

**ANNUAL ACCOUNTS  
FOR THE YEAR ENDED  
31 MARCH 2019**



## Table of Contents

	Page		Page
Management Commentary	2	Note 24 Sundry Trust Funds	74
<b>Explanatory and Assurance Statements</b>		Note 25 Net Cash and Cash Equivalents	75
Statement of Responsibilities	17	Note 26 Financial Instruments	75
Annual Governance Statement	18	Note 27 Creditors	83
Remuneration Report	27	Note 28 Provisions	83
<b>Principal Financial Statements - Single Entity</b>		Note 29 General Fund & HRA Reserves and Earmarked Balances	83
Comprehensive Income and Expenditure Statement	36	Note 30 Other Reserves	84
Movement in Reserves Statement	37	Note 31 Contingent Assets or Liabilities	88
Balance Sheet	38	Note 32 Financial Guarantee	88
Cash Flow Statement	39	<b>Supplementary Financial Statements</b>	
<b>Notes to Single Entity</b>		Movement on the Housing Revenue Account Statement	89
Note 1 Prior Year Adjustment / Restatements	40	Housing Revenue Account Income and Expenditure Statement	90
Note 2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	41	Notes to the Housing Revenue Account Income and Expenditure Statement	91
Note 3 Material Items of Income and Expense	44	Council Tax Account	92
Note 4 Adjustments between funding accounting basis and funding basis under regulations	45	Non Domestic Rates Account	93
Note 5 Events After the Balance Sheet Date	49	<b>Principal Financial Statements - Group</b>	
Note 6 Trading Operations	49	Group Accounts	94
Note 7 Related Parties	50	Group Comprehensive Income and Expenditure Statement	96
Note 8 Agency Services	51	Group Movement in Reserves Statement	97
Note 9 Grant Income	52	Group Balance Sheet	98
Note 10 Operating Leases	53	Group Cashflow Statement	99
Note 11 Termination Benefits	54	<b>Notes to Group</b>	
Note 12 Defined Benefit Pension Schemes	54	Notes to the Group Accounts	100
Note 13 External Audit Costs	60	<b>General Accounting Policies</b>	
Note 14 Expenditure and Funding Analysis	60	Note 33 Accounting Policies	104
Note 15 Property, Plant and Equipment	65	Note 34 Accounting Standards that have been issued have not yet been adopted	117
Note 16 Intangible Assets	68	Note 35 Critical Judgement In Applying Accounting Policies	117
Note 17 Assets Held for Sale	69	Note 36 Group Accounting Policies	118
Note 18 Heritage Assets	70	<b>Glossary</b>	
Note 19 Capital Expenditure and Capital Financing	70	Glossary of Terms	119
Note 20 Impairment Losses	71	<b>Auditor's Certificate</b>	121
Note 21 Private Finance Initiatives and Similar Contracts	71		
Note 22 Debtors	73		
Note 23 Common Good Fund	73		





## Management Commentary

### 1. Introduction

The purpose of this Management Commentary is to inform all users of these Financial Statements and help them assess how the council has performed its duty to promote the success of the council. It aims to provide clear information about the council's performance during the financial year 2018/19 and the financial position as at the financial year end 31 March 2019. The Management Commentary is intended to give an easy to understand guide to the most significant matters of the Council's business during the year - including progress against key performance indicators, a description of the principal risks and uncertainties facing the council and the likely impact of the actions to mitigate these risks. In addition, it provides some detail on the council's future plans.

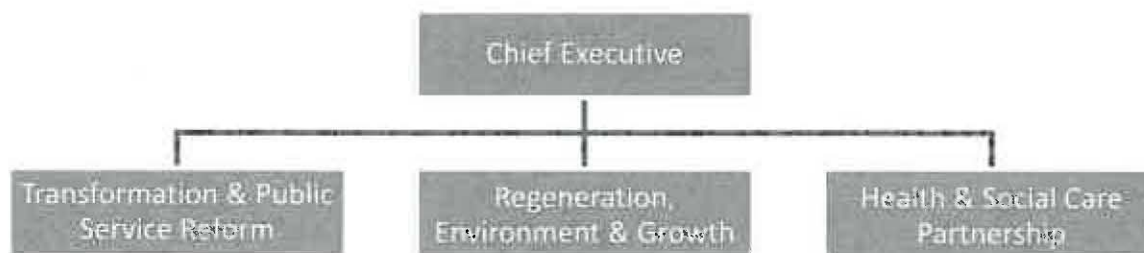
### **The council**

Following local government reorganisation in Scotland, under the Local Government (Scotland) Act 1994, West Dunbartonshire Council was established in 1996. It is an average sized Council in Scotland at around 71 square miles and has many strengths; including significant sites of natural beauty and heritage, good transport links and close proximity to Glasgow and its airport. The area has a rich past, shaped by its world-famous shipyards along the Clyde, and boasts many attractions ranging from the iconic Dumbarton Rock and the Titan Crane, to the beauty of Loch Lomond.

The Council is responsible for providing a wide range of local authority services (including education, housing, environmental health, environmental services, planning, economic development, employment, highways and transport) to residents within the West Dunbartonshire area.

Excluding casual staff, the council employed (as at 1st April 2019) a headcount of 5,734 employees (or 4,729 full time equivalent employees). These figures comprise a combination of permanent and fixed-term employees as well as apprentices, serving a population of approximately 89,130 (1.7% of overall Scotland population) from the 2018 mid-year estimates – a reduction from 89,610 from the 2017 figures, being a year-on-year reduction of 0.5% compared to a Scottish average of a 0.2% increase. The council is generally accepted to suffer from economic deprivation, for example, the percentage of total population who are income deprived is 22% (Scotland 16%); the percentage of economically active people at a working age in employment is 71.5% (Scotland 74.3%); and life expectancy at birth is 75 years (males) and 79.1 years (females) (Scotland 77 years (male) and 81.1 years (female)).

The Council is led by 22 councillors, elected every five years to represent the residents within the area. Following the Local Government elections in May 2017, the Council has a minority SNP administration with Councillor Jonathan McColl as its Leader. The senior management structure consists of the Chief Executive, Joyce White, with two Strategic Directors and eight Strategic Leads, including the Section 95 Officer (Strategic Lead - Resources), with the Integration Joint Board (referred to as Health and Social Care Partnership or HSCP) being managed at a senior level by the Chief Officer (Beth Culshaw) and four Heads of Service. The council has one Arms' Length Organisation – West Dunbartonshire Leisure Trust – which operates certain services on the council's behalf. The council also owns a regeneration company: Clydebank Property Company.



## Management Commentary (Cont'd)

### **2. The Strategic Plan**

Nationally, the Scottish Government sets out its joint priorities and local authorities, together with their community planning partners agree a planned approach aligned to these through the Local Outcome Improvement Plan (LOIP). The council's LOIP, covering the period from 2017 to 2027, feeds through into its Strategic Plan. Within the council's 2017 to 2022 Strategic Plan, the council committed to improving outcomes in key areas in order to deliver on its vision that:

*West Dunbartonshire Council will deliver high quality services, led by priorities identified by the communities of West Dunbartonshire, in an open and transparent way*

Supporting the Strategic Plan and following the implementation of the new management structure at the start of 2016/17 each Strategic Lead has developed service Delivery Plans, each highlighting priorities and objectives which are set out and designed to support the delivery of the council's Strategic objectives. These plans are refreshed annually and progress reported to relevant Committees every 6 months. On 1 July 2015 the HSCP was formed and generated its own Strategic Plan, linked to the council's and to the LOIP.

The Strategic Plan identified 5 priorities aligned to the council's vision, as follows:

- A strong local economy and improved job opportunities;
- Supporting individuals, families and carers living independently and with dignity;
- Meaningful engagement with active, empowered and informed citizens who feel safe and engaged;
- Open, accountable & accessible local government; and
- Efficient and effective frontline services that improve the everyday lives of residents.

### **Performance Reporting**

The council monitors and reports its performance against these priorities through the Strategic Plan Scorecard (SPS); where planned performance targets are monitored through a suite of key performance indicators. Performance is reported to Council and Committees for scrutiny and identification of any required remedial action. The council also publishes an annual Public Performance Report which provides residents with a summary of progress being made.

In conjunction with this internal SPS, the council (together with all Scottish local authorities) measures a common set of performance indicators called the Local Government Benchmarking Framework. Using the same indicators across all councils allows comparisons of performance, identification of best practice and enables councils to learn from each other. Full details of the most up to date performance information are available on the council's website at:

[www.west-dunbarton.gov.uk/council/performance-and-spending/](http://www.west-dunbarton.gov.uk/council/performance-and-spending/)

### **The Council's Budgets in 2018/19**

The Council approved the 2018/19 budget on 5 March 2018 based on a band D council tax at £1,198. The revenue budget was set at £214.183m (as detailed in the following table) to be funded by Scottish Government Grant (£180.742m); council tax (£33.448m), with a net contribution to reserves of £0.008m.



## Management Commentary (Cont'd)

### 2. The Strategic Plan (Cont'd)

Service Area	Budget (£m)
Corporate Services	18.720
Education	88.436
Infrastructure, Regeneration & Economic Development	24.971
Housing and Employability	2.516
Health & Social Care Partnership	63.422
Loan charges	10.609
Other	5.509
<b>Total</b>	<b>214.183</b>

The budget was subsequently updated during the year for a number of variables, resulting in an increase in net expenditure to £214.523m. The resulting year end budgetary position is detailed on page 6 of this commentary.

Council also approved the revised capital plan with a planned spend in 2018/19 for General Services of £75.082m, prior to some 2017/18 re-phased capital and in-year additional projects being included. This investment to be funded from a range of sources including: government grants and the council's ongoing revenue support. Major areas of investment included economic regeneration, schools refurbishment and new build, roads and infrastructure and a range of other council assets.

Council also approved the Housing Revenue Account budget and agreed council house rents at the meeting on 5 March 2018 increasing the rent by 2% and a capital investment for 2018/19 of £31.726m, prior to some 2017/18 re-phased capital being included. The resulting year end budgetary position is detailed on page 8 of this commentary.

### 3. Overview of Core Financial Statements

The Statement of Accounts contains the Financial Statements of the council and its group for the year ended 31 March 2019. The council operates two main Funds in running its services:

1. The General Fund - for all expenditure and income associated with running of all council services except the provision of council houses. This fund is funded mainly from Scottish Government grant and council tax; and
2. The Housing Revenue Account - all expenditure and income associated with the provision of council housing and is funded primarily through rental income from tenants.

The Financial Statements comply with the Code of Practice on Local Authority Accounting in United Kingdom. Two major categories of expenditure are included in the financial statements, as follows:

1. Revenue expenditure - represents the day to day running costs incurred to provide services; and
2. Capital expenditure - is the cost of buying, constructing and improving the assets which the council uses to provide services.

**Revenue expenditure** is recorded in a number of the main statements in these accounts with the purposes of these main statements being as follows:

- **the Comprehensive Income and Expenditure Statement** - shows the income and expenditure for all council services. It is shown on page 36;
- **the Movement in Reserves Statement** - shows how the Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the General Fund for the year. It also highlights movement on all other reserves held on the council's Balance Sheet (including the Housing Revenue Account). It is shown on page 37. Further information on each of the reserves held and how it may be used is also detailed within notes 29 and 30 on pages 83 and 84; and



## Management Commentary (Cont'd)

### 3. Overview of Core Financial Statements (Cont'd)

- **the Housing Revenue Account** - shows the income and expenditure for council housing services for the year. It is shown on pages 89 to 91 which also includes the Statement of Movement on the Housing Revenue Account Balance.
- **Capital expenditure** is analysed in note 19 on pages 70 and 71 which details the capital expenditure and the sources of finance that have been used to fund the capital plan investment in 2018/19.
- **the Balance Sheet** on page 38 summarises the assets and liabilities of the council. It is a statement of the resources of the council and the means by which they have been financed. It is also a report on the council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.
- **the Cash Flow Statement** on page 39 shows the inflows and outflows of cash arising from transactions with third parties on both day to day revenue transactions and on capital activities. Cash is defined for the purpose of the statement as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Notes to the Core Financial Statements** are provided on pages 40 to 88 which give further information and analysis relevant to each statement, with the main accounting policies detailed on pages 104 to 118.

### Comprehensive Income and Expenditure Statement

#### **General Fund**

This account covers the day to day operational income and expenditure for each service of the council and is now reported in line with the council's committee structure. There have been presentational changes to the Statement during 2018/19 - including to the council's committee reporting structure and note 1 on page 40 details the effect of these changes to the 2017/18 comparative figures within the Statement.

Income from council tax, non-domestic rates, capital and revenue support grants was £237.630m with a net expenditure on services for the year of £254.940m (shown on page 36 - Net Cost of Services).

Due to tight financial control over service spending, the council was able to return an in year surplus from services of £0.675m against budget (2017/18 £0.351m surplus). Many of the favourable variances (particularly within Corporate Services and Infrastructure, Regeneration and Economic development service areas) are due to specific management action in areas such as: control of vacancies and staff cover; general process and efficiency review; specific restructuring of service delivery; spending control; and implementation of agreed savings targets. There are also favourable variances within lower than expected loan charges and higher than anticipated council tax income. Although, there is an element of demand led favourable variances, the level of favourable variance has been partially offset due spend pressures, particularly within Additional Specialist Needs and Secondary Schools within Educational Services.

The council's in-year collection of council tax increased from 95.41% in 2017/18 to 95.55% in 2018/19. Uncollected council tax is pursued for collection after the end of the financial year.

After taking account of the decrease in general earmarked balances since 31 March 2018 (£0.501m), the net commitment to future budgets (£0.151m) and the in-year budgetary position (£0.675m), the overall surplus for the year was £0.023m. This is added to the brought forward balance from the previous year (£10.975m), resulting in an accumulated surplus at 31 March 2019 of £10.998m (as shown on page 37). This includes an earmarked amount of £6.170m leaving £4.828m available for future use. Of the earmarked balance £2.649m is set aside for the council's Change Fund and £0.862m remains of the Apprenticeship Fund.

## Management Commentary (Cont'd)

### 3. Overview of Core Financial Statements (Cont'd)

This un-earmarked balance compares with that of £4.304m as at 31 March 2018 and shows that the un-earmarked reserve position has increased by £0.524m during the year. The council's Prudential Reserves Policy is to retain a prudential reserve of 2% of net expenditure (excluding requisitions to Valuation, SPT, etc.) in order to safeguard assets and services against financial risk. The current target prudential reserves level for the General Fund is £4.192m and the position at financial year end exceeds this level of reserve by £0.636m. The General Fund's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use.

	Original Budget £000	Revised Budget £000	Spend Against Budget £000	Variance £000	£000
Total General Services Reserves Held as at 31/3/18					(10,975)
Corporate Services	18,720	20,942	20,228	(714)	
Education	88,436	89,709	90,456	747	
Infrastructure, Regeneration & Economic Development	24,971	23,605	23,401	(204)	
Housing and Employability	2,516	2,914	3,599	685	
Health & Social Care Partnership	63,422	64,318	64,318	0	
Loan charges	10,609	10,609	10,219	(390)	
Other	5,509	2,426	1,917	(509)	
Total Expenditure (1)	214,183	214,523	214,138	(385)	
Council Tax	(33,448)	(33,448)	(33,805)	(357)	
Revenue Support Grant/ NDR	(180,742)	(180,931)	(180,864)	67	
Use of Reserves	7	(144)	(144)	0	
Total Income (2)	(214,183)	(214,523)	(214,813)	(290)	
Net Budgetary Control Position (3) = (1) = (2)				(675)	
In year use of free reserves				151	
Net movement in Earmarked balances				501	
<b>Movement in Reserves from 1/04/18 to 31/03/19</b>					(23)
<b>Total General Services Reserves Held as at 31/3/19</b>					(10,998)
Net decrease in the Movement in Reserves before transfer to Statutory Reserves					3,472
Transfer from statutory reserves					(3,495)
					(23)

The movement of £0.023m noted above reflects the in-year movement in the General Fund balance (i.e. opening balance 1 April 2018 of £10.975m and the closing balance as at 31 March 2019 of £10.998m) and is further detailed within the Movement in Reserves Statement on page 37. The following table sets out a reconciliation of the deficit on the provision of services within the Comprehensive Income and Expenditure Statement (page 36) of £41.639m to the revenue budgetary outturn of £0.675m.



## Management Commentary (Cont'd)

### 3. Overview of Core Financial Statements (Cont'd)

	£000	£000
<b>Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement</b>		<b>41,639</b>
<u>Removal of statutory adjustments not included in budget outturn (note 4):</u>		
Reversal of entries included in the surplus/ deficit on the provision of services in relation to capital expenditure (including depreciation and impairment)	(27,150)	
CFCR	13,349	
Pension adjustment	(29,553)	
Statutory repayment of debt	14,025	
Transfer to other statutory reserves	(41)	
Net gain / loss on sale of non current assets	(3,362)	
Other adjustments	8	(32,724)
<b>Deficit on Provision of Services in Note 14 - Expenditure and Funding Analysis</b>		<b>8,915</b>
<u>Adjust for movements to/from other statutory reserves</u>		
HRA reserve	(5,443)	
Other reserves	(3,495)	(8,938)
<b>Movement In General Fund Balance</b>		<b>(23)</b>
<u>Adjustments for earmarked funds:</u>		
Net Commitment to in-year budget*	(151)	
Release of earmarked sums	(501)	(652)
<b>Net General Fund budgetary control position 2018/19</b>		<b>(675)</b>
 * Made up of:		
Reversal of saving - greenspace (net position)		(81)
Reversal of saving - Trade Union Official		(50)
Additional commitment - Havoc (Work Connect)		(20)
		<u>(151)</u>

#### **Housing Revenue Account (HRA)**

By law the council has to maintain a separate account for the running and management of its housing stock. The number of units owned by the council at 31 March 2019 was 10,397 compared to 10,457 at 31 March 2018. The movement is detailed in the table below:

<b>Opening house numbers</b>	<b>10,457</b>
Disposals	(70)
Demolitions	(25)
Buy back	7
New builds	28
<b>Closing house numbers</b>	<b><u>10,397</u></b>

Following the impact of earmarked balances, the account shows an overall surplus for the year of £0.256m. In line with the prudential reserves policy (2% of expenditure), the target reserves level for the Housing Revenue Account for 2018/19 is £0.850m. Taking account of the in-year surplus (£0.256m) the brought forward balance from the previous year £7.422m and taking account of earmarked amounts used in-year (£6.072m of earmarked balances used as an additional contribution to fund capital expenditure) the balance available to the HRA for future use is £1.606m, (made up of earmarked reserves of £0.756m and free reserves of £0.850m). The HRA prudential target remains at £0.850m. The HRA's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use. Further information is noted on pages 89 to 91.

