	-	-	1	
The Royal Bank of Scotland	A+	(63)	-	-	-	-	-	(63)	
Total UK Banks		(62)	-	-	-	-	-	(62)	
Total		94,517	46,625	14,024	-	-	-	155,166	

The Ratings are as at 31 March 2020 and are intended to provide an indication of credit risk. These are not necessarily the ratings of institutions at the time deposits were placed.

The Ratings above are from Fitch ratings. The Long-Term Rating is the benchmark measure of probability of default.

Amounts Arising from Expected Credit Losses

The council's investments have been assessed and it has been concluded that the expected credit loss is not material and therefore no allowances have been made.

The following analysis summarises the council's potential maximum exposure to credit risk on the level of default on debtors.

	2019/20 £000	Bad Debt Provision £000	2018/19 £000	Bad Debt Provision £000
Debtors	54,935	4,971	48,651	5,177

The Debtors figure above does not include debtors for Council Tax, Non-Domestic Rates and Council House Rents as these are not considered to be financial assets.

Of the gross Debtors figure included in the note £12.284m (2018/19 £13.154m) is considered to be past its date for payment.

The past due amount can be analysed by age as follows:

	2019/20 £000	2018/19 £000
Less than three months	5,851	6,290
Three to six months	1,221	1,106
Six months to one year	1,218	1,355
More than one year	3,994	4,403
Total	12,284	13,154

Nature and Extent of Risks – Liquidity Risk

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. There may be a risk that the council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The approved prudential indicator sets limits on the maturity structure of debt, and the council's approved treasury and investment strategies address the main risks, and the central Treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow requirements.

The maturity analysis of financial liabilities is as follows:

	2019/20 £000	2018/19 £000
Less than one year	39,393	40,282
Between one and two years	40,954	29,893
Between two and five years	99,424	106,609
More than five years	865,162	898,931
Total	1,044,933	1,075,715

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

Nature and Extent of Risks – Market Risk

Interest Rate Risk

The council is exposed 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 and 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 and 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 and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement unless the investments have been designated at fair value through the Comprehensive Income and Expenditure Statement.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central Treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

A sensitivity analysis has been carried out to assess the financial effect of a 1% variance in interest rates as suggested in the Code Guidance Notes 2019/2020.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	85
Increase in interest receivable on variable rate investments	(2,195)
Impact on Comprehensive Income and Expenditure Statement	(2,110)
Share of overall impact credited to the HRA	(475)
Decrease in fair value of fixed rate investment assets	-
Impact on Comprehensive Income and Expenditure Statement	-
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income and Expenditure Statement)	(209,738)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The council does not invest in equity shares, and is therefore not exposed to losses arising from movements in the price of shares.

Foreign Exchange Risk

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

Note 34 Common Good

Common Good funds are for the benefit of the geographical areas of the former burghs and the council's Finance and Corporate Resources Committee considers the uses to which funds can be put.

Summary of Common Good Funds

2018/19 Total £000		Lanark £000	Biggar £000	Hamilton £000	Rutherglen £000	2019/20 Total £000
	Income and Expenditure Accounts					
113	Income for Year	27	-	133	1	161
(113)	Expenditure for Year	(50)	-	(86)	-	(136)
<u>-</u>	Surplus / (Deficit) To Balance Sheet	<u>(23)</u>	<u>-</u>	<u>47</u>	<u>1</u>	<u>25</u>
	Balance Sheet					
	Fixed Assets					
2,986	Property, Plant and Equipment	1,511	-	1,474	-	2,985
	Investments					
-	General	-	-	-	-	-
766	Advances to South Lanarkshire Council Loans Fund	322	32	320	128	802
<u>3,752</u>	Total Assets	<u>1,833</u>	<u>32</u>	<u>1,794</u>	<u>128</u>	<u>3,787</u>
	Current Liabilities					
(5)	Creditors	-	-	(5)	-	(5)
<u>3,747</u>	Total Assets less Current Liabilities	<u>1,833</u>	<u>32</u>	<u>1,789</u>	<u>128</u>	<u>3,782</u>
	Represented by:					
2,748	Common Good Account	1,382	32	1,210	127	2,751
-	Surplus / (Deficit)	(23)	-	47	1	25
3	Amortisation of Revaluation Reserve	5	-	-	-	5
-	Gain / Loss on Disposal of Fixed Assets	-	-	-	-	-
<u>2,751</u>		<u>1,364</u>	<u>32</u>	<u>1,257</u>	<u>128</u>	<u>2,781</u>
	Revaluation Reserve					
982	Opening Balance	464	-	532	-	996
17	Gain / Loss on Revaluation	10	-	-	-	10
(3)	Amortisation of Revaluation Reserve	(5)	-	-	-	(5)
<u>996</u>	Closing Balance	<u>469</u>	<u>-</u>	<u>532</u>	<u>-</u>	<u>1,001</u>
<u>3,747</u>		<u>1,833</u>	<u>32</u>	<u>1,789</u>	<u>128</u>	<u>3,782</u>

Note 35 Trust Funds

The council administers a total of 69 Trust Funds, all of which are historically significant and some of which are financially significant.

The most significant fund is the Loudon Bequest (shown within the Charitable section) which is used to finance holiday projects for elderly people. The balance of the fund as at 31 March 2020 was £0.831m.

The Educational Trusts consist mainly of school prize funds. The Charitable Trust Funds include charitable trusts held by the previous District Councils and are used to provide financial assistance to organisations and individuals who meet the terms set by the specific funds.

A report is made to the Finance and Corporate Resources Committee after the year end detailing the expenditure made from each fund and the balance remaining within the fund. The governance arrangements are considered and reviewed by the council.

These Trusts Funds do not represent assets of the council and as a result are not included in the council's Balance Sheet. The individual funds are the subject of a separate audit and audit opinion.

Summary of Trust Funds

2018/19 Total £000		Charitable £000	Educational £000	EK ITEC £000	2019/20 Total £000	Note
	Income and Expenditure Account					
41	Income for Year	39	1	-	40	
(44)	Expenditure for Year	(38)	(5)	-	(43)	
(3)	Surplus / (Deficit) to Balance Sheet	1	(4)	-	(3)	
	Balance Sheet					
	Assets					
	Investments					
841	- General	841	-	-	841	
346	- South Lanarkshire Council	184	132	27	343	
1,187		1,025	132	27	1,184	
	Liabilities					
-	Accruals	-	-	-	-	
1,187	Net Assets	1,025	132	27	1,184	
	Represented by:					
1,089	Capital Account as at 1/4/2019	974	113	-	1,087	
(2)	Movement During Year	(9)	(3)	-	(12)	1
1,087	Capital Account as at 31/3/2020	965	110	-	1,075	
103	Revenue Account as at 1/4/2019	50	23	27	100	
(3)	Movement During Year	10	(1)	-	9	2
100	Revenue Account as at 31/3/2020	60	22	27	109	
1,187	Total Reserves	1,025	132	27	1,184	

Note 1 The movement on the Capital Account represents the net purchase and sale of investments on the Loudon Bequest during the year and a proportion of the deficit which could not be funded from revenue reserves.

Note 2 The movement on the Revenue Account represents a deficit of £0.003m after deducting payments for bequests, trusts and prize funds from the receipt of interest on internally and externally invested funds and a transfer of capital to cover depleted revenue balances.

Note 36 Accounting Policies

A General Principles

The Annual Accounts summarise the council's transactions for the 2019/2020 financial year and its position at the year-end of 31 March 2020. The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The accounting policies have been applied consistently.