## Management Commentary (Cont'd)

### 3. Overview of Core Financial Statements (Cont'd)

	Budget £000	Spend Against Budget £000	Variance £000	£000
Total HRA Reserves Held as at 31/3/18				(7,422)
Total Expenditure	42,508	48,169	5,661	
Total Income	(42,508)	(48,425)	(5,917)	
Net Budgetary Control Position			(256)	
Net transfer from earmarked balances			6,072	
<b>Movement in Reserves from 1/04/18 to 31/03/19</b>				<b>5,816</b>
<b>Total HRA Reserves Held as at 31/3/19</b>				<b>(1,606)</b>

The net budgetary position on the HRA Statement noted above of £0.256m compares to the surplus noted within the HRA Income and Expenditure Statement (page 90) is detailed below:

	£000	£000
<b>(Surplus)/Deficit for the year on HRA Services</b>		<b>(3,395)</b>
<u>HRA Movement in Reserves (as noted on page 89)</u>		
Adjustments to the revenue resource	(8,196)	
Adjustments between Revenue and Capital Resources	17,034	
Transfers (to)/from Other Statutory Reserves	373	9,211
<b>Movement in the HRA Reserve</b>		<b>5,816</b>
<u>Adjustments for earmarked funds:</u>		
Use of earmarked sums		(6,072)
<b>Net General Fund budgetary control position 2018/19</b>		<b>(256)</b>
<b>HRA reserve as at 1 April 2018</b>		<b>(7,422)</b>
Use of earmarked sums		6,072
Transfer of surplus to reserves		(256)
<b>HRA reserve as at 31 March 2019</b>		<b>(1,606)</b>

Spend relating to the net budget position of £0.256m surplus is included within note 14 (Expenditure and Funding Analysis) on page 60.

#### Reserves

As at 31 March 2019, the usable reserves currently held by the council are noted below, with further information on the future use of such reserves detailed within notes 29 and 30 on pages 83 and 84.

	General		
	Services £000	HRA £000	Total £000
Unearmarked Reserve	4,828	850	5,678
Earmarked Reserve	6,170	756	6,926
<b>Total Revenue Reserve</b>	<b>10,998</b>	<b>1,606</b>	<b>12,604</b>
Capital Receipts Reserve	0	0	0
Capital Grants Unapplied	278	0	278
Capital Reserve	2,847	0	2,847
Other Reserves	362	0	362
<b>Total Usable Reserves</b>	<b>14,485</b>	<b>1,606</b>	<b>16,091</b>
Prudential Target	4,192	850	



## **Management Commentary (Cont'd)**

### **3. Overview of Core Financial Statements (Cont'd)**

#### **Provisions**

The council currently has two provisions held on its Balance Sheet, with a total value of £0.351m which are held for potential equal pay claims being awarded against the council and for costs associated with Voluntary Early Retirement/ Voluntary Severance (see Note 28 on page 83).

#### **Cash Flow Statement**

The council's cash flow statement shows a decrease of cash and cash equivalents of £9.597m during 2018/19 (see page 39) mainly as a result of additional borrowing to fund the council's capital programme which purchases, builds or enhances the non-current assets.

#### **Trading Operations**

The council maintains separate accounts for two statutory trading operations under the provisions of the Local Government Scotland Act 2003:

1. Housing Property Maintenance; and
2. Grounds Maintenance and Street Cleaning.

These two operations returned a total collective surplus of £3.234m. Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Further details are provided in note 6 on page 49.

#### **Balance Sheet**

The Balance Sheet on page 38 shows that during 2018/19, the net assets have decreased by £55.777m (from £246.755m to £190.978m). The main movement is due to the increase in the pension liability of £79.016m which is explained further below. There has also been movement within non-current assets and borrowing, in line with the spend and funding agreed within the capital plan.

#### **Pension Assets and Liabilities**

The Balance Sheet shown on page 38 shows an assessed pension fund liability of £205.215m based on a snapshot valuation of the fund at 31 March 2019. Further information on the pension fund is provided in note 12 on pages 54 to 60. The valuation states that assets held at the valuation date were sufficient to cover 80.1% of accrued liabilities (86.05% in 2017/18).

The pension scheme liability has increased by £79.016m as advised by the appointed actuaries, and this is mainly as a result of the movement in the discount rate and the impact of some recent legal rulings within UK courts (in this case the McCloud/Sargeant ruling and the Guaranteed Minimum Pension (GMP) indexation). The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers together with planned recent increases in employers' contributions provide sufficient security and future income to meet future pension liabilities.

#### **Non-Current Assets**

The council owns a number of different types of assets, as listed in the Balance Sheet. These assets are used for ongoing and future service delivery provided by the council to its citizens. The remit for the council's Strategic Asset Management Group is to ensure the most efficient use of these assets in pursuit of the council's strategic priorities. The Group manages this through ongoing review of the overarching Strategic Asset Management Plan, which is then supported by a number of individual Asset Management Plans (including properties, infrastructure, vehicles and equipment, etc.).

The overarching Strategic Asset Management Plan was refreshed during 2016/17 and underlying individual plans were refreshed between 2016/17 and 2018/19.

## Management Commentary (Cont'd)

### 3. Overview of Core Financial Statements (Cont'd)

The council requires to assess the value of assets held based on current market conditions, while in the current year particular assets have increased in value by £57.339m. At the same time, impairment and downward revaluations have reduced the value of other assets held by the council by £40.761m, resulting in a net increase in value of £16.578m. These movements adjust either the revaluation reserve in the Balance Sheet or are included within the Net Cost of Service within the Income and Expenditure Statement, depending on the history of the asset.

#### **Borrowing**

The council's Treasury Strategy for 2018/19 was agreed by the Council on 5 March 2018. The council raised new long term loans of £0.331m (2017/18 £45.000m) and short term loans of £201.006m (2017/18 £153.200m) and repaid naturally maturing debt of £185.258m (2017/18 £152.432m). The total outstanding long term debt (excluding PPP debt) as at 31 March 2019 was £231.084m (2017/18 £260.000m) including £102.024m (2017/18 £119.343m) for the council's housing stock. The total outstanding short term debt was £214.371m (2017/18 £169.621m), including £94.645m (2017/18 £77.859m) for the housing stock. The interest and expenses rate charged by the council's loans fund was 2.78% (3.07% in 2017/18). Due to the current interest rates, the Council has followed a strategy to maximise the benefit in short term borrowing to fund capital expenditure.

The 10 year capital plan and the council's Treasury Management Strategy 2018/19 were agreed by Council on 5 March 2018. These agreed plans highlight the projected capital spend and it's required resourcing. Also detailed is the impact on the council's ongoing revenue finance and borrowing levels which the council has committed to, through its Capital Plans. The council's revenue budget is agreed following the consideration and approval of the Capital Plan.

#### **Capital Finance**

The council is able to regulate its own capital spending limits within the framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. The necessary treasury indicators and safeguards have been approved by Council and have resulted in increases to both the General Services and Housing capital programmes for 2018/19 and beyond. Details of the capital expenditure and financing are shown in note 19 on pages 70 and 71. Total gross capital expenditure amounted to £72.197m the split between General Services and HRA is noted in the table below.

The main capital projects progressed during 2018/19 were:

#### **General Services**

Office Rationalisation  
Clydebank Community Sports Hub  
Upgrade to Clydebank Library  
Levensale Primary School All Weather Pitch  
Depot Upgrades

#### **HRA**

Void Housing Strategy Programme  
Building external component renewals  
Environmental Renewal Works  
Targeted EESSH compliance works  
Affordable Housing Supply Programme

During 2018/19, the council had budgeted capital expenditure of £117.183m with an actual in year spend of £72.197m. The unspent amount (£44.986m) includes overspends, underspends and slippage, as noted within the table below. The total slippage on planned spend was £48.010m – 40.97% of the overall capital programme which is summarised in the following table:

## Management Commentary (Cont'd)

### 3. Overview of Core Financial Statements (Cont'd)

<b>Service</b>	<b>Original</b>	<b>Actual</b>	<b>Variance</b>	<b>Overspend</b>	<b>Underspend</b>	<b>Slippage</b>
	<b>Budget</b>	<b>Spend</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Corporate Services	2,424	1,642	(782)	260	(37)	(1,005)
Education	6,165	2,858	(3,307)	709	(210)	(3,806)
Infrastructure, Regeneration and Development	62,756	38,420	(24,336)	336	(951)	(23,721)
Housing and Communities	895	350	(545)	70	0	(615)
Miscellaneous Services	2,682	3,100	418	658	(240)	0
Health and Social Care Partnership	8,855	3,207	(5,648)	684	(684)	(5,648)
<b>General Services</b>	<b>83,777</b>	<b>49,577</b>	<b>(34,200)</b>	<b>2,717</b>	<b>(2,122)</b>	<b>(34,795)</b>
HRA	33,406	22,620	(10,786)	2,979	(550)	(13,215)
<b>Total</b>	<b>117,183</b>	<b>72,197</b>	<b>(44,986)</b>	<b>5,696</b>	<b>(2,672)</b>	<b>(48,010)</b>

The majority of the slippage has occurred within a small number of larger capital projects and is mainly due to the timing of starting individual projects, for various reasons, not all within council control, and the delayed spend on these projects moved into capital budgets for 2019/20 onwards. The most significant slippage was experienced against the following projects:

<b>General Services</b>		<b>Slippage Value £000</b>
Queens Quay Regeneration	Although the project has shown progress, there remain some delays resulting from complex design solutions.	4,279
Replacement of elderly care home (Clydebank)	This project links to the Queens Quay regeneration project and its delay.	5,623
Vehicle Replacement	Due to the vehicle build and delivery lead time associated with the HGV's, RCV's & Passenger Buses and the delivery lead time from the date of supply order placement for Light Commercial Vehicles and Cars, delivery and receipt of the 2018/19 scheduled replacement vehicles will be delayed to 2019/20.	4,046
Posties Park Sports Hub	Delay due to poor ground conditions and discovery of asbestos on site.	1,742
Early Years Early Learning and Childcare	Delayed whilst discussions with Care Inspectorate and Scottish Government were ongoing regarding requirement in relation to provision of service.	2,977
Regeneration/ Local Economic Development	Complex nature of projects included within budget has delayed progress.	2,319
Building Upgrades	Prioritisation of resources has resulted in higher than expected slippage to 2019/20.	988
<b>HRA</b>		
New house build	Delays in the appointment of the main contractor, planning requirements and site transfer completions.	7,899
Projects to deliver housing policies/strategies (Buy Backs)	Any Buy Back purchase is subject to stringent criteria to ensure accountability and value for money for existing tenants and involves several key stakeholders which resulted in slippage.	813
EESH compliance work	Additional time require to finalise specification requirements and for the contractor to set up on site.	2,180



## **Management Commentary (Cont'd)**

### **3. Overview of Core Financial Statements (Cont'd)**

#### **Public Private Partnership and other Long Term Liabilities**

The council entered into a public private partnership for the provision of three new community learning centres and a primary school. The agreement provides the council with replacement buildings for three secondary schools which were handed over in 2009/10 with the primary school handed over during 2011/12. In accordance with statutory accounting guidance, full details of the agreement is provided within note 21 on pages 71 to 72.

On 31 March 2016, the council entered into a 25 year 'Design, Build, Finance and Maintain' (DBFM) arrangement with the Scottish Government via the Scottish Futures Trust, for the provision of a further new secondary school. The school was handed over for use by the council during 2017/18.

#### **Group Accounts**

Local authorities are required to prepare group accounts in addition to their own Financial Statements where they have material interest in other organisations. The group accounts on pages 94 to 103 consolidate the council's Financial Statements, the Common Good and Trust Funds and six other entities (including two further subsidiaries – West Dunbartonshire Leisure Trust and Clydebank Property Company). The effect of combining these entities on the Group Balances Sheet is to increase reserves and net assets by £24.788m creating an overall net asset of £215.766m. This includes the combined pension liability of these organisations similar to that of the council. As there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

### **4. The Financial Outlook, Key Risks and the Future**

In setting the budget for 2018/19, the council faced a number of significant financial pressures resulting from reducing central government funding, inflationary and service demand increases and the ongoing impact of the economic position and welfare reform.

The council's Financial Strategy published in November 2018 highlighted that the pressure on public finances is expected to continue for the next 5 years. Local Government is not one of the "protected" spend areas within the Scottish Government's budget, which means it is likely that ongoing real terms funding reductions will be experienced.

At the same time demand for services is expected to continue to increase, driven by demographic change and policy pressures. The Scottish Government settlement for 2019/20 was a further one year settlement though the settlement was better than had been anticipated, particularly as a result of additional funds allocated by the Scottish Government in getting the budget through Parliament. It is not clear, due to single year settlement and lack of clarity around the approval of the 2019/20 settlement how the 2019/20 settlement will translate into future years.

The council has agreed a Long Term Financial Strategy which is reviewed annually and provides some detailed analysis of issues for the next three financial years and some potential higher level issues and risks over the next 10 years. The financial strategy aims to allow the council to plan ahead and take appropriate action to maintain budgets within expected levels of funding.

The council refreshed the Long Term Financial Strategy in November 2018 and in setting the council budget for 2019/20 in March 2019. Following the setting of the budget in March 2019, the projections have identified current expected gaps of £9.816m in 2020/21 and a further £7.114m for 2021/22. The strategy will be reviewed by council later in 2019 and in setting the budget for 2020/21.

At the Council meeting on 27 March 2019, the General Fund capital plan was agreed and at Council on 14 February 2019 the HRA capital plan was agreed, as was the HRA budget for 2019/20. The capital plans approved included funding for a number of projects over the next three years and the revenue impact of these investments will be built into future revenue plans.



## Management Commentary (Cont'd)

### 4. The Financial Outlook, Key Risks and the Future (cont'd)

#### **Management of Risk**

The main financial risks identified by the council over the medium and long term are highlighted within the council's Long Term Financial Strategy and includes:

- the unknown position from the national government on funding for future years particularly given the ongoing and projected continued decline in council population and the likelihood of continued austerity measures;
- the impact on the welfare reform agenda, with Universal Credit being implemented in the council area from November 2018;
- changing demands and needs for council services (particularly in relation to older people); and
- council also plans major investment in a number of significant capital projects which will change the way in which some services are delivered and are partially funded through projected revenue savings – there is a risk that expected savings are not achieved.

The Annual Governance Statement, shown on pages 18 to 26, details the arrangements the council has put in place for the proper governance of the council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvements actions to the governance framework identified from the council's ongoing review of these arrangements.

Risks are identified with actions to minimise and/or mitigate those risks (where possible) through the council's performance monitoring system (pentana), which is reported to Members on a regular basis. The Scottish Government changed council tax rules for higher banded houses from 2017/18 and there is potential for further reform of local government funding and organisation over the next few years.

#### **The Future**

In recognition of the projected ongoing financial position, the council continues to identify service redesign and business transformation options and these will be reported to appropriate committees during 2019/20. Significant cost reductions have been generated through planned actions to generate savings and more efficient ways of working. A number of major projects have been underway during 2018/19 as follows:

- **Glasgow City Region City Deal** – the council, together with a number of other Scottish local authorities, is participating in the Glasgow Region City Deal which will see over £1.1 billion invested in the area. The City Deal consists of a number of significant capital projects across the area together with employability projects – in order to generate economic regeneration and additional jobs. The project within the City Deal specific to the council is an infrastructure project at the Exxon site at Bowling to regenerate that site and to create a relief road along the A82 at Milton. The project development is progressing with the outline business case approved during 2016/17 and the final business case due for consideration by December 2019;
- **Development of Queens Quay and District Heating** – the council, in partnership with the private sector, are funding the redevelopment of Queens Quay in Clydebank – bringing a significant former industrial site back into use. This project will be home to a new council-run care home for older people; a new medical centre run by the Greater Glasgow Health Board; around 1,000 new homes; and new commercial provision. This longer term project should support the economic development of Clydebank and is expected to generate net in-migration to West Dunbartonshire. In 2016/17 council and the Scottish Government approved the development of an innovative district heating system on this site to provide heat to all of the existing and new provision within Queens Quay and beyond. Significant physical progress commenced on these various elements of the wider regeneration project during 2018/19;

## Management Commentary (Cont'd)

### 4. The Financial Outlook, Key Risks and the Future (cont'd)

- **UK withdrawal from the European Union** - in line with recommendations from Audit Scotland, an assessment of the risk to the council of the UK's proposed withdrawal from the European Union as originally scheduled on 29 March 2019, was carried out during 2018/19. This allowed the Corporate Management Team to conclude that the risks to the council were generally low, but not completely defined. The council has kept a watching brief on developments and reviewed the identified risks around the UK's withdrawal on an ongoing basis.
- **Strategic Programmes** – in the most recent Long Term Finance Strategy to November 2018 Council a number of potential change areas were identified. These are under consideration for development and implementation to assist close future funding gaps. Many of the previous projects are complete or near completion and senior management monitors progress on agreed efficiency projects through the Change Board and budgetary control reports provide updates on progress to Members. Where appropriate, business cases will be developed, and where required, reports will come to future Council and Committees for consideration; and
- **Council's More Homes Strategy** – plans have been approved for the council to deliver over 1,000 new affordable homes within the area over the period to 2021. This strategy is expected to produce net in-migration and regeneration, as well as provide modern affordable housing.