B Accruals of Income and Expenditure

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

- Revenue from contracts is recognised reflecting the transfer of goods or services to the recipient at the amount which the council expects to be entitled to in exchange for those goods or services.
- Other revenue is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a difference between the date supplies are received and their consumption, they are carried as stock on the council's Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.
- The Corporate I-Procurement system operates across the council's service areas.
 - For all purchases made via the i-Procurement system, sundry creditors are now accrued on the basis of all goods and services received by 31 March 2020, regardless of value and materiality. During the financial year, period end accruals have also been made on a similar period by period basis.
 - For any residual purchases, not made via the i-Procurement System sundry creditors are accrued on the basis of payments made during the first 3 weeks following 31 March together with specific accruals in respect of further material items.

- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- Where revenue relating to a contract has been recognised but cash has not yet been received, this is recorded in the Balance Sheet as a contract asset.
- Where cash relating to a contract has been received in advance of the transfer of goods or services, this is recorded in the Balance Sheet as a contract liability.
- Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the council is acting as an agent for another party (for example in the collection of National Non Domestic Rates and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the council for the agency services rendered or the council incurs expenses directly on its own behalf in rendering the services.

C Cash and 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 insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

D Charges to Revenue for Non- Current Assets

Services are debited or credited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service
- the reversal of a revaluation or impairment loss previously charged to the Surplus or Deficit on the Provision of Services.

The council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to contribute towards the reduction in its overall borrowing requirement through loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a statutory adjustment in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

E Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave and any non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a debit / credit to the Accumulating Compensated Absences Account in the Movement in Reserves Statement.

In February 2018, the Scottish Government issued Financial Circular 2/2018 (replacing FC 3/2010), that amends the absences covered by the statutory mitigation. From 1 April 2018, the flexi and time in lieu absences are no longer covered by the statute and therefore cannot be reversed out. In addition, any reversals held in the Statutory Accumulated Absences Account Reserve require to be charged back to the Comprehensive Income and Expenditure Statement, by 31 March 2020.

The council implemented both these changes in 2017/2018.

In terms of the teachers Statutory Accumulated Compensated Absences, the methodology for 2019/2020 reflects the changes to teachers' terms and conditions as per SCNT 11/26 (12 July 2011).

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund or pensioner in the year. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the council are members of two separate pension schemes:

- The Local Government Pension Scheme (Strathclyde Pension Fund), administered by Glasgow City Council.
- Teachers Pension Scheme administered by the Scottish Pension Agency (Scottish Government).

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund are included in the Balance Sheet on an actuarial basis using the projected unit method – that is 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on an average of high quality corporate bonds.
- The assets of the Strathclyde Pension Fund are included in the Balance Sheet at their fair value at current bid prices as required under IAS19, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

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 debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

F Events After the Reporting Period

There are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue.

An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period, otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

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

G Material Items of Income and Expenditure

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and 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.

H Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost.

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

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repayment of the original debt in accordance with accounting regulations.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

I Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, then at amortised cost. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Available-for-Sale Assets

Available for sale assets are assets that have a quoted market price and / or do not have fixed or determinable payments and are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

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

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

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

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

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

J Government Grants and Contributions

Government grants, 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 conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

K 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 (for example, software licences) is capitalised when it is expected that it will bring benefits to the council for more than 12 months.

Intangible assets are measured initially at cost. Amounts are not revalued as the fair value of the assets held 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(s) in the Comprehensive Income and Expenditure Statement. The useful life of these assets is deemed to be five years.

L Interests in Companies and Other Entities

The council has material interests in companies and other entities that have the nature of associates and jointly controlled entities and require it to prepare group accounts. More information about these entities is detailed in the Group Accounts and Notes to the Group Accounts (pages 103-115).

M Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The value of work in progress has been made at cost plus an appropriate proportion of overheads, with allowances for foreseeable losses.

N Leases

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

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

The Council as Lessee

Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

O Overheads and Support Services

The 2016/2017 Code removed the requirement for councils to report on a total cost basis per the CIPFA Service Reporting Code of Practice. Councils are only required to reallocate overheads and support costs if this is how they treat/report these services in their management reports throughout the year.

The council reports these as services during the year and does not allocate them in the management reports, therefore the only overhead and support allocation will be to the Housing Revenue Account, where appropriate.

P Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of goods or 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 and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset e.g. repairs and maintenance is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- other land and buildings – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV)
- vehicles, plant and equipment – where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value
- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – fair value based on market value in highest and best use.

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

Council Dwellings and non-operational lease portfolio are valued annually. The remainder of the land and property assets are valued through a five year rolling programme. The programme is prioritised by asset type to ensure consistency. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

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

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

The current response to COVID-19 means we are faced with an unprecedented set of circumstances on which to base valuation judgement. The effects on value of the impact on particular assets have not been evidenced at this point, therefore, the asset values have not been reappraised. Note 2 to the Accounts highlights the potential effect on asset values.

The values for land and property assets in the accounts are based upon certificates produced by the council valuer who is MRICS qualified (Member of Royal Institute of Chartered Surveyors) and issued in the name of the council's Executive Director of Housing and Technical Resources.

Impairment or Revaluation Loss

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where indications of impairment exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

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

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

Assets Held for Sale

Property, land and buildings are classified as 'Held for Sale' when the following criteria are met:

- The property is available for immediate sale in its present condition;
- The sale must be highly probable and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances, may extend the period to complete the sale beyond one year)

When these criteria are met, assets within the category 'Property, Plant and Equipment' will be reclassified to 'Assets Held for Sale'

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value costs to sell, the loss is taken to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit in Provision of Services.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (that is freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (dwellings 40 years, other buildings 10 – 40 years).
- vehicles, plant and equipment – straight line allocation over the useful life of the asset (5 – 20 years).
- infrastructure – straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, if the component has a different useful life or depreciation method that differs significantly from the remainder of the asset.

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

Q Heritage Assets

South Lanarkshire Council's heritage assets comprise collections held within the Museum Service, Archives and Information Service and the Library Service. These collections reflect different aspects of our culture, identity and history.

Heritage Assets, where the cost or value of the asset are known, are recognised on the balance sheet at valuation and no depreciation is charged on these assets. A de-minimis level of £10,000 has been applied. Assets which have a value of less than £10,000 will not be recorded on the Balance Sheet.

Heritage assets will only be revalued where there is specific evidence that a revaluation is required and where the costs of the revaluation do not outweigh the benefit to users of the Annual Accounts.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where doubts arise as to its authenticity.

Any impairment is recognised and measured in accordance with the council's general policies on impairment - see page 96.

As a result of the cultural and education value of these assets, disposals of heritage assets tend to be rare. The proceeds of such disposals are accounted for in accordance with the council's general provisions relating to the disposal of property plant and equipment and disclosed separately in the Notes to the Accounts.

R Public Private Partnership (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 services passed to the PPP contractor. As the council is deemed to control the services that are provided under its 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 the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For Secondary Schools' Modernisation Programme – Public Private Partnership (PPP), the liability was written down by an initial capital contribution of £48.050m.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income

and Expenditure line in the Comprehensive Income and Expenditure Statement.

- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- lifecycle replacement costs – there have been no lifecycle costs to date.

S Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in 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 now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Assets and Liabilities

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

Contingent assets and liabilities are not recognised in the Balance Sheet but 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 charged to the appropriate service in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Usable Reserves

The council has several reserve funds within this category. The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes. The Repairs and Renewals Fund provides for the upkeep of specific assets held by the council. The Capital Fund is used to meet the costs of capital investment and for the repayment of the principal element of borrowing.

Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council. These reserves are explained in Note 13 on pages 59-61.

U Revenue Expenditure Funded from Capital under Statute

Any expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer is made in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account, then reverses out the amounts charged so that there is no impact on the level of council tax.

V VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

W Carbon Reduction Commitment Scheme

The council was required to participate in the Carbon Reduction commitment (CRC) Energy Efficiency Scheme. This scheme ended on 31 March 2019.

The council was required to purchase allowances, whether prospectively or retrospectively and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability was discharged by surrendering allowances.

The liability was measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

The cost to the authority was recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

There are no assets or liabilities in the 2019/2020 Balance Sheet reflecting the end of the Scheme.

Note 37 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 36, the council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- The council has entered into a Public Private Partnership (PPP) for the provision of secondary schools, their maintenance and related facilities. The annual unitary charge payable by the council in respect of this contract is allocated across the various expenditure headings based on a detailed financial model, in line with the assumptions made within the service provider's operating model.
- In assessing potential liabilities arising from legal claims against the council, legal opinion has been sought. The council has considered and assessed its exposure to potential liabilities and made provision where it is probable that an outflow of resources will occur and where the amount of liability can be reliably quantified. Where it is not possible to measure the liability or is not probable in the council's opinion that there will be a liability to meet, the contingent liability is disclosed in Note 31.
- The accounts have been prepared on a going concern basis as it is expected that despite the uncertainty around future finance settlements, that the council's process of delivering efficiency savings will provide sufficient resources to finance future liabilities.
- Assets held at current value are revalued on a 5 year rolling basis. The council asserts that at any point in time, the carrying amount does not differ materially from that which would be determined using current value.
- In relation to asset valuations, the valuer included the statement below surrounding market uncertainty within their valuation report, to recognise the potential impact of COVID-19:

The outbreak of the Novel coronavirus (Covid-19) declared by the World Health Organisation as a 'global pandemic' on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Since the outbreak of the virus, it has not been possible to gauge its effects on property by reference to transactions in the market or other data. Valuations are an opinion of value based upon the facts at the time they were carried out. The impact of Covid-19 means that it is not currently possible to confirm that Council assets valued between 1st April 2019 and 31st March 2020 will be properly stated at the balance sheet date. In the opinion of property services, the asset valuations for financial year 2019/2020 are on the basis of 'material valuation uncertainty' as per Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to this financial year's valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, it is recommended that the 2019/2020 asset valuations be kept under review.

Supplementary Statement No 1

Housing Revenue Account Income and Expenditure Statement

This statement reflects the statutory requirement to account for local authority housing provision, as defined in the Housing (Scotland) Act 1987.

It shows the elements of expenditure incurred in the management and investment of the council's housing stock and the funding of this by rents, and other income.

The council has a duty to cover any deficit, and any accumulated surplus is carried forward to future years for use in the management and investment of its council housing stock.

Housing Revenue Account Income and Expenditure Statement

2018/19 £000		£000	2019/20 £000
	Expenditure		
25,385	Repairs and Maintenance	27,778	
19,322	Supervision and Management	20,466	
30,360	Depreciation and Impairment on Non-Current Assets	30,553	
2,178	Movement in the Allowance for Bad Debts	2,232	
5,739	Other Expenditure	6,521	
82,984	Total Expenditure		87,550
	Income		
(84,644)	Dwelling Rents	(88,099)	
(2,588)	Non-Dwelling Rents	(2,904)	
-	Housing Support Grants	-	
-	Other Income	-	
(87,232)	Total Income		(91,003)
(4,248)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(3,453)
130	HRA Services share of Corporate and Democratic Core		114
327	HRA Share of Other Amounts included in the Whole Council Net Cost of Services but not Allocated to Specific Services		-
(3,791)	Net Cost for HRA Services		(3,339)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(2,845)	Gain or Loss on the Disposal of Non-Current Assets		7
9,228	Interest Payable and Similar Charges		9,482
(146)	Interest and Investment Income		(223)
431	Pension Interest Cost and Expected Return on Pension Assets		543
(9,764)	Capital Grants and Contributions Receivable		(15,861)
(6,887)	(Surplus) / Deficit for the Year on HRA Services		(9,391)

- Note:** The expenditure in the table above is higher than that included in the Comprehensive Income and Expenditure Statement (n 43) by £2.232 million (2018/2019: £2.178 million). This reflects the CIPFA 2019/2020 Code of Practice requirement to transfer the movement in bad debt from the Net Cost of Services in the CIES to the Financing and Investment Income line, whilst in the Housing Revenue Account it remains part of the Net Cost of Services figure.

Statement of Movement on the Housing Revenue Account Balance

2018/19 £000		Notes	£000	2019/20 £000
(11,624)	Balance on the HRA at the end of the Previous Year			(9,011)
(6,887)	Surplus / (Deficit) for the Year on HRA Income and Expenditure Statement		(9,391)	
9,500	Adjustments between Accounting Basis and Funding Basis Under Statute		9,151	
2,613	Net (Increase) / Decrease Before Transfers to or from Reserves		(240)	
-	Transfers (to) or from Reserves		(462)	
2,613	(Increase) / Decrease in the Year on the HRA			(702)
(9,011)	Balance on the HRA at the end of the Current Year			(9,713)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis Under Statute

2018/19 £000		2019/20 £000
(209)	Adjustment involving Revaluation Reserve	-
(30,360)	Charge for Depreciation and Impairment of Non Current Assets	(30,553)
(251)	Adjustment involving Capital Adjustment Account	(54)
9,764	Capital Grants and Contributions	15,861
5,322	Statutory Provision for the Financing of Capital Investment	5,755
23,830	Capital Expenditure funded by the HRA	20,589
3,305	Adjustment involving Capital Receipts Reserve	46
81	Adjustments involving Financial Instruments Adjustment Account	81
(1,991)	Adjustments involving the Pension Reserve	(2,508)
9	Adjustments involving the Statutory Accumulated Compensated Absences Account	(66)
9,500	Total	9,151

2. Housing Stock

The council's housing stock at 31 March 2020 was 24,864 (24,962 at 31 March 2019) in the following categories:

2018/19 Number		2019/20 Number	Average Weekly Rent
11,536	Houses	11,545	£78.32
1,342	High Rise	1,344	£63.79
5,587	Tenements	5,413	£57.53
4,510	4 in a block	4,539	£70.08
1,987	Maisonettes	2,023	£58.03
24,962	Total	24,864	

3. Rent Arrears

Rent Arrears at 31 March 2020 were £6.790m (£6.046m at 31 March 2019).

4. Impairment of Debtors

In 2019/2020 an impairment of £9.168m has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.999m from the provision in 2018/2019.

5. Exceptional or Prior Year Adjustments

There were no exceptional items or prior year adjustments not disclosed in the statement.

6. Void Rent Loss

The figures above include rent loss on void properties of £2.181m (£1.734m for 2018/2019).

Supplementary Statement No 2

National Non-Domestic Rates Income Accounts Statement

National Non-Domestic Rates (NNDR) income is collected by councils, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to councils along with the General Revenue Grant. The table below details the actual levels of NNDR collected by the council, and the overall increase/decrease between the rates collected and the amount that the council is entitled to receive under the National Pooling arrangement.

2018/19 £000		2019/20 £000	Note
371,927	Gross rates levied and contributions in lieu	376,184	1
	Less:		
(34,246)	Reliefs and other deductions	(42,819)	
-	Payments of interest	-	
(4,370)	Provision of bad and doubtful debts	(2,395)	
<u>333,311</u>	Net Non-Domestic Rate Income	<u>330,970</u>	
-	Adjustment for years prior to the introduction of the pool	-	
<u>333,311</u>	Contribution to the National Non-Domestic Rate pool	<u>330,970</u>	
<u>(37,811)</u>	Net contribution (to) / from National Non-Domestic Rate pool	<u>10,196</u>	
<u>295,500</u>	Gross Non-Domestic Rate Income to the Comprehensive Income and Expenditure Statement	<u>341,166</u>	
-	Non-Domestic Rate income retained by council (BRIS)	-	2
<u>295,500</u>	Non-Domestic Rate Income per the Comprehensive Income and Expenditure Statement	<u>341,166</u>	

Note 1 In 2019/2020, the gross rates levied amount of £376.184m (2018/2019: £371.927m) includes an amount of £221.228m (2018/2019: £218.734m) in relation to NDR Utilities which South Lanarkshire Council collected on behalf of the Scottish Government. This has resulted in a net contribution from the NDRI pool to the council of £10.196m.