### 5. Other Information

#### **Asset Management**

The council has a significant investment embedded in assets, comprising offices, schools, vehicles, houses, ICT infrastructure and equipment, etc. and it is important that these are managed in an efficient and effective manner. The council has an overarching Asset Management Strategy which was refreshed in 2017 and underlying specific asset management plans for the main asset categories and these have all been refreshed over the last year or so. In addition an asset disposal strategy is in place to maximize the benefit from assets that the council no longer requires and this strategy is important in generating capital receipts to support elements of the capital plan.

#### **Best Value Assurance Report**

During 2017/18 the council was audited under the revised Best Value audit approach, where the auditors reviewed the council's approach to strategic planning, financial planning, workforce planning, partnership working, performance reporting and continuous improvement. The report by the Accounts Commission was published on 28 June 2018 and was positive and showed that the council had made significant progress since the previous Best Value report in 2006 and follow-up reports to 2010. Five areas for improvement were identified and progress has been made on these areas – more detail is provided within the Annual Governance Statement within these accounts.

#### **Carbon Emissions and Energy Consumption**

The council takes its responsibilities with regard to reducing the effects of climate change seriously. This is most visibly demonstrated in the drafting of its second Carbon Management Plan. The council has set a target to reduce carbon emissions, the largest contributor to climate change, from its operations by just over 15% (from a 2012/13 baseline) by 2019/20.

#### **Equality and Diversity**

The council is firmly committed to the principle of equality of opportunity. The council recognises its responsibility as a community leader, service provider and employer to encourage the fair treatment of all individuals and to tackle social exclusion. The council is also committed to eradicate all forms of discrimination, direct or indirect and aims to eliminate discriminatory practices and promote measures to combat its effects. Information on the council's Equalities Mainstreaming and Outcomes Report 2017-2021 can be found on the council website at:

<http://www.west-dunbarton.gov.uk/media/4312511/equalities-outcome-report-2017-2021.pdf>



## Management Commentary (Cont'd)

### 5. Other Information (Cont'd)

#### Consultation and Communication with Workforce

The council is an accredited Living Wage Employer and has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The council carries out periodic employee surveys, the last one being undertaken in 2017, and seeks the views of the workforce through regular consultations with staff and trade unions.

#### Remuneration Report

This report presents information on the remuneration of senior elected members and senior officers within the council (pages 27 to 35).

#### Financial Performance Indicators

This commentary includes information on a set of financial performance indicators. These are aimed at providing the reader with a summary of key information.

2017/18 Outturn			2018/19 Target	2018/19 Outturn
	<b>Housing Performance</b>			
£0.092m	Total rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£0.107m
£394.06	Average rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£338.50
9.50%	Percentage of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	9.20%
937	number of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	906
8.85%	Current / former / total tenant arrears as a percentage of net rent due in year	Demonstrates the Council's effectiveness in collecting local housing rents	8.40%	8.64%
£3.468m	Amount of current/ former/ total tenant rent arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	3.518m
100%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the HRA has, in comparison to the agreed minimum	n/a	100%
2.00%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2.00%	2.00%
(£0.004m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(0.014m)
97.93%	Revenue budget compared to actual outturn at year end	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	99.03%
	<b>General Services Performance</b>			
£8.17	Cost of collecting council tax (per dwelling)	Demonstrates the Council's effectiveness in collecting local taxation	£8.00	£5.46
15.34%	Council tax as a percentage of overall funding	Demonstrates the amount of budget raised through council tax	n/a	15.76%
95.41%	In-year council tax collection rate	Demonstrates the Council's effectiveness in collecting local taxation	95.50%	95.55%
£31.985m	Amount of income due from council tax for the year that was received	Demonstrates the Council's effectiveness in collecting local taxation	n/a	£33.157m
104%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the GS has, in comparison to the agreed minimum	100%	115%
2.03%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2%	2.25%
(£0.759m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	£0.524m
99.83%	Revenue budget compared to actual outturn at year end - including top up of provisions	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	99.69%

## Management Commentary (Cont'd)

### 5. Other information (Cont'd)

2017/18 Outturn			2018/19 Target	2018/19 Outturn
	<b>Prudence And Affordability – Capital</b>			
5.34%	Ratio of financing costs to net revenue stream – General Services	Demonstrates how much of the General Fund revenue budget is used to support previous capital investment	4.91%	4.78%
27.54%	Ratio of financing costs to net revenue stream – HRA	Demonstrates how much of the HRA revenue budget is used to support previous capital investment	26.01%	24.41%
£514.349m	Capital Financing Requirement	The amount of planned capital expenditure not yet funded	£532.026m	£538.132m
£425.291m	External Debt Levels (excluding PPP)	The amount of external debt held by the Council, increases due to funding of the capital programme	£451.379m	£441.370m

### 6. Where to find more information

**In This Publication** - An explanation of the Financial Statements which follow and their purpose are shown at the top of each page. The accounting policies and a glossary of terms can be found at the end of this publication and these provide an explanation of the main guidelines and terms used.

**On Our Website** - Further information about the council can be obtained on the council's website ([www.west-dunbarton.gov.uk](http://www.west-dunbarton.gov.uk)) or from Finance Services, 16 Church Street, Dumbarton, G82 1QL.

#### Conclusion

The financial results show the council's finances in a fairly healthy position and, considering the ongoing significant financial pressures being faced by the council, we have successfully managed our affairs within the budget set and the financial objectives prescribed. This is a satisfactory outcome and reflects well on both the efforts and professionalism of management, budget holders and on the council's financial management and monitoring procedures.

#### Acknowledgement

The production of the Annual Financial Statements is very much a team effort and I wish to record our thanks to both Finance staff and to colleagues in all services whose efforts have contributed to the completion of these Statements of Accounts.



Councillor Jonathan McColl  
Leader of the Council  
Date: 25 September 2019



Joyce White  
Chief Executive  
Date: 25 September 2019



Stephen West  
Strategic Lead - Resources  
Date: 25 September 2019



## Statement of Responsibilities

### The Authority's Responsibilities:

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Strategic Lead – Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003); and
- to approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 25 September 2019.

Signed on behalf of West Dunbartonshire Council



Councillor Jonathan McColl  
Leader of the Council  
Date: 25 September 2019

### The Strategic Lead - Resources Responsibilities:

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

In preparing this Statement of Accounts, the Strategic Lead - Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Strategic Lead - Resources has also:

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

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



Stephen West  
Strategic Lead - Resources  
Date: 25 September 2019

## **Annual Governance Statement**

The Annual Governance Statement explains the Council's governance arrangements as it meets the requirements of the "Code of Practice for Local Authority Accounting in the UK" (the Code) and reports on the effectiveness of its system of internal control, including the reliance placed on the governance frameworks of our partners. It is included within the Council's Financial Statements to assure stakeholders on how the council directs and controls its functions and how it relates to communities in order to enhance transparency and scrutiny of the Council's activities.

### **Scope of Responsibility**

West Dunbartonshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the council's Members and Corporate Management Team (CMT) are responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The council has established an arms-length external organisation: West Dunbartonshire Leisure Trust – to deliver leisure services more effectively on the council's behalf, which reports regularly to Elected Members. From 1 July 2015 the West Dunbartonshire Health and Social Care Partnership was established to continue the development of the integration of social care and health services between the council and NHS Greater Glasgow and Clyde.

The Council has approved and adopted a Local Code of Corporate Governance ("the Local Code"), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "*Delivering Good Governance in Local Government*". The Local Code evidences the council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. A copy of this Code is available from the council website at:

<http://www.west-dunbarton.gov.uk/media/4312582/wdc-local-code.pdf>

This statement explains how the council expects to comply with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for the Annual Governance Statement.

### **The Purpose of the Governance Framework**

The governance framework comprises: the systems and processes; and culture and values - by which the council is directed and controlled and through which it accounts to and engages with communities. It enables the council to monitor the achievement of the strategic objectives set out in the Strategic Plan. It enables the council to consider whether those objectives have led to the delivery of appropriate and value for money services.

The council has put in place a system of internal financial control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal financial control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of the approval of the Statement of Accounts.

### **The Governance Framework**

The main features of our governance arrangements are described in the Local Code but are summarised below:



## **Annual Governance Statement (Cont'd)**

### **The Governance Framework (cont'd)**

- the overarching strategic vision and objectives of the council are detailed in the Strategic Plan 2017/22, which sets out the key priorities of the council and key outcomes the council is committed to delivering with its partners, as set out in the Local Outcome Improvement Plan;
- Services are able to demonstrate how their own activities link to the council's vision and priorities through their Delivery Plans. Performance management and monitoring of service delivery is reported through service committees regularly. The CMT monitors performance information regularly. The council regularly publishes information about its performance;
- The West Dunbartonshire Community Alliance, which supports Community Planning West Dunbartonshire, represents the views of community organisations, communities of interest and geographical communities. In addition the council has an Engaging Communities Framework in place which sets out our approach to engaging with citizens, community organisations and stakeholders. Consultation on the future vision and activities of the partnership is undertaken in a range of ways, including seeking the views of the Alliance and through specific service consultations and the council actively engages with its partners through community planning arrangements;
- The council has adopted a Code of Conduct and associated employment policies for its employees. Elected members adhere to the nationally prescribed Code of Conduct for Members in a localised format. In addition, the council has in place a protocol on member/ officer relations and an inter-party protocol;
- The council operates within an established procedural framework which incorporates a scheme of delegation, standing orders and financial regulations. These describe the roles and responsibilities of Elected Members and officers and are subject to regular review. The council facilitates policy and decision making through the agreed committee structure;
- Responsibility for maintaining and operating an effective system of internal financial control rests with the council's Chief Financial Officer as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, the Financial Regulations, administrative procedures (including separation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council;
- The council's approach to risk management is set out in the risk management framework. A strategic risk register is in place and an update report on this is regularly submitted to the Corporate Services Committee. The approach is embedded within the council's strategic planning and performance management framework with regular reporting of risk management reported to service committees; and
- Comprehensive arrangements are in place to ensure members and officers are supported by appropriate training and development.

### **Review of Effectiveness**

The council has a responsibility, at least annually, to review the effectiveness of its governance framework including the system of internal financial control. The review of effectiveness of the framework is informed by the work of the Corporate Management Team which has responsibility for the development, implementation and maintenance of the governance environment, a Chief Internal Auditor's annual report; and reports from the external auditors and other review agencies and inspectorates.

The council's current Code of Good Governance was approved at the Audit & Performance Review Committee on 8 March 2017. An assessment of the council's compliance with the Code of Good Governance was undertaken by a group of senior officers and the outcome of this assessment was reported to the Audit Committee on 12 June 2019.

Members and officers of the council are committed to the concept of sound governance and the effective delivery of council services. Each member of the council's Corporate Management Team presents an annual statement of assurance on the adequacy and effectiveness of control (including financial control), governance and risk management arrangements within their service area, which are considered by the Strategic Directors who provide a composite assurance statement for their Directorate areas.



## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

The Audit Committee performs a scrutiny role in relation to the application of the Code of Good Governance and regularly monitors the performance of the council's Internal Audit service.

In relation to the effectiveness of governance arrangements and systems of internal control for the council's group entities, the council places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017, and reports to the Audit Committee. An annual programme of work is determined and undertaken by Internal Audit, approved by the Audit Committee, based upon an established risk based methodology. The Audit Manager provides an independent opinion on the adequacy and effectiveness of the council's System of Internal Financial Control. The Audit Committee performs a scrutiny role in relation to the application of PSIAS and regularly monitors the performance of the Internal Audit service. The council's Audit Manager (the council's Chief Internal Auditor) has responsibility for reviewing independently and reporting to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

It is our view that the council has in place a sound system of internal financial control and that appropriate mechanisms are in place to identify areas of weakness. This is corroborated by an annual assurance statement prepared by the Audit Manager stating that reasonable assurance can be placed upon the adequacy and effectiveness of the council's internal control systems.

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that the assets are safeguarded, the transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the council's objectives have been mitigated. The following main issues and areas for improvement during 2019/20 have been identified through the annual assurance statements received from either Strategic Directors or Strategic Leads:

<b>Improvement Area 2019/20</b>	<b>Responsible Officer</b>
Continue to improve the level of spend which is compliant with the Council's Financial Regulations	Strategic Leadership Team
Continue to implement the Contract and Supplier Management Policy	Procurement Manager
Review of processes and procedures for Internal Audit's approach to investigations	Audit Manager
Further develop Fraud Risk Assessment process	Audit Manager
Implementation of actions identified in the Building Standards Action Plan	Strategic Lead - Regulatory
Further develop the Workforce Management System	Business Support Manager
IT Infrastructure improvements	ICT Manager
Ensure policies and strategies are compliant with new code of practice, Well Maintained Highways	Roads & Transportation Manager
Maintenance of HRA housing rental income stream following full rollout of Universal Credit and other welfare reforms	Strategic Lead – Housing & Employability
The delivery of a whole system approach to preventing homelessness including the provision of sustainable housing support solutions.	Strategic Lead, Housing & Employability
Identify opportunities to maximise collaborative working to improve delivery of the roads service	Shared Head of Service (Roads & Transportation)
Best Value Assurance Plan – Capital Projects. Deliver Action Plan following Audit Scotland recommendations.	Strategic Lead - Regeneration
Audit Fire Alarm Systems – Implement Action Plan	Strategic Lead - Regeneration

## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

Improvement Area 2019/20	Responsible Officer
Improve monitoring and review arrangements for the Pupil Equity Funding and Care Experienced Children's Fund to seek to identify aggregate spend across all schools for the same external provider and procure in an efficient and compliant manner	Strategic Lead – Education, Learning & Attainment
Consolidation of Procurement and Commissioning arrangements ensuring compliance and efficiencies	West Dunbartonshire Health and Social Care Partnership (HSCP) – Heads of Service
Continue to develop plans in response to the ageing population	Head of Health and Community Care
Review of Learning Disability Service to improve on ways of working to ensure the service is fit for the future demands	Head of Mental Health, Addictions & Learning Disabilities
Improved case recording and assessment for children and families who receive statutory social work services.	Head of Children's Health Care and Criminal Justice
Further efforts to reduce absence, supporting both staff wellbeing and containing costs	Chief Officer – HSCP

In the 2017/18 Annual Governance Statement officers identified a range of areas for improvement during 2018/19. The following table provides an update on progress with these with a number having been completed or are areas which continue to have ongoing focus.

Improvement Area 2018/19	Responsible Officer	Status	Comments
Develop Fraud Risk Assessment process	Audit Manager	Complete	Process developed and used in 2018/19.
Create Fraud Integrity Group	Audit Manager	Complete	First meeting arranged
Continue to ensure Public Service Network compliance and monitor ICT security whilst reducing manual effort involved	Manager of ICT	Complete	Accreditation now obtained until 18 February 2020
Implement the Contract and Supplier Management Policy	Procurement Manager	Complete	Corporate Services Committee approved Policy in 2018/19. Policy now in implementation stage
Review Officers' Scheme of Delegation	Strategic Lead – Regulatory	Complete	Revised Scheme approved by Council in August 2018 and issued in September 2018
Develop training and awareness for the General Data Protection Regulation	Manager of Legal Services	Complete	An awareness programme was undertaken
Further develop the Workforce Management System	Business Support Manager	Complete	A number developments were implemented in 2018/19. Future developments continue and this action appears in the 2019/20 improvement list
Continue to deliver against the council's Employee Wellbeing Strategy	Strategic HR Manager	Ongoing	This action has not been completed as planned. One milestone has still to be completed (complete follow up audit of compliance with attendance management policy). This will carry forward into 2019/2020



## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

Improvement Area 2018/19	Responsible Officer	Status	Comments
Continue to embed a culture of strong safety conscious management	Section Head – Risk and Health & Safety	Ongoing	This action has not been completed as planned and will be carried forward into 2019/20. The new health & safety culture is drafted and the associated documents are complete. Work to embed this will continue through 2019/20
Implement the School Governance and Regional Collaborative Improvement Structures	Strategic Lead – Education, Learning & Attainment	Complete	Improvement Collaborative now established as a subsidiary group to the Glasgow City Region Cabinet
Review and implement organisational scheme for information management	Manager of Legal Services	Complete	Scheme of Information Governance has been agreed
Implement revised processes for prevention of arrears and early intervention for those struggling with their rental payments	Strategic Lead – Resources; Strategic Lead – Housing & Employability	Complete	Housing Officers now responsible for pre-tenancy arrears prevention and early intervention. Several schemes developed or revised to assist tenants struggling with poverty, including establishment of a Tenancy Sustainment and Hardship fund
Within Social Care, develop robust commissioning and procurement arrangements with external providers across a range of services	West Dunbartonshire HSCP – Heads of Service	Ongoing	Not completed in 2018/19 - Report to HSCP Board in May 2019 detailing approaches required and planned
Develop plans in response to the ageing population	Head of Health and Community Care	Ongoing	Programme of frailty assessments implemented. HSCP has developed and agreed a plan to create a Focussed Intervention Team, (a multi-disciplinary team to respond rapidly to people in their own homes, suffering an exacerbation in their illness or due to frailty). Further work is ongoing and this appears in the 2019/20 improvements list

The council continues to recognise the need to exercise strong management arrangements to manage financial pressures common to all local authorities and the Chief Finance Officer will continue to provide regular updates to council on this subject, including a revised long-term finance strategy.

As stated above a self-evaluation review of the council's revised Code of Good Governance has identified that current practice within the council is mainly compliant although there are some areas for improvement including the following main themes:

- Embedding "Be the Best" conversations;
- Partnership risk management;
- Procurement;



## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

- Planning and performance improvement; and
- Information Governance.

In relation to Procurement, an Internal Audit report provided to Audit Committee in December 2018 highlighted weaknesses in the Council's procurement arrangements within Roads and Greenspace in that a number of procurement processes had been completed without following the Council's Financial Regulations. This was confirmed by an Audit Scotland review which also identified weaknesses in the controls in place to monitor revenue spend consistently against contracts across all services, and for identifying and managing potential conflicts of interest relating to staff involved in procurement activity. Improvement plans from both audits have been agreed by management which aim to increase compliance and management processes. A previous Internal Audit report had also highlighted improvement action required in relation to Fire and Security Alarms contracts.