Note 2 The Business Rate Incentivisation Scheme (BRIS) permits the council to retain half of the NDR income, which exceeds the income target set by the Scottish Government. In 2019/2020, the council did not receive any additional funding from BRIS.

Net Rateable Value Calculation

The amount paid for National Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £, which is determined each year by the Scottish Government. The National Non-Domestic Rates poundage set by the Scottish Government for 2019/2020 was 49p (48p in 2018/2019).

Larger businesses will pay an additional 2.6p (2.6p in 2018/2019) which contributes towards the cost of the Small Business Bonus Scheme. The Small Business Bonus Scheme provides a discount of between 25% and 100% to businesses in Scotland with a combined rateable value of £35,000 or less.

	2019/20 £
Analysis of Rateable Values:	
Rateable Value at 01/04/19	753,182,085
Running Roll (Full Year Rateable Value)	<u>(1,211,760)</u>
Rateable Value at 31/03/20	751,970,325
Less: Wholly Exempt	<u>(3,524,560)</u>
Net Rateable Value at 31/03/20	<u>748,445,765</u>
South Lanarkshire Council's Rateable Values at 1 April 2019::	£
Commercial	144,948,055
Industrial and Freight Transport	58,248,440
Public Undertakings	476,574,550
Other	<u>73,411,040</u>
Total	<u>753,182,085</u>

Supplementary Statement No 3

Council Tax Income Account Statement

Councils raise taxes from their residents through the Council Tax – which is a property tax linked to property values. Each dwelling in a council area is placed into one of 8 valuation bands (A to H). The council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more.

2018/19 £000		2019/20 £000
170,438	Gross Council Tax levied and contributions in lieu	178,604
2,205	Adjustments for prior years Council Tax	2,072
<u>172,643</u>		<u>180,676</u>
	Adjusted for:	
(19,472)	Council Tax Reduction	(19,760)
(19,878)	Other discounts and reductions	(20,677)
(3,767)	Provision for Non-collection	(3,971)
<u>129,526</u>	Transfer to General Fund	<u>136,268</u>

From 1 April 2013, the Council Tax Reduction Scheme replaced Council Tax Benefit, with the resultant decrease in Council Tax Income shown in the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Council Tax Benefit grant and payments were previously disclosed as part of General Fund Housing in the Net Cost of Services.

The calculation of the Council Tax Base 2019/20

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discount 25%	Discount 50%	C Tax Reduction	Total Dwellings	Ratio to Band D	Band D Equivalent
Band A (discount)	-	-	(119)	12	-	-	107	5/9	59
Band A	36,986	1,865	(44)	4,975	260	10,246	19,684	6/9	13,123
Band B	31,044	1,386	(20)	3,807	200	6,150	19,521	7/9	15,183
Band C	26,573	685	(4)	2,500	109	3,315	19,968	8/9	17,749
Band D	21,422	361	(52)	1,642	72	1,440	17,959	9/9	17,959
Band E	20,003	276	107	1,094	50	624	17,852	473/360	23,456
Band F	12,593	133	54	464	30	238	11,674	585/360	18,970
Band G	6,544	57	71	205	21	57	6,133	705/360	12,010
Band H	566	3	7	16	5	4	531	882/360	1,301
							Class 18 Dwellings		-
							113,429	Total	119,810
						Provision for non-collection (2.875%)			3,445
						Council Tax Base			116,365

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to South Lanarkshire Council, the Band D charge for 2019/2020 was £1,168.

South Lanarkshire Council £ per year for 2019/2020

Band A	£778.67	Band E	£1,534.62
Band B	£908.44	Band F	£1,898.00
Band C	£1,038.22	Band G	£2,287.33
Band D	£1,168.00	Band H	£2,861.60

GROUP ACCOUNTS

Group Expenditure and Funding Analysis

2018/19			2019/20			
Net Expenditure Chargeable To the General Fund And HRA Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable To the General Fund And HRA Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
115,728	22,279	138,007	Community and Enterprise Resources	110,864	30,970	141,834
308,444	4,069	312,513	Education Resources	338,325	(24,033)	314,292
34,127	5,317	39,444	Finance and Corporate Resources	34,573	7,017	41,590
			Housing and Technical Resources			
2,613	(9,039)	(6,426)	- Housing Revenue Account	(240)	(5,445)	(5,685)
19,646	4,419	24,065	- Housing Other	16,950	7,678	24,628
153,990	11,913	165,903	Social Work Resources	166,858	16,934	183,792
2,363	-	2,363	Joint Board	2,150	-	2,150
(340)	35,120	34,780	Corporate Items	1,460	(15,107)	(13,647)
-	130	130	Corporate and Democratic Core (HRA)	-	114	114
-	327	327	Non-Distributed Costs - Non-Operational Assets (HRA)	-	-	-
-	-	-	Common Good	(25)	-	(25)
636,571	74,535	711,106	Net Cost of Services	670,915	18,128	689,043
(637,756)	(20,119)	(657,875)	Other Income and Expenditure	(654,481)	(37,418)	(691,899)
(1,185)	54,416	53,231	(Surplus) or Deficit	16,434	(19,290)	(2,856)
3,183	(4,223)	(1,040)	Share of Associates	(3,841)	(2,024)	(5,865)
1,998	50,193	52,191		12,593	(21,314)	(8,721)

General Fund including Subsidiaries and HRA	General Fund Group Associates	Total Group General Fund including HRA		General Fund including Subsidiaries and HRA	General Fund Group Associates	Total Group General Fund including HRA
(85,410)	(23,233)	(108,643)	Opening General Fund and HRA Balance	(94,585)	(20,050)	(114,635)
(1,185)	3,183	1,998	Less/plus Surplus or Deficit on General Fund	16,434	(3,841)	12,593
(7,990)	-	(7,990)	Transfers to/from Other Reserves	(9,998)	-	(9,998)
(94,585)	(20,050)	(114,635)	Closing General Fund and HRA Balance	(88,149)	(23,891)	(112,040)

Group Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with the CIPFA Accounting Code of Practice, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and Movement in Reserves Statements.

Restated 2018/19				2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
168,420	30,413	138,007	Community and Enterprise Resources	181,943	40,109	141,834
332,649	20,136	312,513	Education Resources	347,718	33,426	314,292
126,043	86,599	39,444	Finance and Corporate Resources	120,298	78,708	41,590
			Housing and Technical Resources			
80,806	87,232	(6,426)	- Housing Revenue Account	85,318	91,003	(5,685)
38,542	14,477	24,065	- Housing Other	71,305	46,677	24,628
364,069	198,166	165,903	Social Work Resources	394,774	210,982	183,792
2,363	-	2,363	Joint Board	2,150	-	2,150
35,343	563	34,780	Corporate Items	(13,096)	551	(13,647)
130	-	130	Corporate and Democratic Core (HRA)	114	-	114
327	-	327	Non-Distributed Costs - Non-Operational Assets (HRA)	-	-	-
113	113	-	Common Good	136	161	(25)
1,148,805	437,699	711,106	Net Cost of Services	1,190,660	501,617	689,043
-	6,106	(6,106)	Other Operating Expenditure (Note 9)	-	1,262	(1,262)
72,550	1,345	71,205	Financing and Investment Income and Expenditure (Note 10)	76,488	2,772	73,716
-	722,974	(722,974)	Taxation and Non-Specific Grant Income (Note 11)	-	764,353	(764,353)
1,221,355	1,168,124	53,231	Deficit on Provision of Services	1,267,148	1,270,004	(2,856)
		(1,040)	Share of the (Surplus) or Deficit on the provision of services by associates			(5,865)
		52,191	Group (Surplus) / Deficit			(8,721)
		(99,734)	(Surplus) / Deficit on Revaluation of Fixed Assets			(107,973)
		133,141	Re-measurement of the Net Defined Benefit Liability / (Asset)			(242,093)
		3,919	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			(9,446)
		37,326	Other Comprehensive Income and Expenditure			(359,512)
		89,517	Total Comprehensive Income and Expenditure			(368,233)

Group 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 of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories.

- The first category of reserves are usable reserves, that is 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- 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 (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated Group 31 March 2019 £000		Single Entity 31 March 2020 £000	Group Adjustments 31 March 2020 £000	Group 31 March 2020 £000
3,068,743	Property, Plant and Equipment	3,241,866	2,985	3,244,851
3,826	Heritage Assets	3,826	-	3,826
179	Intangible Assets	129	-	129
53,803	Investments in associates and joint ventures	-	65,137	65,137
2,018	Long Term Debtors	2,065	-	2,065
3,128,569	Non Current Assets	3,247,886	68,122	3,316,008
134,377	Short Term Investments	62,658	-	62,658
3,429	Inventories	3,580	-	3,580
54,110	Short Term Debtors	68,516	524	69,040
782	Current Intangible – Carbon Reduction Allowances	-	-	-
417	Assets Held for Sale	819	-	819
75,341	Cash and Cash Equivalents (see cash flow notes)	89,348	1,155	90,503
268,456	Current Assets	224,921	1,679	226,600
(40,282)	Short Term Borrowing	(39,393)	-	(39,393)
(144,892)	Short Term Creditors	(160,649)	(210)	(160,859)
(239)	Contract Liability – IFRS15	(156)	-	(156)
(628)	Carbon Reduction Commitment Liability	-	-	-
(7,478)	Other Short-Term Liabilities (PPP / Finance Leases)	(7,704)	-	(7,704)
(657)	Provisions	(521)	-	(521)
(1,891)	Receipts in Advance	(2,033)	-	(2,033)
(196,067)	Current Liabilities	(210,456)	(210)	(210,666)
(19)	Long Term Creditors	-	(9)	(9)
(795)	Long Term Provisions	(704)	(119)	(823)
(1,035,433)	Long Term Borrowing	(1,005,540)	-	(1,005,540)
(3,367)	Liabilities in associates and joint ventures	-	(103)	(103)
(201,447)	Other Long-Term Liabilities (PPP / Finance Lease)	(193,743)	-	(193,743)
(546,720)	Other Long-Term Liabilities (Pension)	(351,027)	-	(351,027)
(1,787,781)	Long Term Liabilities	(1,551,014)	(231)	(1,551,245)
1,413,177	Net Assets	1,711,337	69,360	1,780,697
117,908	Usable Reserves	103,590		103,590
1,240,585	Unusable Reserves	1,607,747		1,607,747
54,684	Group Reserves	-	69,360	69,360
1,413,177	Total Reserves	1,711,337	69,360	1,780,697

The notes on pages 110 to 115 form part of the group financial statements. The unaudited accounts were authorised for issue on 18 June 2020 and the audited accounts were authorised for issue on 16 November 2020.



Paul Manning
Executive Director (Finance and Corporate Resources)
16 November 2020

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 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 and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

			Revenue Statutory Funds	Revenue Statutory Funds						Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Unusable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000			
Restated Balance at 1 April 2019	82,785	9,011	6,929	3,278	10,496	5,409	117,908	1,240,585	1,358,493	22,854	31,830	1,413,177
<u>Movement in reserves during 2019/20</u>												
Total Comprehensive Expenditure and Income	(6,603)	9,391	-	-	-	-	2,788	350,056	352,844	5,933	9,456	368,233
Adjustments between accounting basis and funding basis under regulations	(10,139)	(9,151)	-	-	-	2,184	(17,106)	17,106	-	(1,668)	1,668	-
Adjustments for Changes in Council's share of associates	-	-	-	-	-	-	-	-	-	(217)	(496)	(713)
Net Increase / (Decrease) before Transfers to Reserves	(16,742)	240	-	-	-	2,184	(14,318)	367,162	352,844	4,048	10,628	367,520
Transfers to/ (from) Reserves	9,536	462	(1,011)	(1,225)	(2,262)	(5,500)	-	-	-	-	-	-
Increase / (Decrease) in Year	(7,206)	702	(1,011)	(1,225)	(2,262)	(3,316)	(14,318)	367,162	352,844	4,048	10,628	367,520
Balance at 31 March 2020 carried forward	75,579	9,713	5,918	2,053	8,234	2,093	103,590	1,607,747	1,711,337	26,902	42,458	1,780,697

			Revenue Statutory Funds	Revenue Statutory Funds						Council's Share of Usable Reserves of Subsidiaries and Associates £000	Council's Share of Unusable Reserves of Subsidiaries and Associates £000	Total Group Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Statutory Fund £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000			
Balance at 1 April 2018	71,040	11,624	7,232	4,516	11,445	6,784	112,641	1,332,550	1,445,191	25,994	31,509	1,502,694
<u>Movement in reserves during 2018/19</u>												
Total Comprehensive Expenditure and Income	(60,161)	6,887	-	-	-	-	(53,274)	(33,424)	(86,698)	1,083	(3,902)	(89,517)
Adjustments between accounting basis and funding basis under regulations	63,916	(9,500)	-	-	-	4,125	58,541	(58,541)	-	(4,223)	4,223	-
Adjustments for Changes in Council's share of associates	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase / (Decrease) before Transfers to Reserves	3,755	(2,613)	-	-	-	4,125	5,267	(91,965)	(86,698)	(3,140)	321	(89,517)
Transfers to/ (from) Reserves	7,990	-	(303)	(1,238)	(949)	(5,500)	-	-	-	-	-	-
Increase / (Decrease) in Year	11,745	(2,613)	(303)	(1,238)	(949)	(1,375)	5,267	(91,965)	(86,698)	(3,140)	321	(89,517)
Restated Balance at 31 March 2019 carried forward	82,785	9,011	6,929	3,278	10,496	5,409	117,908	1,240,585	1,358,493	22,854	31,830	1,413,177

Group Cash Flow Statement

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

2018/19		2019/20
£000		£000
(53,231)	Net surplus / (deficit) on the provision of services	2,856
94,234	Adjust net surplus / deficit on the provision of services for non-cash movements	50,704
(38,802)	Adjust for items included in the net surplus / deficit on the provision of services that are investing and financing activities	(40,115)
<u>2,201</u>	Net cash flows from Operating Activities	<u>13,445</u>
(118,037)	Investing Activities	39,785
154,646	Financing Activities	(38,068)
<u>38,810</u>	Net increase / (decrease) in cash and cash equivalents	<u>15,162</u>
36,531	Cash and cash equivalents at the beginning of the reporting period	75,341
<u>75,341</u>	Cash and cash equivalents at the end of the reporting period	<u>90,503</u>

Cash Flow Statement Note – Non-Cash Movements

The balance of non-cash movements is made up of the following elements:

Restated 31 March 2019 £000		31 March 2020 £000
86,267	Depreciation, impairment and amortisation of assets	42,786
9,835	Movement in creditors	11,813
8,666	Movement in debtors	(10,718)
(72)	Movement in inventories	(151)
76,303	Movement in pension liability	46,400
(6,106)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,262)
(80,659)	Other non cash items charged to the net surplus / deficit on the provision of services	(38,164)
<u>94,234</u>	Net cash flows from the provision of services for non cash movements	<u>50,704</u>

Cash Flow Statement Note - Operating Activities - Items Included in Net Surplus / (Deficit) on the Provision of Services That are Investing and Financing Activities

The cash flows for these activities include the following items:

2018/19		2019/20
£000		£000
490	Interest received	1,855
(39,292)	Interest paid	(41,970)
<u>(38,802)</u>	Net cash flows from items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	<u>(40,115)</u>

Cash Flow Statement Note - Investing Activities

2018/19 £000		2019/20 £000
(58,091)	Purchase of property, plant and equipment and intangible assets	(111,662)
(134,000)	Purchase of short term investments	(261,500)
73,974	Proceeds from the sale of property, plant and equipment and intangible assets	79,889
-	Proceeds from short term investments	333,000
80	Other receipts from investing activities	58
(118,037)	Net cash flows from investing activities	39,785

Cash Flow Statement Note - Financing Activities

2018/19 £000		2019/20 £000
184,240	Cash receipts of short term and long term borrowing	-
(7,213)	Cash payments for the reduction of the outstanding liabilities relating to finance leases for PPP contracts	(7,478)
(22,381)	Repayments of short term and long term borrowing	(30,590)
154,646	Net cash flows from financing activities	(38,068)

Cash Flow Statement Note - Cash and Cash Equivalents

31 March 2019 £000		31 March 2020 £000
100	Cash held by officers	105
(4,407)	Bank current accounts	(2,171)
79,648	Short term deposits	92,569
75,341	Total cash and cash equivalents	90,503

The credit figures shown against Bank Accounts in 2020 relate to balances in the financial ledger. This is due to timing differences in posting transactions in the ledger. Actual balances held at bank are not in an overdraft position.

The group cash flow statement represents the single entity cash flow for South Lanarkshire Council adjusted for its subsidiaries, Routes to Work South and Common good.

The adjusted figures are as follows:

	South Lanarkshire Council £000	Routes to Work South £000	Common Good £000	Total £000
Net surplus / (deficit) on provision of services	2,788	43	25	2,856
Adjust net surplus / (deficit) on the provision of services for non-cash movements	50,373	356	(25)	50,704
Adjust for items included in the net surplus / (deficit) that are investing and financing activities	(40,115)	-	-	(40,115)
Net Cash Flows from Operating Activities	13,046	399	-	13,445
Investing Activities	39,785	-	-	39,785
Financing Activities	(38,068)	-	-	(38,068)
Net increase / decrease in cash and cash equivalents	14,763	399	-	15,162
Cash and cash equivalents at beginning of period	74,585	756	-	75,341
Cash and cash equivalents at end of reporting period	89,348	1,155	-	90,503

Notes to Group Financial Statements

Note 1 Notes to the Expenditure and Funding Analysis Statement - Adjustments between Funding and Accounting Basis
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement

2019/20				
	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	18,891	11,808	271	30,970
Education Resources	(11,352)	7,865	(20,546)	(24,033)
Finance and Corporate Resources	1,001	5,206	810	7,017
Housing and Technical Resources				
- Housing Revenue Account	4,210	1,966	(11,621)	(5,445)
- Housing Other	1,773	6,342	(437)	7,678
Social Work Resources	1,905	14,507	522	16,934
Joint Board	-	-	-	-
Corporate Items	-	(14,995)	(112)	(15,107)
Corporate and Democratic Core (HRA)	-	-	114	114
Non-Distributed Costs - Non-Operational Assets (HRA)	-	-	-	-
Net Cost of Services	16,428	32,699	(30,999)	18,128
Other Income and Expenditure from the Expenditure and Funding Analysis	(80,109)	13,701	28,990	(37,418)
Surplus or Deficit	(63,681)	46,400	(2,009)	(19,290)
Share of (Surplus) or Deficit on the Provision of Services by Associates	(2,176)	(1,349)	1,501	(2,024)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(65,857)	45,051	(508)	(21,314)

2018/19				
	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments between Funding and Accounting Basis £000
Community and Enterprise Resources	19,090	7,135	(3,946)	22,279
Education Resources	29,403	2,688	(28,022)	4,069
Finance and Corporate Resources	939	4,151	227	5,317
Housing and Technical Resources				
- Housing Revenue Account	1,209	1,560	(11,808)	(9,039)
- Housing Other	4,941	958	(1,480)	4,419
Social Work Resources	1,446	11,103	(636)	11,913
Joint Board	-	-	-	-
Corporate Items	52	33,227	1,841	35,120
Corporate and Democratic Core (HRA)	-	-	130	130
Non-Distributed Costs - Non-Operational Assets (HRA)	-	-	327	327
Net Cost of Services	57,080	60,822	(43,367)	74,535
Other Income and Expenditure from the Expenditure and Funding Analysis	(70,865)	15,481	35,265	(20,119)
Surplus or Deficit	(13,785)	76,303	(8,102)	54,416
Share of (Surplus) or Deficit on the Provision of Services by Associates	(5,613)	2,151	(761)	(4,223)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(19,398)	78,454	(8,863)	50,193

Note 2 Expenditure and Income Analysed by Nature (Group)

The council's expenditure and income is analysed as follows:

	2019/20 £000	2018/19 £000
Expenditure		
Employee Benefits Expenses	562,091	486,058
Other Services Expenditure	585,783	576,480
Support Services Recharges	-	-
Depreciation, Amortisation, Impairment	42,786	86,267
Interest Payment	59,885	58,504
Pension Net Interest Expense	13,701	9,996
Impairment on Financial Instruments	2,902	3,152
Deficit on Trading Operations	-	898
Loss on the Disposal of Assets	-	-
Total Expenditure	1,267,148	1,221,355
Income		
Fees and Charges and Other Service Income	391,926	334,079
Surplus on Trading Operations	-	-
Interest and Investment Income	2,139	1,331
Impairment on Financial Instruments	633	14
Gain on the Disposal of Assets	1,262	6,106
Income from Council Tax	136,268	129,526
Government Grants and Contributions	737,776	697,068
Total Income	1,270,004	1,168,124
Surplus or Deficit on the Provision of Services	(2,856)	53,231

Note 3 Investments / Liabilities in Associates and Joint Boards

The group's share of the net asset / liabilities by associate and joint board is shown below:

	31 March 20120 £000	31 March 2019 £000
Investments in associates and joint boards		
Strathclyde Partnership for Transport	61,096	48,116
Strathclyde Concessionary Travel Scheme Joint Committee	108	175
South Lanarkshire Integration Joint Board	3,087	5,512
South Lanarkshire Leisure and Culture Trust	846	-
Total	65,137	53,803

	31 March 20120 £000	31 March 2019 £000
Liabilities in associates and joint boards		
South Lanarkshire Leisure and Culture Trust	-	(1,859)
Lanarkshire Valuation Joint Board	(103)	(1,508)
Total	(103)	(3,367)

Note 4 Disclosure of Interests in Other Entities

The council has adopted the recommendations of the Code in the United Kingdom 2019/2020, as supported by the International Financial Reporting Standard (IFRS), which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts.

A full set of Group Accounts, in addition to the council's accounts, has been prepared which incorporates material balances from identified associates and joint ventures.

The Financial Statements in the Group Accounts are prepared in accordance with the Accounting Policies set out in the Accounting Policies on pages 91-98.

Note 5 Financial Impact of Consolidation

By including the group entities (details of which are provided below), the effect on the Group Balance Sheet is an increase in both Reserves and Net Assets of £69.360m. This represents the council's share of the net assets in these entities.