As part of the planned Internal Audit Plan for 2019/20 a follow-up audit on the agreed action plans from the above audit and previous audits where procurement had been identified as an area for improvement has been undertaken and has found that in general audit actions have been implemented by management though within Roads and Greenspace while there have been improvements in practice, there are a number of further improvements required. The follow-up Internal Audit report has therefore produced a number of further recommendations.

The annual Procurement Report for 2019 was reported to the Corporate Services Committee on 22 May 2019 advising that for regulated spend in 2018/19 79.7% was compliant with Financial Regulations. It was also reported that for all spend above £2,000 (spend above which specific approaches to procurement should be followed per the Financial Regulations) for 2018/19 77.2% complied, compared to 72% in 2017/18. A target for 2019/20 has been set at 90%. The Report can be found on the Council website: [Procurement Annual Report 2019](#)

The report provided details, as required by legislation, of areas of non-compliance, together with information on approaches that will be used to increase levels of compliance in 2019/20.

In Assurance Statements provided as part of the process to generate this Statement all service areas have identified procurement as an area of improvement in 2019/20.

The most significant areas (values greater than £1m) of non-compliance identified were as follows:

Service Area	Annual Spend 2018/19	Percentage-Non Compliant
Housing Support Services	£9,184,629	100%
Children's Homes	£4,202,579	74.5%
Disability Care Services	£3,771,492	100%
Home Care	£1,958,847	100%
Advice and Support Services	£1,381,523	100%
Building Materials Suppliers	£1,195,140	28.4%

Internal Audit has recently reported to the Audit Committee its findings in relation to a planned audit on Tendering and Procurement in Social Care (HSCP) which was included in the 2018/19 audit plan at the request of HSCP Chief Officer. The report has identified a number of recommendations for improvement. The Internal Audit report has highlighted that a range of services are procured within the HSCP that are not fully compliant with the Financial Regulations, while recognising the different procurement requirements within the HSCP in relation to the needs of service users. It is recognised therefore that improvements are required to formalise these contractual arrangements and the HSCP and procurement team are making progress to improve levels of compliance. Progress will be monitored, reported and scrutinised by the HSCP Audit Committee throughout the coming year.

## Annual Governance Statement (Cont'd)

### Best Value Assurance Report

Audit Scotland reported a Best Value Assurance Report on West Dunbartonshire Council to the Accounts Commission on 28 June 2018 which contained five recommendations, progress against which is summarised below:

<b>Audit Scotland recommendation</b>	<b>Comments</b>	<b>Impact of the implementation of action on issues identified</b>
<p><u>Reviewing project management processes</u> To reduce the level of slippage on the capital plan, the council should review its project management processes. The council could use the Major capital investment in councils: good practice guide as the basis of a self-assessment.</p>	<p>Complete – existing programme management guidance will be subject to ongoing review.</p>	<p>Too early to tell, however early budgetary control reports for 2019/20 capital spend indicates an improvement.</p>
<p><u>Further development of workforce plans</u> Workforce plans are in place and should be further developed to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period. Progress should be monitored.</p>	<p>On track – 3 of 4 milestones completed final milestone due by 31/8/19. Trend analysis and corporate training needs completed as planned and workforce planning completed alongside delivery plans.</p>	<p>All milestones now complete. The expected outcome is to improve workforce planning and all associated decision making and linking this with service delivery plans. To make better use of data, giving leaders more information in real time and look to develop a more proactive approach. To better support services with short/medium and long term planning/development and support.</p>
<p><u>Staff absence levels</u> Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement.</p>	<p>On track – 4 of 5 milestones complete, final element to embed lean process improvement due to be completed by 31 October 2019.</p>	<p>Absence levels continue to be a challenge. The impact of the Employee Wellbeing approach is to ensure we support staff with the pace of change highlighting support, coaching and learning &amp; development opportunities and ensuring these are timeous and meaningful. Digital leadership opportunities have been developed and an even spread across all council areas has been sought to ensure process improvement are undertaken and skills and behaviours embedded.</p>



## Annual Governance Statement (Cont'd)

### Best Value Assurance Report (Cont'd)

Audit Scotland recommendation	Comments	Impact of the implementation of action on issues identified
<p><u>Further developing the role of the Community Alliance</u> The Community Alliance (CA) brings together representatives from neighbourhood, interest and user groups. The council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. The council should continue to offer help to further develop the role of the CA and help it reach its full potential.</p>	<p>The new Community Empowerment Strategy will be completed by 30 June 2019 with subsequent approval by the Council and Community Empowerment West Dunbartonshire. Anticipated that this action will be fully delivered by 30 November 2019, later than originally planned.</p>	<p>Increased opportunity for engagement and dialogue with communities. Increased opportunity for shared understanding and commitment to the ideals of community empowerment. Increased opportunity for strategic oversight and coordination of community responses to the empowerment agenda.</p>
<p><u>Cross-party working amongst councillors to address the financial challenges</u> Councillors should consider working in cross-party groups to address the financial challenges which exist and the important decisions required in the future.</p>	<p>Complete - Leaders from all 3 groups have agreed a way forward on this activity.</p>	<p>Two meetings have taken place, it is too early to tell whether this will develop into cross-party approaches or agreements to address the financial challenges.</p>

The impact/improvements resulting from the implementation of these actions will be seen over the longer term.

Progress on the implementation of these actions has been reported to Members on an ongoing basis and most recently to Audit Committee on 12 June 2019.

#### Health and Social Care Integration

The council, as the funder of the Social Care services within the West Dunbartonshire Health and Social Care Partnership (HSCP) has an interest in the governance arrangements within the HSCP. Internal Audit arrangements for the HSCP is provided jointly by the council's Internal Audit service and the Health Board's Internal Audit Service, with the council's Internal Audit service providing audit arrangements for social care services and the general oversight of the HSCP's governance arrangements.

The HSCP has arrangements in place to review its own ongoing compliance with the revised Code of Governance. Due to the council's role as social care service provider Internal Audit's process outcomes on such services are reported to the council's Audit Committee as well as that of the HSCP. The Chief Social Worker provides council with an annual report on the performance of the HSCP.

The financial arrangements for the council's funding to the HSCP are aligned and budget processes run parallel to ensure that appropriate budgets for the HSCP are aligned with council policy and budgeting approaches, particularly in relation to ensuring any efficiency targets for the HSCP funding from the council are planned for and appropriate efficiencies are approved by the HSCP. On an ongoing basis council continues to receive budgetary control information in relation to HSCP services funded by the council.



## Annual Governance Statement (Cont'd)

### Compliance with Best Practice

#### Statement on the role of the Chief Financial Officer in local government

The council complies with the requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2010". The council's Chief Financial Officer (Section 95 Officer) has overall responsibility for the council's financial arrangements, and is professionally qualified and suitably experienced to lead the council's finance function and to direct finance staff.

#### Statement on the role of the Head of Internal Audit in Public Service Organisations

The council complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Service Organisations 2019". The council's Chief Internal Auditor has responsibility for the council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

### Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2018/19 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principle objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment with plans in place to address improvement areas.



**Jonathan McColl**  
Leader of the Council  
Date: 25 September 2019



**Joyce White**  
Chief Executive  
Date: 25 September 2019



**Stephen West**  
Strategic Lead – Resources  
Date: 25 September 2019

## Remuneration Report

### Introduction

The council is required under statute to provide information on the remuneration of each senior elected member and senior officer and any other officer not otherwise included whose remuneration is over £0.150m per annum. All information disclosed in the tables 1-6 and section (b) of the Remuneration Report is due to be audited by Audit Scotland. The other Sections are reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

#### a) Remuneration - Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2018 (SSI No. 2018/38). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), Senior Councillors and Councillors. The Leader of the Council and the 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 regulations stipulate that in addition to the Leader of the Council and the Provost, West Dunbartonshire can appoint a maximum of ten Senior Councillors. The level of remuneration paid to the Leader of the Council, Provost and Senior Councillors is detailed in Table 1.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/19 the salary for the Leader of West Dunbartonshire Council was £33,992. The Regulations also state that the maximum yearly amount that may be paid to the Provost (£25,494) is 75% of the total yearly amount payable to the Leader of the Council.

The Regulations also state 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 (£25,494) is 75% of the total yearly amount payable to the Leader of the Council. For 2018/19 the total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £212,450. The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Council policy is to pay Senior Councillors a salary of £21,245, per the decision at Council on 17 May 2017 for 2017/18 onwards.

During 2018/19, the Council agreed the appointment of a Council Leader, Provost, Bailie and 10 Senior Councillors and the remuneration due paid to the 10 Senior Councillors totalled £212,450 (£211,600 in 2017/18 based upon a full year in post). The Regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme. The pension entitlements for the year to 31 March 2019 are shown in Table 5 on page 33.

The Scheme of Members Allowances which encompasses the salaries of all elected members including the Leader, Provost, Bailie and Senior Councillors was agreed at a meeting of the full Council on 17 May 2017. The report to Council and the Register of Members' Expenses is available at: <https://www.west-dunbarton.gov.uk/council/councillors-and-committees/councillors-allowances/>

## Remuneration Report (Cont'd)

### a) Remuneration – Councillors (Cont'd)

**Table 1: Remuneration of Senior Councillors**

Name	Position	Year ended 31 March 2019			2017/18	
		Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses, Benefits-In kind	Total Remuneration	Total Remuneration
		£	£	£	£	£
Jonathan McColl	Leader of Opposition (to 3/5/17) Convener of Audit & Performance Review Committee (to 3/5/17) Leader of Council (from 17/5/17) Convener of Community Planning West Dunbartonshire Management Board (from 17/5/17) Convener of Recruitment & Individual Performance Management Committee (from 17/5/17) Convener of Sub Committee on Scheme of Delegation (from 17/5/17)	33,992	0	0	33,992	32,114
William Hendrie	Provost (from 17/5/17)	29,193	0	0	29,193	20,623
Karen Conaghan	Depute Provost (from 17/5/17) Convener of Appeals Committee (from 17/5/17) Convener of Educational Services Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Caroline McAllister	Depute Leader (from 17/5/17)	21,225	0	0	21,225	19,045
Denis Agnew	Baillie (from 17/5/17)	21,245	0	0	21,245	20,623
Jim Brown	Convener of Valuation Joint Board (to 3/5/17) Convener of Licensing Board (from 17/5/17)	21,245	0	0	21,245	21,017
Ian Dickson	Convener of Corporate Services Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Diane Docherty	Convener of Housing & Communities Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Jim Finn	Convener of Licensing Committee (from 17/5/17) Convener of Planning Committee (from 17/5/17) Convener of Tendering Committee (from 17/5/17)	21,245	0	0	21,245	20,623
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Marie McNair	Convener of Integration Joint Board (HSCP) (from 17/5/17)	21,245	0	0	21,245	20,623
John Mooney	Convener of Licensing Board (to 3/5/17) Convener of Audit Committee (from 17/5/17)	21,245	0	0	21,245	21,017

**Note:** The term *Senior Councillor* means a Leader of the Council, the Civic Head or a Senior Councillor, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3).



## Remuneration Report (Cont'd)

### a) Remuneration – Councillors (Cont'd)

**Table 1: Remuneration of Senior Councillors (cont'd)**

The amount shown under salary, fees and allowances for the post of Provost is greater than the amount for the post of a senior councillor as there was a discrepancy in the salary paid during the financial year 2017/18 and this was rectified during the year 2018/19.

#### **Remuneration paid to all Councillors**

The council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors above) during the year:

2017/18		2018/19
£		£
438,190	Salaries	441,708
22,355	Expenses	21,513
<u>460,545</u>	<b>Total</b>	<u>463,221</u>

**Note:** The annual return of Councillors' salaries and expenses for 2018/19 is available for any member of the public to view at all council libraries and public offices during normal working hours and is also available on the council website at [www.west-dunbarton.gov.uk](http://www.west-dunbarton.gov.uk).

### b) Remuneration - Senior Employees and Senior Employees of Subsidiaries

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/150 sets the amount of salary for the Chief Officials of West Dunbartonshire Council for the period 2018 to 2021. The post of Chief Officer Health and Social Care Partnership is a joint post between West Dunbartonshire Council and NHS Greater Glasgow and Clyde.

The only benefits received by employees are: salary; employer contributions to the pension fund; and where applicable, payment for election duties. There were no bonuses, compensation for loss of office or other benefits paid to senior employees during the year. The remuneration details for senior employees are noted in Table 2:

## Remuneration Report (Cont'd)

### b) Remuneration - Senior Employees and Senior Employees of Subsidiaries (Cont'd)

**Table 2: Remuneration of Senior Employees and Senior Employees of Subsidiaries**

Name	Position at 31/03/19	Total Remuneration 2018/19	Total Remuneration 2017/18
		£	£
<b>Remuneration of Senior Employees</b>			
Joyce White	Chief Executive	124,956	127,698
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	108,535	108,741
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	108,535	106,860
Jackie Irvine	Head of Children's Healthcare & Criminal Justice (left 29/7/18) - Chief Social Work Officer	28,470 (FYE 88,116)	86,466
Jonathan Hinds	Head of Children's Healthcare & Criminal Justice (started 12/11/18) - Chief Social Work Officer	30,909 (FYE 77,876)	N/A
Laura Mason	Strategic Lead - Education, Learning & Attainment - Chief Education Officer	83,102	81,504
Stephen West	Strategic Lead - Resources - S95 Officer	88,116	86,856
<b>Remuneration of Senior Employees of Subsidiaries</b>			
John Anderson	General Manager of West Dunbartonshire Leisure	72,486	69,991

Total remuneration 2017/18 includes election payments for senior employees. There were no elections during 2018/19.

Details of the post of Chief Officer-Health & Social Care Partnership are included in the remuneration report of the Integration Joint Board. West Dunbartonshire Council funds 50% of this post and NHS Greater Glasgow fund the remaining 50%.

#### Notes

1. The term *senior employee* means any local authority employee:
  - who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
  - who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
  - whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.
2. The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2019 includes any amounts received as the Returning Officer for West Dunbartonshire in elections. There were no elections during 2018/19 and two elections during 2017/18 namely: For the Local Government Election and the General Election during 2017/18, amounts included are £4,426.
3. The Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. There were no discretionary payments made to senior employees during the year.

## Remuneration Report (Cont'd)

### c) Remuneration of Employees receiving more than £50,000

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

The remuneration of employees for 2017/18 has been restated to show the accrual position rather than the actual pay received during the tax year.

**Table 3: Remuneration of Employees**

	Number of Employees	
	2018/19	Restated 2017/18
£50,000 - £54,999	57	36
£55,000 - £59,999	43	44
£60,000 - £64,999	33	21
£65,000 - £69,999	2	2
£70,000 - £74,999	1	2
£75,000 - £79,999	2	4
£80,000 - £84,999	8	9
£85,000 - £89,999	3	2
£105,000 - £109,999	3	2
£120,000 - £124,999	1	1
<b>Total</b>	<b>153</b>	<b>123</b>

### d) Pension Benefits

Pension benefits for Councillors and most 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. The pension entitlements for the year to 31 March 2019 are shown in Table 5 on pages 31 and 32. The table details the pension entitlement and contributions made by West Dunbartonshire Council in respect of all senior Councillors and senior officers of the council who have opted to join the LGPS.

For local government employees, the LGPS 2015 is a career average pension scheme. This means that pension benefits from 01/04/2015 are based on pensionable pay with inflation added. Pension is accrued at a rate of 1/49 of pensionable pay for each scheme year. Pension benefits can be accessed from age 60 but are reduced if taken earlier than Normal pension Age (State Pension Age). Pension benefits accrued before 1 April 2015 are protected and are based on final pay on retiring.

Pension benefits for teachers are provided through Scottish Teachers Superannuation Scheme (STSS). The STSS is a contributory scheme administered by the Scottish Public Pension Agency (SPPA). From 1 April 2015 the scheme is a career average pension scheme. Pension benefits are increased in line with inflation. Pension is accrued at 1/57 of pensionable earnings each year. Pension benefits can be accessed earlier than the normal state pension age but will be reduced if taken earlier than the normal pension age (state pension age).

From 1 April 2009, a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Table 4 provides information on these tiered contribution rates.



## Remuneration Report (Cont'd)

### d) Pension Benefits (Cont'd)

**Table 4: Contribution Rate**

	Contribution rate 2018/19	Contribution rate 2017/18
<b>The tiers and members contribution rates for 2018/19 whole time pay:</b>		
<b><u>Local Government employees</u></b>		
On earnings up to and including £21,300 (£20,700)	5.50%	5.50%
On earnings above £21,300 (£20,700) and up to £26,100 (£25,300)	7.25%	7.25%
On earnings above £26,100 (£25,300) and up to £35,700 (£34,700)	8.50%	8.50%
On earnings above £35,700 (£34,700) and up to £47,600 (£46,300)	9.50%	9.50%
On earnings above £47,600 (£46,300)	12.00%	12.00%
<b>The tiers and members contribution rates for 2018/19 actual pay:</b>		
<b><u>Teachers</u></b>		
On earnings up to and including £27,047 (£26,259)	7.20%	7.20%
On earnings above £27,047 (£26,259) and up to £36,410 (£35,349)	8.70%	8.70%
On earnings above £36,410 (£35,349) and up to £43,172 (£41,914)	9.70%	9.70%
On earnings above £43,172 (£41,914) and up to £57,216 (£55,549)	10.40%	10.40%
On earnings above £57,216 (£55,549) and up to £78,022 (£75,749)	11.50%	11.50%
On earnings above £78,022 (£75,749)	11.90%	11.90%

If a person works part-time their contribution rate is 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. The accrual rate guarantees a pension based on 1/49<sup>th</sup> of pay from 1 April 2015. Prior to this the accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

## Remuneration Report (Cont'd)

### d) Pension Benefits (Cont'd)

**Table 5: Pension Benefits of Senior Councillors; Senior Employees and Senior Employees of Subsidiaries**

		In-year pension contributions		Accrued pension benefits	
		For year to 31 March 2019	For year to 31 March 2018	As at 31 March 2019	As at 31 March 2018
Name	Position at 31/03/19	£	£	£	£
<b>Senior Councillors</b>					
Jonathan McColl	Leader of Opposition (to 3/5/17) Convener of Audit & Performance Review Committee (to 3/5/17) Leader of Council (from 17/5/17) Convener of Community Planning West Dunbartonshire Management Board (from 17/5/17) Convener of Sub Committee on Scheme of Delegation (from 17/5/17) Convener of Recruitment & Individual Performance Management Committee (from 17/5/17)	6,561	6,198	6,691	5,752
Denis Agnew	Baillie (from 17/5/17)	4,100	3,980	6,234	5,694
John Mooney	Convener of Licensing Board (to 3/5/17) Convener of Audit Committee (from 17/5/17)	4,100	4,056	2,853	2,362
Jim Brown	Convener of Valuation Joint Board (to 3/5/17) Convener of Licensing Board (from 17/5/17)	4,100	3,403	804	371
Karen Conaghan	Depute Provost (from 17/5/17) Convener of Appeals Committee (from 17/5/17) Convener of Educational Services Committee (from 17/5/17)	4,089	3,767	844	410
Ian Dickson	Convener of Corporate Services Committee (from 17/5/17)	4,089	3,767	844	410
Diane Docherty	Convener of Housing & Communities Committee (from 17/5/17)	4,089	3,767	844	410
Jim Finn	Convener of Licensing Committee (from 17/5/17) Convener of Planning Committee (from 17/5/17) Convener of Tendering Committee (from 17/5/17)	4,100	3,980	3,300	2,792
Caroline McAllister	Depute Leader (from 17/5/17)	4,089	3,767	844	410
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee (from 17/5/17)	4,089	3,767	844	410
<b>Senior Employees</b>					
Joyce White	Chief Executive	24,074	26,405	30,857	27,580
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	20,910	22,149	146,171	141,575
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	20,910	22,149	62,131	58,774
Jackie Irvine	Head of Children's Healthcare & Criminal Justice (left 29/7/18) - Chief Social Work Officer	5,123	17,922	53,784	53,055
Jonathan Hinds	Head of Children's Healthcare & Criminal Justice (started 12/11/18) - Chief Social Work Officer	6,273	N/A	52,271	N/A
Laura Mason	Strategic Lead - Education, Learning & Attainment - Chief Education Officer	16,039	15,730	116,799	112,836
Stephen West	Strategic Lead - Resources - S95 Officer	16,976	17,922	110,282	112,510
<b>Senior Employees of Subsidiaries</b>					
John Anderson	General Manager of West Dunbartonshire Leisure	13,965	14,507	51,579	48,326

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total public sector service, and not just their current appointment. The pension entitlements for the year to 31 March 2019 for Senior Councillors are shown in Table 5, together with the contribution made by West Dunbartonshire Council to each Senior Councillor's pension during the year. Senior councillors omitted from the table above are not members of the Local Government Pension Scheme.

### e) Exit Packages

A number of exit packages were agreed, at a total cost of £0.550m for 2018/19, as shown in the following Table 6.

## Remuneration Report (Cont'd)

### e) Exit Packages (Cont'd)

**Table 6**

Banding	Number of departures		Total cost	
	2018/19	2017/18	2018/19 £	2017/18 £
£0 - £20,000	10	16	81,369	176,252
£20,001 - £40,000	4	3	113,890	96,611
£40,001 - £60,000	2	3	94,914	140,439
£60,001 - £120,000	2	2	147,003	134,161
<b>Total</b>	<b>18</b>	<b>24</b>	<b>437,176</b>	<b>547,463</b>

Note: there were no compulsory packages in this or the previous financial year.

### f) Trade Union Facility Time

Facility time generates benefits for employees, managers and the wider community from effective joint working between union representatives and employees.

Details of the facility time within West Dunbartonshire Council during the year to 31 March 2019 is shown in Table 7 below.

**Table 7**

Education Function Employee Representatives		All Other Function Employee Representatives	
Number of Employees	FTE employee Number	Number of Employees	FTE employee Number
45	40.74	74	70.01
Percentage of Time Spent on Facility		Percentage of Time Spent on Facility	
Percentage	Number of Employees	Percentage	Number of Employees
Less < 1%	31	Less < 1%	47
1-50%	12	1-50%	24
51%-99%	2	51%-99%	1
100%	0	100%	2
Total cost of facility time		Total cost of facility time	
£58,118		£99,646	
Total pay bill		Total pay bill	
£54,901,587		£84,741,543	
Percentage of Pay Bill Spent on Facility Time		Percentage of Pay Bill Spent on facility Time	
0.10%		0.10%	
Paid TU Activities		Paid TU Activities	
3.97%		8.20%	



## Remuneration Report (Cont'd)

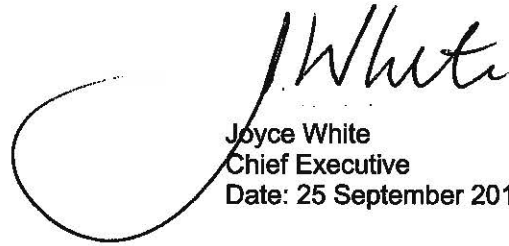
### f) Trade Union Facility Time (Cont'd)

Further detail can be found at:

<http://www.west-dunbarton.gov.uk/council/performance-and-spending/trade-union-facility-time-reports/>



Jonathan McColl  
Leader of the Council  
Date: 25 September 2019



Joyce White  
Chief Executive  
Date: 25 September 2019

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in year, of providing services in accordance with generally accepted accounting practices, 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 Movement in Reserves Statement.

Further detail on the expenditure and income within the Next Cost of Services below is available in Note 14 on page 60.

Details of the re-statement for 2017/18 is available within Note 1 on page 40. It should be noted that due to a change in Accounting Practice from 2018/19 onwards, the layout of for sundry bad debt provisions is shown within the 'Impairment loss – debtors' below the Net Cost of Service section of the Comprehensive Income and Expenditure Statement. There was no requirement to re-state the relevant figures in 2017/18 for this change.

2017/18 Re-stated Gross Expenditure £000	2017/18 Re-stated Gross Income £000	2017/18 Re-stated Net Expenditure £000	Note	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
78,427	(51,114)	27,313		75,514	(51,139)	24,375
102,926	(9,708)	93,218		112,924	(9,858)	103,066
56,115	(14,535)	41,580		66,871	(17,477)	49,394
9,341	(4,326)	5,015		9,441	(4,475)	4,966
33,456	(42,283)	(8,827)		32,641	(41,957)	(9,316)
9,688	(6,916)	2,772		17,234	(7,094)	10,140
153,061	(86,991)	66,070		162,129	(92,273)	69,856
2,481	0	2,481		2,459	0	2,459
<b>445,495</b>	<b>(215,873)</b>	<b>229,622</b>		<b>479,213</b>	<b>(224,273)</b>	<b>254,940</b>
		595				3,362
		595				3,362
		(32,607)				(33,805)
		(77,334)	9			(78,812)
		(104,165)	9			(104,759)
		(13,169)	9			(20,254)
		<b>(227,275)</b>				<b>(237,630)</b>
		(320)	26			(330)
		18,329	26			19,359
		0				1,414
		0	26			5
		(2,759)	6			(3,234)
		6,441	12			3,753
		<b>21,691</b>				<b>20,967</b>
		<b>24,633</b>				<b>41,639</b>
		(1,500)				(35,563)
		0				230
		(134,863)	12			49,463
		<b>(136,363)</b>				<b>14,138</b>
		<b>(111,730)</b>				<b>55,777</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure 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 authority'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 dwelling rent setting purposes. The net increase/decrease before transfer 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.

	Note	Usable Reserves									
		General Fund balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Capital Fund Reserves £000	Other Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>2018/19</b>											
Opening Balance at 1 April 2018		(10,975)	(7,422)	0	(314)	(3,269)	0	(478)	(22,458)	(224,297)	(246,755)
<b>Movement in reserve 2018/19</b>											
Total Comprehensive Expenditure and Income		45,034	(3,395)	0	0	0	0	0	41,639	14,138	55,777
Adjustments between accounting basis and funding basis under regulations	4	(41,562)	8,838	0	36	0	(3,430)	0	(36,118)	36,118	0
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>		<b>3,472</b>	<b>5,443</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>(3,430)</b>	<b>0</b>	<b>5,521</b>	<b>50,256</b>	<b>55,777</b>
Transfers to/from other statutory reserves		(3,495)	373	0	0	422	3,430	116	846	(846)	0
<b>Closing Balance at 31 March 2019</b>		<b>(10,998)</b>	<b>(1,606)</b>	<b>0</b>	<b>(278)</b>	<b>(2,847)</b>	<b>0</b>	<b>(362)</b>	<b>(16,091)</b>	<b>(174,887)</b>	<b>(190,978)</b>
<b>2017/18 (Re-stated)</b>											
Opening Balance at 1 April 2017		(13,118)	(6,963)	0	(466)	(3,633)	0	(499)	(24,679)	(110,346)	(135,025)
<b>Movement in reserve 2017/18</b>											
Total Comprehensive Expenditure and Income		31,737	(7,104)	0	0	0	0	0	24,633	(136,363)	(111,730)
Adjustments between accounting basis and funding basis under regulations	4	(29,717)	6,214	0	152	0	0	0	(23,351)	23,351	0
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>		<b>2,020</b>	<b>(890)</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,282</b>	<b>(113,012)</b>	<b>(111,730)</b>
Transfers to/from other statutory reserves		123	431	0	0	364	0	21	939	(939)	0
<b>Closing Balance at 31 March 2018</b>		<b>(10,975)</b>	<b>(7,422)</b>	<b>0</b>	<b>(314)</b>	<b>(3,269)</b>	<b>0</b>	<b>(478)</b>	<b>(22,458)</b>	<b>(224,297)</b>	<b>(246,755)</b>



## Balance Sheet

The balance sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories:

1. Usable reserves, i.e. those reserves that the authority 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); and
2. Unusable reserves, i.e. 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 MIRS line 'adjustments between accounting basis and funding basis under regulations'.

2017/18			2018/19
£000	Notes		£000
872,066	15	Property, Plant and Equipment	928,095
19	16	Intangible Assets	210
34		Long Term Debtors	27
1,406	18	Heritage Assets	1,406
497		Long Term Investments	4,500
<b>874,022</b>		<b>Long Term Assets</b>	<b>934,238</b>
9,069	17	Asset Held for Sale	5,670
957		Inventories	1,060
37,765	22	Short Term Debtors	45,585
28,271	25	Cash and Cash Equivalents	16,833
<b>76,062</b>		<b>Current Assets</b>	<b>69,148</b>
(470)	28	Provisions	(351)
(34,196)	27	Short Term Creditors	(46,899)
(172,334)	26	Short Term Borrowing	(217,467)
(5,929)	25	Cash and Cash Equivalents (overdraft)	(4,088)
<b>(212,929)</b>		<b>Current Liabilities</b>	<b>(268,805)</b>
<b>737,155</b>			<b>734,581</b>
(257,287)	26	Long Term Borrowing	(227,988)
(105,914)	21	PPP and Finance Lease Liabilities	(103,101)
(126,199)	12	Net Pensions Liability	(205,215)
(1,000)	9	Capital Grants Receipts in Advance	(7,299)
<b>(490,400)</b>		<b>Long Term Liabilities</b>	<b>(543,603)</b>
<b>246,755</b>		<b>Net Assets</b>	<b>190,978</b>
		<b>Represented by:</b>	
22,458	MIR/30	Usable Reserves	16,091
224,297	MIR/30	Unusable Reserves	174,887
<b>246,755</b>		<b>Total Reserves</b>	<b>190,978</b>

The unaudited Financial Statements were authorised for issue on 26 June 2019 and the audited Financial Statements were authorised for issue on 25 September 2019.

*Stephen West*  
Stephen West  
Strategic Lead - Resources  
West Dunbartonshire Council  
Date: 25 September 2019

## 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

Restated 2017/18 Note £000		2018/19 £000	2018/19 £000
<b>24,633</b>	<b>Operating Activities</b>		
	<b>Net deficit on the provision of services</b>		<b>41,639</b>
(37,678)	Depreciation, amortisation and impairment	(41,712)	
(4,405)	Net gain on fixed assets	(9,054)	
(20,136)	Movement in pension liabilities	(29,553)	
(189)	Movement in inventories	103	
2,916	Movement in debtors	6,696	
(567)	Movement in creditors and provisions	(9,151)	
469	Other non-cash movements	128	
<b>(59,590)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>		<b>(82,543)</b>
(58)	Financing movements	8	
13,169	Investing movements	20,254	
<b>13,111</b>	<b>Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities</b>		<b>20,262</b>
<b>(21,846)</b>	<b>Net cash inflow from Operating Activities</b>		<b>(20,642)</b>
66,554	Purchase of property, plant and equipment and intangible assets	68,306	
(3,813)	Proceeds from sale of property, plant and equipment and intangible assets	(3,430)	
0	Movement on long term investments	4,008	
(10,791)	Other receipts from investing activities	(25,379)	
<b>51,950</b>	<b>Net cash outflows from Investing activities</b>		<b>43,505</b>
(198,200)	Cash receipts of short-term and long-term borrowing	(201,337)	
2,633	Repayment of PPP liabilities	2,813	
152,433	Repayment of short-term and long-term borrowing	185,258	
<b>(43,134)</b>	<b>Financing Activities</b>		<b>(13,266)</b>
<b>(13,030)</b>			<b>9,597</b>
9,312	25 Cash and cash equivalents at the beginning of the reporting period		22,342
22,342	25 Cash and cash equivalents at the end of the reporting period		12,745
<b>(13,030)</b>	25 <b>Movement – Decrease in Cash</b>		<b>9,597</b>

## Notes to the Financial Statements

### Note 1 – Prior Year Adjustments and Restatements

In order to ensure 2017/18 figures are on a comparable basis to 2018/19 figures, there has been a prior year adjustment for the detail held in the Net Cost of Service within the Comprehensive Income and Expenditure Statement due to a change in the service responsibilities of the council's committees. The revised Comprehensive Income and Expenditure Statement, Movement in Reserves and Cashflow also adjusted for a correction to the treatment of premium and EIR costs.

The effects of the restatement on the Financial Statements are as follows (only those lines that have changed are shown):

	Prior Year Adjustment				Restated
	As previously stated	Restructure	Allocation of Internal Recharges	Premiums	
	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>					
<b>Comprehensive Income and Expenditure - Gross Expenditure</b>					
Corporate Services	75,922	2,559	(54)	0	78,427
Educational Services	104,693	634	(2,401)	0	102,926
Infrastructure, Regeneration & Economic Development	63,401	(2,797)	(4,489)	0	56,115
Housing and Communities	9,771	(396)	(34)	0	9,341
Miscellaneous Services	9,692	0	(4)	0	9,688
Health & Social Care Partnership	154,012	0	(951)	0	153,061
Net Cost of Services before removal of Internal Recharges	453,428	0	(7,933)	0	445,495
Removal of Internal Recharges	(7,933)	0	7,933	0	0
<b>Comprehensive Income and Expenditure - Gross Income</b>					
Corporate Services	(49,726)	(1,388)	0	0	(51,114)
Educational Services	(9,582)	(126)	0	0	(9,708)
Infrastructure, Regeneration & Economic Development	(23,497)	1,068	7,894	0	(14,535)
Housing and Communities	(4,811)	446	39	0	(4,326)
Miscellaneous Services	(6,916)	0	0	0	(6,916)
Net Cost of Services before removal of Internal Recharges	(223,806)	0	7,993	0	(215,813)
Removal of Internal Recharges	7,993	0	(7,993)	0	0
<b>Comprehensive Income and Expenditure - Net Expenditure</b>					
Corporate Services	26,196	1,171	(54)	0	27,313
Educational Services	95,111	508	(2,401)	0	93,218
Infrastructure, Regeneration & Economic Development	39,904	(1,729)	3,405	0	41,580
Housing and Communities	4,960	50	5	0	5,015
Miscellaneous Services	2,776	0	(4)	0	2,772
Health & Social Care Partnership	67,021	0	(951)	0	66,070
External Interest Payable/ Similar Charges	18,422	0	0	(93)	18,329
(Gain)/Loss Early Settlement of Borrowing	846	0	0	(846)	0
Finance/Investment Income and Expenditure	22,630	0	0	(939)	21,691
(Surplus)/ Deficit on Provision of Service	25,572	0	0	(939)	24,633
(Surplus)/ Deficit on Revaluation of available for sale assets	(939)	0	0	939	0



## Notes to the Financial Statements (Cont'd)

### Note 1 – Prior Year Adjustments and Restatements (cont'd)

	Prior Year Adjustment				Restated £000
	As previously stated £000	Restructure £000	Allocation of Internal Recharges £000	Premiums £000	
<b>Movement in Reserves</b>					
Total Comprehensive Expenditure and Income - General Fund	32,245	0	0	(508)	31,737
Total Comprehensive Expenditure and Income - HRA	(6,673)	0	0	(431)	(7,104)
Total Comprehensive Expenditure and Income - Total Usable Reserves	25,572	0	0	(939)	24,633
Total Comprehensive Expenditure and Income - Unusable Reserve	(137,302)	0	0	939	(136,363)
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - General Fund	2,528	0	0	(508)	2,020
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - HRA	(459)	0	0	(431)	(890)
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - Total Usable Reserves	2,221	0	0	(939)	1,282
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - Unusable Reserves	(113,951)	0	0	939	(113,012)
Transfers to other Statutory Reserves - General Fund	(385)	0	0	508	123
Transfers to other Statutory Reserves - HRA	0	0	0	431	431
Transfers to other Statutory Reserves - Total Usable Reserves	0	0	0	939	939
Transfers to other Statutory Reserves - Unusable Reserves	0	0	0	939	939
<b>Cashflow</b>					
Net deficit on the provision of services	25,572	0	0	(939)	24,633
Other non-cash movements	(470)	0	0	939	469
Adjustments to net deficit on the provision of services for non-cash movements	(60,529)	0	0	939	(59,590)

### 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 authority's balance sheet as at 31 March 2019, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Notes to the Financial Statements (Cont'd)

### Note 2 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (cont'd)

Item	Uncertainty	Potential effect
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will incur in relation to those assets. The current economic climate makes it uncertain that the council will be able to sustain its current level of spending on maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of assets will fall. It is estimated that the annual depreciation charge for buildings would increase by £0.681m for every year that useful lives had to be reduced.
Provision – equal pay	The council has set aside a provision of £0.233m for the settlement of claims arising from the Equal Pay Initiative, based upon the number of claims received and an average settlement amount. It is not certain that all valid claims have been received by the council or that precedents set elsewhere on settlement values will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have an effect of adding £0.023m to the provision needed.
Provision – severance and early retirement	The council has set aside a provision of £0.118m for future early retirement or voluntary severance costs, based upon an average historic settlement figure and estimated leavers. It is not certain that the estimate accounts for all possible voluntary leavers or that the estimated average historic cost will be applicable.	An increase over the forthcoming year of 10% in either the total number of voluntary leavers or the estimated average cost would have an effect of adding £0.012m to the provision needed.
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase by, changes to retirement ages, mortality rates and expected returns on pension assets held. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions applied.	The effect on the net liability can be measured. However, the assumptions interact in complex ways. During 2018/19 the appointed actuaries advised that the net liability had increased by £79.016m as a result of estimates being updated and an update to the assumptions.
Arrears and bad debts	As at 31 March 2019, the council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £45.585m with a sliding scale of bad debt provision written against this, depending on the age of the debt.	If collection rates were to deteriorate, the provision for bad debts would require to be reviewed to consider the appropriate level of provision. However, based upon prior experience, the bad debt provision is considered adequate.