Note 6 Impact of COVID-19 on Asset Valuations

Group Entities have received similar disclaimers from their valuer as the council in relation to the impact of COVID-19 on asset valuations. This is detailed in Note 37 (page 98) and states that less certainty and a higher degree of caution should be applied to the 2019/2020 valuations than normal.

Note 7 Group Entities

The Group Accounts consolidate the results of the council with eight other entities – Common Good Fund, four joint boards, South Lanarkshire Leisure and Culture Limited, Routes to Work South and Clyde Valley Learning and Development Joint Committee. The joint boards are:

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Lanarkshire Valuation Joint Board
- South Lanarkshire Integration Joint Board.

South Lanarkshire Council holds no shares in the bodies governed by these Boards.

The joint boards have a wide range of functions to discharge, and members of each Board are elected councillors and are appointed by the councils in proportions specified in the legislation.

Under accounting standards guidance, South Lanarkshire Council can be seen to have significant influence over these statutory bodies, through nominated Council Member involvement in the bodies' governing Boards.

The Boards are included within the Group Accounts even when our interest in these bodies is less than the 20% that is normally presumed to represent significant influence.

Further details on each of the Boards and the Trust are provided below:

Common Good Fund

The Common Good Fund is for the benefit of the geographical areas of the former burghs and is administered by the council. The council's share of the year-end net asset of £3.782m is included in the Group Balance Sheet.

The Common Good Account is included within the council's core financial statements Note 34.

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the former Strathclyde area of the West of Scotland. The accounting period for the Board is the twelve months to 31 March 2020.

In 2019/2020, South Lanarkshire Council contributed 14.31% of the entity's estimated running costs. This body has been included as an associate in the council's Group Accounts, with the council's share of the year-end net asset of £61.096m included in the Group Balance Sheet.

Copies of the Board's accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF. The accounts of the Partnership are subject to audit.

Strathclyde Concessionary Travel Scheme Joint Committee

Strathclyde Concessionary Travel Scheme Joint Committee comprises the 12 councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Joint Committee. The accounting period for the Joint Committee is the twelve months to 31 March 2020.

In 2019/2020, South Lanarkshire Council contributed 14.72% of the Committee's estimated running costs. This body has been included as an associate in the council's Group Accounts with the council's share of the year-end net assets of £0.108m included in the Group Balance Sheet.

Copies of the Board's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme Joint Committee, 131 St Vincent Street, Glasgow, G2 5JF. The accounts of the Committee are subject to audit.

Lanarkshire Valuation Joint Board

Lanarkshire Valuation Joint Board was formed in 1996 at local government re-organisation. The Board maintains the Electoral, Council Tax and Non-Domestic Rates registers for North and South Lanarkshire. The Board's running costs are met by the two member councils. Surpluses or deficits on the Board's operations are shared between the councils. The accounting period for the Board is the twelve months to 31 March 2020.

In 2019/2020, South Lanarkshire Council contributed 50% of the Board's estimated running costs. This body has been included as an associate in the Group Accounts, with the council's share of the year-end net liability of £0.103m included in the Group Balance Sheet.

The following additional disclosures are required under accounting regulations for Lanarkshire Valuation Joint Board because the council's share of the net assets of the Board exceeds 25%.

	2019/20 £000	2018/19 £000
Expenditure	4,446	4,598
Total Comprehensive Income and Expenditure	(2,810)	2,236
Fixed Assets	2	4
Current Assets	1,042	458
Liabilities due within one year	(131)	(66)
Liabilities due after one year	(1,118)	(3,411)
Capital and reserves	(205)	(3,015)
Contingent liabilities	-	-
Capital commitments	-	-

Copies of the Board's accounts may be obtained from the Treasurer to the Lanarkshire Valuation Joint Board, Floor 4, Council Offices, Almada Street, Hamilton, ML3 0AB. The accounts of the Board are subject to audit.

South Lanarkshire Integration Joint Board

South Lanarkshire Integration Joint Board was established by South Lanarkshire Council with NHS Lanarkshire to formally integrate health and social care provision within South Lanarkshire.

South Lanarkshire Council delegated resources of £136.616m or 24.95% of the Board's income in 2019/2020. This body has been included as a joint venture in the Group Accounts, with the council's 50% share of the year end net asset of £3.087m included in the Group Balance Sheet.

The following table details the main elements of South Lanarkshire Council's share of assets, liabilities and revenues of the Board.

	2019/20 £000	2018/19 £000
Expenditure	552,311	515,811
Total Comprehensive Income and Expenditure	4,850	(2,745)
Fixed Assets	-	-
Current Assets	6,173	11,023
Liabilities due within one year	-	-
Liabilities due after one year	-	-
Capital and reserves	6,173	11,023
Contingent liabilities	-	-
Capital commitments	-	-

South Lanarkshire Leisure and Culture Limited

South Lanarkshire Leisure Limited was established as a Charitable Trust on 1 April 2002. The Trust became South Lanarkshire Leisure and Culture Limited in October 2010, when Cultural Services transferred from South Lanarkshire Council.

It provides the council with a full range of leisure and cultural services within the South Lanarkshire area.

The Trust is entirely independent of the council under law and for taxation purposes. The council has neither any shares in, nor ownership of the Trust. The Company is limited by guarantee, with each member's liability limited to £1 in the event of the Company being wound up. The accounting period for the trust is the twelve months to 31 March 2020.

South Lanarkshire Council has 33.33% representation on the Board of Directors, and in recognition of this representation, 33.33% share of the year-end net assets of £0.846m is included in the Group Balance Sheet. South Lanarkshire Leisure and Culture Limited is treated as an associate.

The accounts of the Trust are published separately and may be obtained from the Secretary, South Lanarkshire Leisure and Culture Limited, Council Office, Floor 1, North Stand, Cadzow Avenue, Hamilton, ML3 0LX. The accounts of the Trust are subject to audit.

The following additional disclosures are required under accounting regulations for South Lanarkshire Leisure and Culture Limited because the council's share of the net assets of the Board exceeds 25%.

	2019/20 £000	2018/19 £000
Expenditure	39,741	42,121
Total Comprehensive Income and Expenditure	8,098	(10,350)
Fixed Assets	221	363
Long Term Assets	1,968	-
Current Assets	5,510	6,001
Liabilities due within one year	(4,314)	(4,946)
Liabilities due after one year	(503)	(6,634)
Capital and reserves	2,882	(5,216)
Contingent liabilities	-	-
Capital commitments	-	-

Routes to Work South

Routes to Work South was established in 1998. Its main activity is supporting unemployed and workless residents of South Lanarkshire into employment, training or further education. Routes to Work South delivers services to the council and is funded by the council.

South Lanarkshire Council is the sole member of Routes to Work South. In recognition of this, Routes to Work South is included in the Group Financial Statements as a 100% subsidiary.

The accounts of Routes to Work South are published separately and may be obtained from the Secretary, Routes to Work South, 1-5 Main Street, Cambuslang, Glasgow G72 7EX.

The following additional disclosures are required under accounting regulations for Routes to Work South because the council's share of the net assets exceeds 25%.

	2019/20 £000	2018/19 £000
Expenditure	2,503	2,202
Total Comprehensive Income and Expenditure	(44)	(43)
Fixed Assets	-	3
Current Assets	1,679	1,317
Liabilities due within one year	(988)	(733)
Liabilities due after one year	(129)	(69)
Capital and reserves	562	518
Contingent liabilities	-	-
Capital commitments	-	-

Clyde Valley Learning and Development Joint Committee

Clyde Valley Learning and Development Joint Committee was established, with the backing of the Scottish Government's Efficiency and Reform Fund, to provide procurement of training activities to each of its member councils. South Lanarkshire Council is the lead authority for this project and its constituent membership totals 16.7%. This body has been included as an associate in the council's Group Accounts, however, as the Joint Committee net assets at 31 March 2020 are nil, there has been no financial impact on South Lanarkshire's Single Entity Accounts.