## Notes to the Financial Statements (Cont'd)

### Note 2 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Cont'd)

Item	Uncertainty	Potential effect
Fair Value Measurements	<p>When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the council utilises relevant experts to identify the most appropriate valuation techniques (for example for surplus assets and non-current assets held for sale, the council's estates valuer and for financial instruments the council's treasury advisors). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 15, 17 and 26.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of financial instruments. Surplus assets and non-current assets held for sale have been based on the market value approach. Market conditions are such that similar properties are marketed, purchased and sold actively.</p> <p>The significant observable inputs used include current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland for surplus assets and non-current assets held for sale and discount rates for financial instruments.</p> <p>Significant changes in any of these would result in significantly lower or higher fair value measurement for financial instruments as detailed in note 26. Significant changes to the key inputs for non-financial assets would have a significant impact on the value of the properties. However as the properties are valued annually and form a small proportion in relation to the value of the council's overall portfolio the impact of any changes would be limited.</p>



## Notes to the Financial Statements (Cont'd)

### Note 3 - Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires a disclosure of the nature and amount of material items. Material items of expenditure charged to services in the year are shown in the table below:

Item	Nature	£000
Unitary Charge Payment	Public Private Partnership agreement for the provision of 3 secondary schools and one primary school	11,735
Insurances	Insurance premiums for all policies	2,006
Landfill Tax	A tax paid on the disposal of waste. It is payable to Her Majesty's Revenue and Customs (HMRC)	2,179
Housing Benefit received	Benefit received to support customers on low incomes with housing rent costs	43,183
Housing Benefit paid	Benefit paid to support customers on low incomes with housing rent costs	44,220
Care Homes	Cost of providing care home services by external providers	9,803
NHS Resource Transfer	Income received from NHS to support care in the community.	(8,700)
Supplementation	Residential Accommodation for adults and children with disabilities	18,528
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Day Support	1,272
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to Clients	3,702

## Notes to the Financial Statements (Cont'd)

### Note 4 – Adjustments between funding accounting basis and funding basis under regulations

This note provides further breakdown of the adjustments summarised in the Movement in Reserves Statement on page 37. It is identified under the headings Usable and Unusable Reserves. Further detail of the reserves identified under the classification of usable and unusable is given in notes 29 and 30 on pages 83 and 84.

2018/19

	General Fund Balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Capital Fund £000	Other Reserves £000	Total Usable Reserves £000
<b>Usable Reserves</b>								
<b>Adjustments to the Revenue Resources</b>								
Pension Costs (transferred to (or from) the Pensions Reserve)	(28,969)	(584)	0	0	0	0	0	(29,553)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	4	4	0	0	0	0	0	8
Holiday Pay (transferred to the Accumulated Absences Reserve)	(73)	32	0	0	0	0	0	(41)
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	(19,513)	(7,648)	0	0	0	0	0	(27,161)
	<b>(48,551)</b>	<b>(8,196)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(56,747)</b>
<b>Adjustments between Capital and Revenue Resources</b>								
Transfer of non-current asset sale gain/loss from revenue to the Capital Receipts Reserve	(748)	(2,603)	3,351	0	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,737	6,288	0	0	0	0	0	14,025
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	13,349	0	0	0	0	0	13,349
	<b>6,989</b>	<b>17,034</b>	<b>3,351</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,374</b>
<b>Adjustments to the Capital Resources</b>								
Disposal of non-current asset sale proceeds	0	0	(6,781)	0	0	0	0	(6,781)
Transfer from the Capital Receipts Reserve to the Capital Fund	0	0	3,430	0	0	(3,430)	0	0
Application of capital grants to finance capital expenditure	0	0	0	36	0	0	0	36
	<b>0</b>	<b>0</b>	<b>(3,351)</b>	<b>36</b>	<b>0</b>	<b>(3,430)</b>	<b>0</b>	<b>(6,745)</b>
<b>Total Adjustments</b>	<b>(41,562)</b>	<b>8,838</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>(3,430)</b>	<b>0</b>	<b>(36,118)</b>

## Notes to the Financial Statements (Cont'd)

### Note 4 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2018/19

	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Employee Statutory Adjustment Account £000	FIAA £000	Total Unusable Reserves £000
<b>Unusable Reserves</b>						
<b>Adjustments to the Revenue Resources</b>						
Pension Costs (transferred to (or from) the Pensions Reserve)	0	0	29,553	0	0	29,553
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0	0	(8)	(8)
Holiday Pay (transferred to the Accumulated Absences Reserve)	0	0	0	41	0	41
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	27,161	0	0	0	0	27,161
	<b>27,161</b>	<b>0</b>	<b>29,553</b>	<b>41</b>	<b>(8)</b>	<b>56,747</b>
<b>Adjustments between Capital and Revenue Resources</b>						
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(14,025)	0	0	0	0	(14,025)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(13,349)	0	0	0	0	(13,349)
	<b>(27,374)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(27,374)</b>
<b>Adjustments to the Capital Resources</b>						
Disposal of non-current asset sale proceeds	6,781	0	0	0	0	6,781
Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve	(9,548)	9,548	0	0	0	0
Write out Revaluation Reserve of Disposals	(93)	93	0	0	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	0
Application of capital grants to finance capital expenditure	(36)	0	0	0	0	(36)
	<b>(2,896)</b>	<b>9,641</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,745</b>
<b>Total Adjustments</b>	<b>(3,109)</b>	<b>9,641</b>	<b>29,553</b>	<b>41</b>	<b>(8)</b>	<b>36,118</b>



## Notes to the Financial Statements (Cont'd)

### Note 4 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2017/18

	General Fund Balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Other Reserves £000	Total Usable Reserves £000
<b>Usable Reserves</b>							
<b>Adjustments to the Revenue Resources</b>							
Pension Costs (transferred to (or from) the Pensions Reserve)	(19,548)	(588)	0	0	0	0	(20,136)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(32)	(26)	0	0	0	0	(58)
Holiday Pay (transferred to the Accumulated Absences Reserve)	433	(13)	0	0	0	0	420
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	(18,624)	(5,885)	0	0	0	0	(24,509)
	<b>(37,771)</b>	<b>(6,512)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(44,283)</b>
<b>Adjustments between Capital and Revenue Resources</b>							
Transfer of non-current asset sale gain/loss from revenue to the Capital Receipts Reserve	(392)	(203)	595	0	0	0	0
Statutory provision for the repayment of debt (transfer to/from the Capital Adjustment Account)	7,830	5,960	0	0	0	0	13,790
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	616	6,969	0	0	0	0	7,585
	<b>8,054</b>	<b>12,726</b>	<b>595</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,375</b>
<b>Adjustments to the Capital Resources</b>							
Disposal of non-current asset sale proceeds	0	0	(4,405)	0	0	0	(4,405)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	3,810	0	0	0	3,810
Application of capital grants to finance capital expenditure	0	0	0	152	0	0	152
	<b>0</b>	<b>0</b>	<b>(595)</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>(443)</b>
<b>Total Adjustments</b>	<b>(29,717)</b>	<b>6,214</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>(23,351)</b>

## Notes to the Financial Statements (Cont'd)

### Note 4 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2017/18

	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Employee Statutory Adjustment Account £000	FIAA £000	Total Unusable Reserves £000
<b>Unusable Reserves</b>						
<b>Adjustments to the Revenue Resources</b>						
Pension Costs (transferred to (or from) the Pensions Reserve)	0	0	20,136	0	0	20,136
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0	0	58	58
Holiday Pay (transferred to the Accumulated Absences Reserve)	0	0	0	(420)	0	(420)
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	24,509	0	0	0	0	24,509
	<b>24,509</b>	<b>0</b>	<b>20,136</b>	<b>(420)</b>	<b>58</b>	<b>44,283</b>
<b>Adjustments between Capital and Revenue Resources</b>						
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(13,790)	0	0	0	0	(13,790)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(7,585)	0	0	0	0	(7,585)
	<b>(21,375)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,375)</b>
<b>Adjustments to the Capital Resources</b>						
Disposal of non-current asset sale proceeds	4,405	0	0	0	0	4,405
Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve	(9,712)	9,712	0	0	0	0
Write out Revaluation Reserve of Disposals	(1,069)	1,069	0	0	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	(3,810)	0	0	0	0	(3,810)
Application of capital grants to finance capital expenditure	(152)	0	0	0	0	(152)
	<b>(10,338)</b>	<b>10,781</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>443</b>
<b>Total Adjustments</b>	<b>(7,204)</b>	<b>10,781</b>	<b>20,136</b>	<b>(420)</b>	<b>58</b>	<b>23,351</b>

## Notes to the Financial Statements (Cont'd)

### Note 5 – Events After the Balance Sheet Date

The draft Financial Statements were authorised for issue by the Strategic Lead - Resources on 26 June 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provide information about conditions existing as at 31 March 2019, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

A revised pensions actuaries report was requested from the Pension Fund after the submission of the draft Financial Statements due to the material impact on the pensions valuation caused by some recent legal rulings within UK courts (in this case the McCloud/Sargeant ruling and the Guaranteed Minimum Pension (GMP) indexation). As a result of these cases the Financial Statements were amended to reflect the new valuation.

### Note 6 – Trading Operations

The Local Government Scotland Act 2003 repealed the legislation governing compulsory competitive tendering. The Act introduced a requirement for statutory trading accounts to be maintained for "significant trading operations". A service is deemed to be a significant trading account where the service is provided in a competitive environment, it is charged on a basis other than straightforward recharge of cost and the service is deemed to be significant.

The council has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations. Details of those units are detailed below and these figures include an interest charge for the assets as noted within the accounting policies. It is the duty of a local council to conduct each of its significant trading operations so that, taking every year with the two previous years, total revenue is not less than expenditure. The analysis for 2016/17 to 2018/19 is as follows:

The council operates a **Housing Property Maintenance Trading Service** which delivers an economic, efficient and effective housing repairs service to its customers.

	2016/17	2017/18	2018/19	Cumulative
	£000	£000	£000	£000
Turnover	20,156	20,826	25,070	66,052
Expenditure	19,023	20,439	24,518	63,980
<b>Surplus</b>	<b>1,133</b>	<b>387</b>	<b>552</b>	<b>2,072</b>

The council operates a **Grounds Maintenance/Street Cleaning Trading Service** which aims to make a positive impact on the health and wellbeing of residents and visitors to the area through cleaner and well maintained council areas.

	2016/17	2017/18	2018/19	Cumulative
	£000	£000	£000	£000
Turnover	9,856	10,608	10,612	31,076
Expenditure	7,705	8,236	7,930	23,871
<b>Surplus</b>	<b>2,151</b>	<b>2,372</b>	<b>2,682</b>	<b>7,205</b>

**Combined Surplus for Trading Operations as noted in Comprehensive Income and Expenditure Statement**

	<b>3,284</b>	<b>2,759</b>	<b>3,234</b>	<b>9,277</b>
--	--------------	--------------	--------------	--------------



## Notes to the Financial Statements (Cont'd)

### Note 6 – Trading Operations (Cont'd)

The above table confirms that both trading accounts which have been statutory for more than three years, have met the break even target.

The Trading Operations require to budget for estimated IAS19 pension expenditure. In 2018/19 the actual IAS19 pension charge resulted in an increase to expenditure within the services, creating a reduced surplus. This adjustment does not bring cash into or take cash from the trading operation, but is a technical adjustment required for accounting regulations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

### Note 7 – 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 and Scottish Government

The council received £183.571m (2017/18 £181.499m) of revenue government grants and £16.743m (2017/18 £12.390m) of capital grants from the Scottish Government (with £0.338m due to the council at the year end); and other grants of £53.147m (2017/18 £51.664m) as shown in Note 9 Grant Income (with £3.707m due to the council at the year end).

#### Strathclyde Pension Fund

The council is an admitted body to the local government pension scheme and has made payments as shown in Note 12 Defined Benefit Pension Schemes. The balance owed to the pension fund at the year end was £3.305m.

#### Joint Boards

The council is a member of the Joint Boards for Valuation and Strathclyde Partnership for Transport and the council's contributions are disclosed within the Group Accounts. The council is also a partner in the West Dunbartonshire Health and Social Care Partnership and provided funding in year of £64.318m (£60.547m 2017/18).

#### Voluntary Sector

The following voluntary organisations received over £0.050m in grant funding from West Dunbartonshire Council during 2018/19:

	£000
West Dunbartonshire Citizens Advice Bureau	392
Independent Resource Centre	108
Y-Sort It Youth Information Project	188
The Environment Trust	183
Dumbarton Women's Aid	159
Clydebank Women's Aid	165
Clyde Shopmobility	50

The council has no shareholdings or investments in any of these organisations. There were no outstanding balances at the year end.

#### Key Management Personnel

Within the council's Management Team, the Chief Officer of the HSCP is employed by West Dunbartonshire Council. Details of remuneration are included within the Council's Remuneration Statement.

## Notes to the Financial Statements (Cont'd)

### Note 7 – Related Parties (Cont'd)

#### Elected Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in the remuneration statement on pages 27 to 35. The council maintains a register of interests for Members and reviews this for transactions carried out in the year with entities which Members have an interest. In the year ended 31 March 2019, the council has not had any material transactions for any body in which Members have an interest. The elected members register of interest can be found on the council website:

<https://www.west-dunbarton.gov.uk/media/4314783/2017-2022-register-of-interests.pdf>

#### Senior Officers

Senior Officers require to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this situation arise, the senior officer does not take part in any discussion or decision in relation to that interest. There are no significant related party transactions with senior officers of the council.

### Note 8 – Agency Services

Transactions whereby the council provides a service on behalf of external organisations are noted below:

2017/18 Net Payment/ (receipt) £000	Organisation	Description	2018/19 Receipts £000	2018/19 Payment £000	(Debtor)/ Creditor at 31.03.19 £000
13,790	Scottish Water	Water and sewerage charges collected by Council and paid over	0	14,065	344
(82,419)	Scottish Government	Non Domestic Rates	80,558	0	(2,359)

## Notes to the Financial Statements (Cont'd)

### Note 9 – Grant Income

The council credited the following grants and other contributions to Taxation and Non-specific Grant Income within the Comprehensive Income and Expenditure Statement in 2018/19:

<b>31 March 2018</b>	<b>31 March 2019</b>
<b>£000</b>	<b>£000</b>
181,499 Revenue Support Grant/ Non-Domestic Rates	183,571
7,766 General Services Capital Grant	7,728
0 Queens Quay	6,100
110 Levensgrove	2,165
3,171 New House Build	2,049
0 Clydebank Communities Sports Hub	1,110
0 Early Year Funding	446
0 Buy Backs	245
75 Strathclyde Passenger Transport	108
100 New Dumbarton Office	100
1,947 Grants under £0.100m	203
<b>194,668</b>	<b>203,825</b>

The council credited the following grants to Services within the Comprehensive Income and Expenditure Statement in 2018/19.

<b>Re-stated</b>	
<b>31 March 2018</b>	<b>31 March 2019</b>
<b>£000</b>	<b>£000</b>
42,717 Housing Benefit Subsidy	43,183
3,380 Pupil Equity Fund	3,426
1,865 Criminal Justice	1,988
1,190 Scottish Attainment	1,411
370 Early Learning	1,166
823 Scottish Attainment Challenge Scotland Fund	876
446 Private Sector Housing	446
298 Education Maintenance Allowance	226
575 Grants under £0.100m	425
<b>51,664</b>	<b>53,147</b>

The council has received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

<b>31 March 2018</b>	<b>31 March 2019</b>
<b>£000</b>	<b>£000</b>
445 Gruggies Burn	5,920
0 Early Years Funding	1,354
555 Grants under £0.100m	25
<b>1,000</b>	<b>7,299</b>



## Notes to the Financial Statements (Cont'd)

### Note 10 – Operating Leases

#### Council as Lessee

The council occupies a number of properties by way of an operating lease. The future minimum lease payment due under non-cancellable leases in future years are:

31 March 2018	31 March 2019
£000	£000
745 Not later than one year	729
2,873 Later than one year and not later than five years	2,699
3,517 Later than five years	2,916
<u>7,135</u>	<u>6,344</u>

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.720m (2017/18 - £0.697m).

The council has acquired vehicles and equipment by entering into operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

31 March 2018	31 March 2019
£000	£000
253 Not later than one year	268
563 Later than one year and not later than five years	488
203 Later than five years	135
<u>1,019</u>	<u>891</u>

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.225m (2017/18 - £0.209m).

#### Council as Lessor

The council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres; and
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

31 March 2018	31 March 2019
£000	£000
3,831 Not later than one year	3,845
10,802 Later than one year and not later than five years	10,944
140,356 Later than five years	138,403
<u>154,989</u>	<u>153,192</u>

## **Notes to the Financial Statements (Cont'd)**

### **Note 10 – Operating Leases (Cont'd)**

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 2018/19 £2.758m contingent rents were receivable by the council (2017/18 £2.569m).

**Finance Leases** - The council does not have any assets or liabilities under a finance lease, either as Lessee or Lessor.

### **Note 11 – Termination Benefits**

The council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £0.401m (£0.484m in 2017/18). These terminations were made as part of the redesign of services within the council under voluntary severance and early retirement. There will be ongoing annual costs incurred by the council for those staff leaving under early retirement due to ongoing pension costs.

### **Note 12 – Defined Benefit Pension Schemes**

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

The council participates in the following pension schemes:

**The Local Government Pension Scheme**, which is a defined benefit statutory scheme, operated as Strathclyde Pension Fund, and administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contribution rate is set by the Fund actuaries following valuation. The employer contribution rate for 2018/19 was 19.3%, and 2019/20 is set at 19.3%. In 2018/19, the council paid an employer's contribution of £16.127m (2017/18 £16.668m).

**The Teachers' Pension Scheme (Scottish Teachers' Superannuation Scheme (STSS))** which is a defined benefit scheme administered by the Scottish Public Pension Agency. The scheme is technically a multi-employer defined benefit scheme but is unfunded and the Scottish Government used a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Due to the type of scheme, the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of accounts, it is accounted for on the same basis as a defined contribution scheme.

The employer pays a set contribution rate of 17.2% which is effective from 1 September 2015, prior to this it was 14.9%. This is charged directly to the revenue account for the Education service. The amount paid over in respect of employer's contribution was £6.726m (2017/18 £6.461m) in respect of expenditure for teachers added years, £0.029m payments were made (2017/18 £0.031m).

The scheme is unfunded and all contributions (payable by members or employers) are paid to the Scottish Government, and the Scottish Government then meets the costs of all the benefits. A specific amount is held by the Scottish Government for this purpose. As a proportion of the total contributions into the Scottish Teachers Superannuation Scheme 2018/19, the council's own contribution equates to 1.61%.

## Notes to the Financial Statements (Cont'd)

### Note 12 – Defined Benefit Pension Schemes (Cont'd)

The council is not liable to the scheme for any other entities obligations under the plan.

#### 1) Local Government Pension Scheme

Councils are also required to disclose the capital cost of discretionary increases in pension payments agreed by the Council. In 2018/19 the capitalised costs that would have arisen from the early retiral of West Dunbartonshire Council employees and from predecessor authorities were as follows:

	<b>£000</b>
2018/2019	1,500
In earlier years	<u>61,854</u>
<b>Total</b>	<b><u>63,354</u></b>

The council fully complies with the International Accounting Standard (IAS 19) concerning the disclosure of information on the pension. IAS 19 states that although the pension benefits will not be paid until the employee retires, the council has a commitment to make these payments and must disclose the cost of this in its accounts at the time employees earn their full entitlement.

The council therefore recognises the cost of the pension commitment within the Comprehensive Income and Expenditure Account when the employees earn their pension entitlement rather than when the benefits are paid as pensions. However, the cost to the taxpayer is calculated on the basis of pension contributions paid in the year, the cost of retirement benefits under IAS19 is reversed out, to ensure there is no impact on the overall cost to be funded by council tax and government grants.



## Notes to the Financial Statements (Cont'd)

### Note 12 – Defined Benefit Pension Schemes (Cont'd)

#### 1) Local Government Pension Scheme

The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

2017/18		2018/19
£000		£000
	<b>Net cost of services</b>	
32,619	Current service cost	32,252
636	Past service cost	12,622
33,255		44,874
	<b>Financing and investment Income and Expenditure</b>	
6,441	Net interest expense	3,753
39,696	<b>Total post employment benefit charged to the Surplus or Deficit on the provision of Services</b>	48,627
(9,079)	Expected return on assets	(25,257)
(929)	Actuarial gains and losses arising from changes in demographic assumptions	0
(43,105)	Actuarial gains and losses arising from changes in financial assumptions	(74,011)
(81,750)	Actuarial gains and losses arising from experience assumptions	(709)
(95,167)	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>	(51,350)
	<b>Movement in Reserves Statement</b>	
(39,696)	Reversal of net charges made to surplus of deficit for post employment benefits	(48,627)
	<b>Actual amount charged against the General Fund balance in the year</b>	
19,560	Employer contributions payable to Scheme	19,074

The underlying assets and liabilities for retirement benefits attributable to the council as at 31 March are as follows:

2017/18		2018/19
£000		£000
778,397	Fair value of plan assets	825,803
(842,742)	Present value of defined benefit obligations	(967,664)
(64,345)	<b>Net assets in the Strathclyde Pension Fund</b>	(141,861)
	<u>Present Value of Unfunded Liabilities</u>	
(28,226)	LGPS Unfunded	(29,356)
(25,679)	Teachers' pensions	(26,285)
(7,949)	Pre Local Government Reorganisation	(7,713)
(126,199)	<b>Net pension asset/(liability)</b>	(205,215)

## Notes to the Financial Statements (Cont'd)

### Note 12 – Defined Benefit Pension Schemes (Cont'd)

#### 1) Local Government Pension Scheme

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £205.215m has a substantial negative impact on the net worth of the council as recorded in the Balance Sheet, resulting in an overall balance of £190.978m. However, the statutory arrangements for funding the deficit, means the financial position of the council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The fair value of plan assets have increased by £47.406m. This is due to asset returns being more favourable than anticipated.

The estimated liabilities have increased by £126.422m, due to financial assumptions as at 31 March 2019 being less favourable than they were at 31 March 2018, mainly due to the discount rate decreasing to 2.4% (2017/18 2.7%).

#### 2) Pension Assets and Liabilities

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, contracted by Glasgow City Council to provide all IAS19 calculations on behalf of the councils within the Strathclyde Pension Fund. The funded obligation is noted below:

	%	Years
Active Members	59.7%	24.0
Deferred Members	8.8%	24.3
Pensioner Members	26.1%	13.2
Pre-Local Government Re-organisation Members	5.4%	10.4
	<b>100%</b>	<b>18.2</b>

The movement during the year on the defined obligation is noted as:

2017/18 £000	2018/19 £000
988,523 Opening balance	904,596
32,619 Current service cost	32,252
25,908 Interest cost	24,785
5,117 Contributions by Members	4,875
(929) Actuarial gains/losses – change in demographic assumptions	0
(43,105) Actuarial gains/losses – change in financial assumptions	74,011
(81,750) Actuarial gains/losses – other experience	709
636 Past service costs/(gains)	12,622
(2,892) Estimated unfunded benefits paid	(2,947)
(19,531) Estimated benefits paid	(19,885)
<b>904,596 Closing Balance as at 31 March</b>	<b>1,031,018</b>

## Notes to the Financial Statements (Cont'd)

### Note 12 – Defined Benefit Pension Schemes (Cont'd)

#### 2) Pension Assets and Liabilities (Cont'd)

The movement during the year on the fair value of the employer's assets is:

2017/18 £000	2018/19 £000
747,597 Opening balance	778,397
9,079 Expected return on assets	25,257
19,467 Interest income	21,032
5,117 Contributions by Members	4,875
16,668 Contributions by employer	16,127
2,892 Contributions in respect of unfunded benefits	2,947
(2,892) Estimated unfunded benefits paid	(2,947)
(19,531) Estimated benefit paid	(19,885)
<b><u>778,397</u> Closing Balance as at 31 March</b>	<b><u>825,803</u></b>

WDC Share of the pension fund asset at 31 March 2019 comprised:

2017/18			Asset Category	2018/19		
Quoted prices in Active Markets £000	Prices not quoted in Active Market £000	Total £000		Quoted prices in Active Markets £000	Prices not quoted in Active Market £000	Total £000
179,560	471	180,031	Equity Securities	190,495	500	190,995
24,423	1	24,424	Debt Securities	25,911	1	25,912
0	93,015	93,015	Private Equity	0	98,680	98,680
0	70,476	70,476	Real Estate	0	74,769	74,769
255,505	76,241	331,746	Investment funds and unit trusts	271,066	80,884	351,950
16	0	16	Derivatives	17	0	17
40,071	38,618	78,689	Cash and Cash Equivalent	42,512	40,970	83,482
<b><u>499,575</u></b>	<b><u>278,822</u></b>	<b><u>778,397</u></b>	<b>Totals</b>	<b><u>530,000</u></b>	<b><u>295,803</u></b>	<b><u>825,803</u></b>

As at 31 March 2019 assets are now held at bid value.

#### Asset and Liability Matching Strategy (ALM)

The main fund 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 into narrow a range. The Fund invests in equities, bonds, properties and in cash.

The Fund has now taken account of the national change to the Local Government Pension Scheme in Scotland such as the new career average revalued earning scheme (CARE) for future accruals.

The actuarial valuation states that assets held on the valuation date were sufficient to cover 80.1% (2017/18 86.05%) of accrued liabilities at that date.



## Notes to the Financial Statements (Cont'd)

### Note 12 – Defined Benefit Pension Schemes (Cont'd)

#### 2) Pension Assets and Liabilities (Cont'd)

##### Asset and Liability Matching Strategy (ALM) (Cont'd)

The principal actuarial assumptions used at the Balance Sheet date are as follows:

31/03/2018		31/03/2019
	<b>Long term expected return on assets</b>	
	2.4% Pension increase rate	2.5%
	3.6% Salary Increase rate	3.7%
	2.7% Discount rate	2.4%
	 <u>Mortality</u>	
	Based on these assumptions, the average future life expectancies at the age of 65 are:	
	21.4 Current pensioners – Men	21.4
	23.7 Current pensioners - Women	23.7
	23.4 Future pensioners – Men	23.4
	25.8 Future pensioners - Women	25.8

The above excludes any net pension liability that the council may have to contribute to in respect of the Joint Boards of Partnership for Transport and Valuation. These costs are shown within each Joint Board's Balance Sheet and the council may be required to make an increased constituent contribution in the years when the liability fails to be met.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### Sensitivity Analysis

In order to quantify the impact of a change in the financial assumptions used, the actuaries have calculated and compared the value of the scheme liabilities as at 31 March 2019 on varying bases. The approach taken is consistent with that adopted to derive at the IAS19 figures provided. To quantify the uncertainty around life expectancy, the actuaries have calculated the difference in cost to the employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3% to 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

The figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The estimation of defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity regarding the principal assumptions used to measure the schemes liabilities are set out below:

## Notes to the Financial Statements (Cont'd)

### Note 12 – Defined Benefit Pension Schemes (Cont'd)

#### 2) Pension Assets and Liabilities (Cont'd)

	Approximate % increase to Employer Liability	Approximate monetary Amount £000
Real Discount Rate (0.5% decrease )	10%	98,169
Salary Increase Rate (0.5% increase)	2%	17,532
Pension Increase Rate (0.5% increase)	8%	78,562

The total contribution expected to be made to the Local Government pension scheme for 2019/20 is £15.851m.

#### Note 13 – External Audit Costs

In 2018/19 the council incurred £0.263m (2017/18 £0.257m) in respect of its external audit services on behalf of the Council and £0.002m (2017/18 £0.002m) on behalf of the Trust Funds, undertaken in accordance with the Code of Audit Practice.

#### Note 14 – Expenditure and Funding Analysis

The analysis of income and expenditure on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are taken by the council on the basis of reports that are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement); and
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The service expenditure noted as 'net rechargeable to the General Fund and the HRA' can also be compared to the service spend noted in the council's revenue budget monitoring table in the Management Commentary, except where there are items in the Comprehensive Income and Expenditure Statement that are reported below the net cost of service line.

The council's income and expenditure as noted on the comprehensive income and expenditure statement analysis can also be given by nature of spend and is analysed as follows:

## Notes to the Financial Statements (Cont'd)

### Note 14 – Expenditure and Funding Analysis (Cont'd)

<b>Re-stated 2017/18 £000</b>		<b>2018/19 £000</b>
	<b>Expenditure</b>	
170,604	Employee benefits expenses	188,388
230,966	Other service expenses	238,741
3,766	Support service recharges	3,740
37,678	Depreciation, amortisation, impairment	47,315
24,770	Interest payments	23,112
2,481	Precepts and levies	2,459
595	Gain on the disposal of assets	3,351
<u>470,860</u>	<b>Total Expenditure</b>	<u>507,106</u>
	<b>Income</b>	
(215,873)	Fees, charges and other service income	(224,273)
(3,079)	Interest and investment income	(3,564)
(109,941)	Income from council tax and non-domestic rates	(112,617)
(117,334)	Government grants and contributions	(125,013)
<u>(446,227)</u>	<b>Total Income</b>	<u>(465,467)</u>
<u>24,633</u>	<b>(Surplus) / Deficit on the Provision of Services</b>	<u>41,639</u>

A further breakdown of fees, charges and other service income by segmental analysis is noted below:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
(51,114)	Corporate Services	(51,139)
(9,708)	Education	(9,858)
(14,535)	Infrastructure, Regeneration and Economic Development	(17,477)
(4,326)	Housing and Communities	(4,475)
(42,283)	Housing Revenue Account	(41,957)
(6,916)	Miscellaneous Services	(7,094)
(86,991)	Health and Social Care Partnership	(92,273)
<u>(215,873)</u>	<b>Total Fees, Charges and other service income</b>	<u>(224,273)</u>



## Notes to the Financial Statements (Cont'd)

### Note 14 – Expenditure and Funding Analysis (Cont'd)

The income and expenditure of the council's principal committee reporting structure recorded in the budget reports for the year is as follows:

<u>2017/18 (Restated)</u>			<u>2018/19</u>		
Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
22,036	5,277	27,313	19,756	4,619	24,375
74,711	18,507	93,218	81,585	21,481	103,066
30,900	10,680	41,580	31,348	18,046	49,394
3,159	1,856	5,015	4,311	655	4,966
(18,857)	10,030	(8,827)	(19,812)	10,496	(9,316)
1,750	1,022	2,772	792	9,348	10,140
59,596	6,474	66,070	63,230	6,626	69,856
2,481	0	2,481	2,459	0	2,459
<b>175,776</b>	<b>53,846</b>	<b>229,622</b>	<b>183,669</b>	<b>71,271</b>	<b>254,940</b>
0	595	595	0	3,362	3,362
(214,106)	(13,169)	(227,275)	(217,376)	(20,254)	(237,630)
39,460	(17,769)	21,691	42,622	(21,655)	20,967
<b>1,130</b>	<b>23,503</b>	<b>24,633</b>	<b>8,915</b>	<b>32,724</b>	<b>41,639</b>
(20,081)			(18,397)		
2,528			3,472		
(459)			5,443		
(385)			(3,122)		
<b>(18,397)</b>			<b>(12,604)</b>		

## Notes to the Financial Statements (Cont'd)

### Note 14 – Expenditure and Funding Analysis (Cont'd)

<u>2017/18 (Restated)</u>				<u>2018/19</u>			
Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000
2,710	2,567	0	<b>5,277</b>	1,879	2,740	0	<b>4,619</b>
16,408	2,643	(544)	<b>18,507</b>	18,503	2,478	500	<b>21,481</b>
7,684	2,996	0	<b>10,680</b>	15,695	2,351	0	<b>18,046</b>
0	1,856	0	<b>1,856</b>	13	642	0	<b>655</b>
9,428	589	13	<b>10,030</b>	9,944	584	(32)	<b>10,496</b>
2	909	111	<b>1,022</b>	(163)	9,938	(427)	<b>9,348</b>
1,447	5,027	0	<b>6,474</b>	1,532	5,094	0	<b>6,626</b>
0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>37,679</b>	<b>16,587</b>	<b>(420)</b>	<b>53,846</b>	<b>47,403</b>	<b>23,827</b>	<b>41</b>	<b>71,271</b>
595	0	0	<b>595</b>	3,362	0	0	<b>3,362</b>
(13,169)	0	0	<b>(13,169)</b>	(20,254)	0	0	<b>(20,254)</b>
(21,375)	3,549	57	<b>(17,769)</b>	(27,374)	5,727	(8)	<b>(21,655)</b>
<b>3,730</b>	<b>20,136</b>	<b>(363)</b>	<b>23,503</b>	<b>3,137</b>	<b>29,554</b>	<b>33</b>	<b>32,724</b>

Both the Movement in Reserves (page 37) and note 4 (page 45) total the adjustments between funding accounting basis and funding basis under regulations relating to the General Fund balance (£41.562m net deductions) and HRA balance (£8.838m net additions) and this matches the total adjustments above of £32.724m.

## Notes to the Financial Statements (Cont'd)

### Note 14 – Expenditure and Funding Analysis (Cont'd)

#### Adjustment for Capital Purposes

This column adds in depreciation, 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 revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- 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 receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is created with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### Net Change for the Pension Adjustments

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 employers contributions made by the council as allowed by statute and the replacement with current service costs and past service costs; and
- For *financing and investment income and expenditure*, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

#### Other Differences

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

- For *services* an adjustment is made for the accrual of holiday pay and other similar entitlements, this is required under generally accepted accounting principles but the impact on the General Fund and the HRA is mitigated by statute which allows the impact to be reversed out through the Movement in Reserves; and
- 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.