The accounts of Clyde Valley Learning and Development Joint Committee are published separately and may be obtained from the Treasurer, Finance and Corporate Resources, Floor 4, Almada Street, Hamilton, ML3 0AB. The Accounts of the Joint Committee are subject to audit.

Note 8 Non-Material Interest in Other Entities

The council also has an interest in:

- Scotland Excel (previously Authorities Buying Consortium) is a Joint Committee established to serve the buying requirements of the councils within the former Strathclyde area. South Lanarkshire Council contributed 5.3% of Scotland Excel's estimated running costs in 2019/2020, but the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.

- West of Scotland European Forum is a Joint Forum established to develop positive links between the communities of the region and the institutions of the European Union. South Lanarkshire Council contributed 12.89% of the estimated running costs in 2019/2020, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- West of Scotland Archaeology Service is a Joint Service established to provide planning related archaeological advice to its 11 member councils. South Lanarkshire Council contributed 13.88% of the estimated running costs of the Joint Service in 2019/2020, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Continuing Education Gateway is a consortium of 10 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and educational guidance services. South Lanarkshire Council contributed 14.51% of the consortium's estimated running costs in 2019/2020, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Glasgow and the Clyde Valley Strategic Development Planning Authority was established to advise the member authorities on the structure plan. South Lanarkshire Council contributed 12.5% of the committee's estimated running costs in 2019/2020, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- SEEMIS Group LLP is a not-for-profit body whose principal activity is the provision of education related information technology solutions to its member councils. South Lanarkshire Council contributed 6.21% of the organisation's estimated running costs in 2019/2020, however, the financial results of this organisation have not been consolidated into the council's Group Accounts as the amounts are not material.
- Glasgow City Region – City Deal Cabinet was established on 20 January 2015. The purpose of the committee is to determine the Strategic Development Priorities for the Clyde Valley Region and to monitor and ensure delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal aims to deliver a £1.1 billion investment programme, including delivery of labour market and innovation programmes. South Lanarkshire Council contributed 17.4% of the organisation's running costs in 2019/2020, however, the financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- The Rural Development Trust is based in South Lanarkshire and works with local communities to deliver innovative solutions including resolving transport problems in rural areas and developing markets towns. The council supports the Rural Development Trust. The financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- Regen: FX Youth Trust was established as a Charitable Trust on 1 April 2007. It serves the council by developing and co-ordinating out of school diversion activities within the South Lanarkshire area. The Trust is entirely independent of the council under law and for taxation purposes. The council has neither any shares in, nor ownership of the Trust. The financial results have not been consolidated into the council's Group Accounts, as the amounts are not material.
- Clyde Gateway was established to re-develop large sections of the East End of Glasgow extending into Shawfield and Rutherglen in South Lanarkshire. The key stakeholders are Glasgow City Council, Scottish Enterprise and South Lanarkshire Council, with the two council partners providing land holdings on a phased basis over the anticipated 20 year lifetime of the project as well as capital funding. The financial results have not been consolidated into the council's Group Accounts as the amounts are not material.
- West of Scotland Loan Fund is a consortium of 12 local authorities working together to provide loan finance to new and existing small and medium sized businesses within the West of Scotland. The financial results have not been consolidated into the Group Accounts as the amounts are not material.

Independent Audit Opinion

Independent auditor's report to the members of South Lanarkshire Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of South Lanarkshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the National Non-Domestic Rates Income Accounts Statement, the Council Tax Income Account Statement 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 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 18 July 2016. The period of total uninterrupted appointment is 4 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: Valuations of land and buildings

I draw attention to note 2 of the notes to the financial statements in the annual accounts, assumptions made about the future and other major sources of estimation uncertainty, which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Executive Director of Finance and Corporate Resources and the Risk and Audit Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Finance and Corporate Resources 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 Executive Director of Finance and Corporate Resources 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 Executive Director of Finance and Corporate Resources 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 Risk and Audit Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

In my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my 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
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight

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16 November 2020

Glossary of Terms

Much of the terminology used in this report is intended to be self-explanatory, however, the following additional definition and interpretation of terms may be helpful:

1. **Current Service Cost (Pensions)**

The increase in the current value of a defined benefit scheme's liabilities, expected to arise from employee service in the current financial year.

2. **Past Service Costs (Pensions)**

For a defined benefit scheme, the increase in the present value of the scheme's liabilities relating to employee service in prior years arising in the current financial year as a result of the introduction of, or improvement to, retirement benefits.

3. **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the financial year of the scheme's liabilities because the benefits are one year closer to settlement.

4. **Actuarial Gains and Losses (Pensions)**

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

5. **Pension Scheme Liabilities**

The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. The scheme's liabilities, measured using the 'projected unit method', reflect the benefits that the employer is committed to provide for service up to the valuation date.

6. **Pension Reserve**

The Pension Reserve recognises the council's share of the actuarial gains and losses in the Strathclyde Pension Fund and the change in the council's share of the net liability chargeable to the Comprehensive Income and Expenditure Statement.

7. **Asset**

An item having value to the council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefit to the council and the services it provides for a period of more than one year.

8. **Liability**

A liability is where the council owes payment to an individual or another organisation. A current liability is an amount which will become payable within the next financial year. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over the period of time.

9. **Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the council's control: or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

10. **Capital Expenditure and Financing**

This is expenditure incurred in creating, acquiring or improving assets. Expenditure is normally financed by borrowing (with repayment over a period of years), income from the sale of existing assets, revenue funds or external grants and contributions.

11. **Capital Financed from Current Revenue**

This is expenditure incurred in creating, acquiring or improving assets where that expenditure is funded directly from the revenue account in the year in which it is incurred.

12. **Non-Current Assets**

Fixed Assets are created as a result of the capital expenditure incurred by the council. As such, they comprise buildings, property, vehicles, plant and machinery, and computer equipment etc.

13. **Property, Plant and Equipment**

These are assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year. These are further analysed in the Notes to the Accounts as follows:

- a) **Council Dwellings** – these are council houses
- b) **Other Land and Buildings**

c) **Vehicles, Plant and Equipment**

d) **Infrastructure Assets** – these are assets where there is no prospect of sale or alternative use e.g. roads, bridges, tunnels, water supply and drainage systems

e) **Community Assets** – assets that the council intends to hold in perpetuity that have no determinable useful life and may have restrictions on their disposal e.g. open land and public parks.

f) **Surplus Assets** – assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.

g) **Assets Under Construction**

14. Heritage Assets

Heritage assets are assets that have cultural, environmental, or historical association that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture, and it is this which distinguishes them from other assets e.g. museum artefacts.

15. Assets Held for Sale

These are assets where the carrying value of the asset will be realised through its sale rather than continued use.

16. Intangible Asset

These are assets which do not have a physical substance (e.g. IT software and licences)

17. Depreciation

The measure of the cost of wearing out, consumption or reduction in the useful economic life of the council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

18. Impairment

A reduction in the value of non-current asset to below its carrying value in the Balance Sheet.

19. Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less where applicable, any grants receivable towards the purchase or use of the asset.

20. Net Carrying Value

The amount at which non-current assets are included in the Balance Sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation.

21. Accrual

The concept that income and expenditure are recognised as they are earned or incurred, not as the money is paid or received.

22. Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates or when they will arise are uncertain.



If you need this information in another language or format,
please contact us to discuss how we can best meet your needs.

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