## Notes to the Financial Statements (Cont'd)

### Note 15 – Property, Plant and Equipment

#### 1) Movements in 2018/19

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
<b>Cost/Valuation at 1 April 2018</b>	<b>427,623</b>	<b>370,078</b>	<b>45,370</b>	<b>25,952</b>	<b>105,694</b>	<b>2,753</b>	<b>10,120</b>	<b>38,652</b>	<b>1,026,242</b>
Additions	20,083	10,060	201	1,273	8,245	793	98	30,501	71,254
Revaluations:									
- To Revaluation Reserve	17,461	15,431	(12)	0	0	0	1,355	800	35,035
- To Net cost of Service	0	(39,412)	0	0	0	0	0	0	(39,412)
Disposals	(2,603)	0	(39)	0	0	0	(55)	(295)	(2,992)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	(280)	0	(280)
Adjustments - assets at nil NBV	0	(4,294)	(403)	0	0	0	(1)	0	(4,698)
Adjustments - change in asset type	3,881	21,184	(391)	(1,698)	0	0	0	(24,674)	(1,698)
<b>As at 31 March 2019</b>	<b>466,445</b>	<b>373,047</b>	<b>44,726</b>	<b>25,527</b>	<b>113,939</b>	<b>3,546</b>	<b>11,237</b>	<b>44,984</b>	<b>1,083,451</b>
<b>Depreciation/Impairment at 1 April 2018</b>	<b>(36,573)</b>	<b>(57,562)</b>	<b>(880)</b>	<b>(13,843)</b>	<b>(43,681)</b>	<b>(1,566)</b>	<b>(71)</b>	<b>0</b>	<b>(154,176)</b>
Depreciation charge	(9,893)	(9,207)	(395)	(3,631)	(5,282)	0	(1)	0	(28,409)
Depreciation:									
- To Revaluation Reserve	0	17,399	12	0	0	0	(69)	0	17,342
- To Net Cost of Service	0	17,275	0	0	0	0	0	0	17,275
Impairments:									
- To Revaluation Reserve	(9,541)	(1,334)	0	0	0	0	(312)	0	(11,187)
- To Net Cost of Service	0	(2,597)	0	0	0	0	0	0	(2,597)
Disposals	0	0	0	0	0	0	0	0	0
Adjustments - assets at nil NBV	0	4,294	0	0	0	0	1	0	4,295
Adjustments - change in asset type	0	0	403	1,698	0	0	0	0	2,101
<b>As At 31 March 2019</b>	<b>(56,007)</b>	<b>(31,732)</b>	<b>(860)</b>	<b>(15,776)</b>	<b>(48,963)</b>	<b>(1,566)</b>	<b>(452)</b>	<b>0</b>	<b>(155,356)</b>
<b>Net Book Value at 31 March 2018</b>	<b>391,050</b>	<b>312,516</b>	<b>44,490</b>	<b>12,109</b>	<b>62,013</b>	<b>1,187</b>	<b>10,049</b>	<b>38,652</b>	<b>872,066</b>
<b>Net Book Value at 31 March 2019</b>	<b>410,438</b>	<b>341,315</b>	<b>43,866</b>	<b>9,751</b>	<b>64,976</b>	<b>1,980</b>	<b>10,785</b>	<b>44,984</b>	<b>928,095</b>

## Notes to the Financial Statements (Cont'd)

### Note 15 – Property, Plant and Equipment (Cont'd)

#### 2) Movements in 2017/18

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
<b>Cost/Valuation at 1 April 2017</b>	<b>403,535</b>	<b>427,482</b>	<b>48,770</b>	<b>50,374</b>	<b>102,852</b>	<b>2,340</b>	<b>10,780</b>	<b>28,671</b>	<b>1,074,804</b>
Additions	16,130	40,394	100	2,836	3,610	413	304	24,808	88,595
Revaluations:									
- To Revaluation Reserve	10,512	3,243	(1,714)	0	0	5	(40)	(291)	11,715
- To Net cost of Service	0	(7,249)	(440)	0	0	0	1,040	(155)	(6,804)
Disposals	(2,824)	(64)	(7)	0	0	(5)	(1,505)	0	(4,405)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	(244)	0	(244)
Adjustments - assets at nil NBV	0	(107,790)	(1,233)	(27,258)	(768)	0	(215)	(49)	(137,313)
Adjustments - change in asset type	270	14,062	(106)	0	0	0	0	(14,332)	(106)
<b>As at 31 March 2018</b>	<b>427,623</b>	<b>370,078</b>	<b>45,370</b>	<b>25,952</b>	<b>105,694</b>	<b>2,753</b>	<b>10,120</b>	<b>38,652</b>	<b>1,026,242</b>
<b>Depreciation/Impairment at 1 April 2017</b>	<b>(16,153)</b>	<b>(149,932)</b>	<b>(3,728)</b>	<b>(37,947)</b>	<b>(39,347)</b>	<b>(1,566)</b>	<b>(311)</b>	<b>(49)</b>	<b>(249,033)</b>
Depreciation charge	(9,376)	(14,367)	(407)	(3,154)	(5,102)	0	(6)	0	(32,412)
Depreciation:									
- To Revaluation Reserve	0	907	2,163	0	0	0	6	0	3,076
- To Net Cost of Service	0	98	233	0	0	0	0	0	331
Impairments:									
- To Revaluation Reserve	(11,044)	(2,942)	(261)	0	0	0	0	0	(14,247)
- To Net Cost of Service	0	884	(113)	0	0	0	25	0	796
Adjustments - assets at nil NBV	0	107,790	1,233	27,258	768	0	215	49	137,313
Adjustments - change in asset type	0	0	0	0	0	0	0	0	0
<b>As At 31 March 2018</b>	<b>(36,573)</b>	<b>(57,562)</b>	<b>(880)</b>	<b>(13,843)</b>	<b>(43,681)</b>	<b>(1,566)</b>	<b>(71)</b>	<b>0</b>	<b>(154,176)</b>
<b>Net Book Value at 31 March 2017</b>	<b>387,382</b>	<b>277,550</b>	<b>45,042</b>	<b>12,427</b>	<b>63,505</b>	<b>774</b>	<b>10,469</b>	<b>28,622</b>	<b>825,771</b>
<b>Net Book Value at 31 March 2018</b>	<b>391,050</b>	<b>312,516</b>	<b>44,490</b>	<b>12,109</b>	<b>62,013</b>	<b>1,187</b>	<b>10,049</b>	<b>38,652</b>	<b>872,066</b>

## Notes to the Financial Statements (Cont'd)

### Note 15 – Property, Plant and Equipment (Cont'd)

#### 3) Capital Commitments

As at 31 March 2019, the council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for non housing and housing projects in 2018/19 budgeted to cost £24.044m (2017/18 £14.313m) and £2.859m (2017/18 £0.839m) respectively. The main commitments are:

<b>General Services</b>	<b>£000</b>
Replace Elderly Care Homes and Day Care Centres	10,299
Queens Quay District Heating Network	4,898
Queens Quay	4,279
Local Economic Development & Regeneration - various projects	2,565
Dalmonach Community Centre / Early Learning Centre	1,542
Renton Campus (part of Schools Estate Improvement Plan)	899
Building Upgrades - various projects	886
Holm Park & Yoker Athletic FC	626
Environmental Improvement Fund - Mountblow Pitch	561
Office Rationalisation	313
Community Capital Fund - various playparks	252
New Levensale Primary School All Weather Pitch	221
Aitkenbar PS, St Peters PS, Andrew Cameron EE&CC	209
Integrated Housing Management System (General Services Element)	208
ICT Modernisation and Security	200
Exxon City Deal	150
<b>HRA</b>	<b>£000</b>
External Upgrades	2,242
Integrated Housing Management System (HRA Element)	288
Structural repairs	250



## Notes to the Financial Statements (Cont'd)

### Note 15 – Property, Plant and Equipment (Cont'd)

#### 4) PPP Assets Included in Property, Plant and Equipment

2017/18 £000	2018/19 £000
<b>Cost or Valuation</b>	
87,563 At 1 April 2018	87,563
<u>Revaluations</u>	
0 To Revaluation Reserve	2,264
0 Additions	0
<b>87,563 At 31 March 2019</b>	<b>89,827</b>
 <b>Accumulated Depreciation and Impairment</b>	
(15,274) At 1 April 2018	(19,504)
(4,230) Depreciation Charge	(2,392)
<u>Depreciation written out</u>	
0 To revaluation reserve	11,801
0 To NCS	5,218
<b>(19,504) At 31 March 2019</b>	<b>(4,877)</b>
<b>72,289 Opening Net Book value</b>	<b>68,059</b>
<b>68,059 Closing Net Book value</b>	<b>84,950</b>

- 5) The council measures its surplus assets at fair value at each reporting date (the council does not hold investment properties). The fair value of surplus assets have been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland. Market conditions are such that similar properties are marketed, purchased and sold actively and the level of observable inputs are sufficient, leading to the properties being categorised at Level 2 in the fair value hierarchy.

There were no transfers between Levels 1 and 2 during the year and there have been no changes in the valuation techniques used during the year for surplus assets

#### Note 16 – Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. computer software and/or software licences) is capitalised when it is expected that future economic or service benefits will flow from the asset to the council.

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased licences.

Where appropriate, the carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.009m charged to revenue in 2018/19 was charged to Information Services. The charge to Information Services is then absorbed as an overhead across all the service headings in the Net Cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on intangible asset during the year was as follows:

## Notes to the Financial Statements (Cont'd)

### Note 16 – Intangible Assets (cont'd)

2017/18 £000		2018/19 £000
	<b>Balance at 1 April 2018</b>	
346	Gross carrying amount	346
(317)	Accumulated amortisation	(327)
<u>29</u>	<b>Net carrying amount at start of year</b>	<u>19</u>
0	Acquisitions in year	200
(10)	Amortisation for period	(9)
<u>19</u>	<b>Net carrying amount at 31 March 2019</b>	<u>210</u>
	<b>Comprising:</b>	
346	Gross Carrying amounts	546
(327)	Accumulated amortisation	(336)
<u>19</u>		<u>210</u>

### Note 17 – Assets Held for Sale

Assets held for sale are those where the carrying amount will be recovered principally through a sale transaction rather than through continued use. Before an asset can be classified as held for sale, the following conditions must be met:

- the asset must be 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; and
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The council measures its non-current assets held for sale at fair value at each reporting date. The fair value of non-current assets held for sale have been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland. Market conditions are such that similar properties are marketed, purchased and sold actively and the level of observable inputs are sufficient, leading to the properties being categorised at Level 2 in the fair value hierarchy.

There were no transfers between Levels 1 and 2 during the year and there have been no changes in the valuation techniques used during the year for non-current assets held for sale.

The movement on assets held for sale during the year was as follows:

2017/18 £000		2018/19 £000
7,345	<b>Balance at 1 April 2018</b>	<b>9,069</b>
	Assets newly classified as held for sale:-	
244	Property, Plant and Equipment	280
(695)	Revaluation Losses	0
2,175	Revaluation Gains	121
	Disposals	(3,800)
0	Assets declassified as held for sale*	0
<u>9,069</u>	<b>As at 31 March 2019</b>	<u>5,670</u>

\*All assets values listed are in respect of Property, Plant and Equipment

## Notes to the Financial Statements (Cont'd)

### Note 18 - Heritage Assets

Heritage assets are both tangible and intangible assets with historic, artistic, scientific, technological, geographical or environmental qualities, which are held and maintained primarily for their contribution to knowledge and culture. The authority holds heritage assets of six main types:

- Models of Ships;
- Works of Art;
- Silver and Commemorative Ware;
- Civic Regalia (Robes and Chains);
- Sewing Machine Collections; and
- Listed Buildings and Scheduled Ancient Monuments.

The valuation of these assets held on the balance sheet as detailed below:

2017/18		2018/19
£000		£000
1,406	<b>Balance at 1 April 2018</b>	1,406
0	Additions/ Disposals / Newly Classified	0
<u>1,406</u>	<b>Balance at 31 March 2019</b>	<u>1,406</u>

The models of ships, works of art, silver and commemorative ware, civic regalia and sewing machine collections are the responsibility of the Libraries and Museums Service and accounts for approximately 90% of the overall collection with the remaining 10% being recorded and accessioned into the collection on a regular basis in line with museum accreditation. These works are held at the following locations:

- Collections Store, Poplar Road
- Collections Store, Stanford Street; and
- Clydebank Town Hall.

**Models of Ships** - include MV Rangitane, MV Essex and HMS Vanguard.

**Works of Art** - there are 474 paintings within the works of art collection.

**Civic Regalia** - predominately relates to the collection of provost robes and chains of office. It would be relatively rare for the authority to purchase, or dispose of, items of civic regalia.

**Sewing Machine Collection** - there are 813 sewing machines (of various models) included within the sewing machine collection.

**Listed Buildings and Scheduled Ancient Monuments** - the council holds and maintains listed buildings and ancient monuments of historic significance, many of which are tributes to the war dead. As well as memorial structures and buildings, the council maintains statues and fountains.

### Note 19 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and 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.



## Notes to the Financial Statements (Cont'd)

### Note 19 – Capital Expenditure and Capital Financing (Cont'd)

31-Mar-18 £000		31-Mar-19 £000
464,275	Opening Capital Financing Requirement	514,349
<b>Capital Investment</b>		
88,594	Property, Plant and Equipment	71,453
<u>88,594</u>		<u>71,453</u>
<b>Less Sources of Finance</b>		
3,810	Receipts from sale of assets	3,430
13,322	Government Grants and other Contributions	20,290
0	Transfer to capital fund	(3,430)
7,588	Revenue Contributions	13,349
13,800	Loan Fund Principal Repayments	14,031
<u>38,520</u>		<u>47,670</u>
<u>514,349</u>	Closing Capital Financing Requirement	<u>538,132</u>
<b>Movement in Capital Financing Requirement</b>		
0	Increase in Underlying Need to Borrow (Supported)	0
50,074	Increase in Underlying Need to Borrow (Unsupported)	23,783
<u>50,074</u>	<b>Movement in Capital Financing Requirement</b>	<u>23,783</u>

### Note 20 – Impairment Losses

Assets are assessed at the end of each financial year for evidence in impairment or a reduction in value. Where indications exist and any possible differences are estimated to be material, the recoverable amount on the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

During 2018/19, the council has recognised impairment losses of £18.249m (2017/18 £15.976m) relating to non-value adding enhancement of various assets. These impairment losses have been charged as appropriate within the Comprehensive Income and Expenditure Statement and the Revaluation Reserve.

### Note 21 – Private Finance Initiatives and Similar Contracts

#### Schools PPP Scheme and Long Term Liability (Design, Build, Finance and Maintain (DBFM) Scheme)

2018/19 was the tenth year of a thirty year public private partnership for provision of three secondary schools and one primary school in Clydebank and Alexandria. 2018/19 was the second year of a twenty-five year DBFM partnership for the provision of one secondary school in Dumbarton.

The council has rights to use the schools for core educational purposes between agreed hours. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The partnership agreement was for the design, build, finance and operation of the schools which means that the contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment need to operate the schools. When the agreement ends, after thirty years, unrestricted use and operation of the buildings will be handed back to the council at nil cost.

The Termination rights are in line with the market norms reflected in the Scottish Standard Schools Contract, as approved by the Scottish Government, prior to financial close.

## Notes to the Financial Statements (Cont'd)

### Note 21 – Private Finance Initiatives and Similar Contracts (Cont'd)

#### Property, Plant and Equipment

The school buildings are recognised on the council's balance sheet within property, plant and equipment balance. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 15.

#### Payments

The amounts payable to the PPP and DBFM operators each year is analysed into five elements:

- fair value of the services received during the year;
- finance cost – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during contract;
- payment towards the liability – applied to write down the Balance Sheet liability towards the PPP contractor; and
- lifecycle replacement costs – proportion of the amounts payable posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant work is carried out.

Payments remaining to be made under the PPP and DBFM contracts at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Repayment of Liability	Interest Charges	Operating Costs	Lifecycle Replacement	Total Unitary Payment
	£000	£000	£000	£000	£000
Less than 1 year	3,097	7,403	2,813	788	14,101
2-5 years	13,817	27,135	12,579	4,411	57,942
6-10 years	21,084	27,767	19,004	8,173	76,028
11-15 years	23,568	19,894	23,117	13,687	80,266
16-20 years	33,342	9,471	28,130	13,850	84,793
21-25 years	8,193	888	2,708	1,505	13,294
26-30 years	0	0	0	0	0
<b>PPP Contractual Liability as at 31.03.19</b>	<b>103,101</b>	<b>92,558</b>	<b>88,351</b>	<b>42,414</b>	<b>326,424</b>

Although the payments made to the contractor are described as unitary charge payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

2017/18	2018/19
£000	£000
84,316 Opening Balance	105,914
24,231 New Liabilities	0
(2,633) Repayments	(2,813)
<u>105,914</u> Closing Balance	<u>103,101</u>

## Notes to the Financial Statements (Cont'd)

### Note 22 – Debtors

2017/18 £000	2017/18 £000		2018/19 £000	2018/19 £000
		<b>Central government bodies</b>		
50		Grant Income	727	
3,409		VAT Recoverable	3,358	
<u>4,145</u>	7,604	Other Debtors	<u>5,664</u>	9,749
		613 Other local authorities		108
		10 NHS Bodies		2,035
		25 Public Corporations and trading funds		27
		<b>Other Entities and individuals</b>		
11,422		Arrears of local taxation	12,684	
<u>18,091</u>	<u>29,513</u>	Other Debtors	<u>20,982</u>	<u>33,666</u>
	<u>37,765</u>			<u>45,585</u>

### Note 23 - Common Good Fund

The council administers the Dumbarton Common Good Fund Account. The Fund is applied for the benefit of the people of Dumbarton. The figures below summarise the income and expenditure for the year as well as the assets and liabilities as at 31 March 2019. The fund does not represent assets of the council and has not been included within the Balance Sheet on page 38.

#### Income and Expenditure Account

2017/18 £000	Expenditure	2018/19 £000
141	Payments to Other Bodies	169
50	Denny Tank	50
<u>26</u>	General Expenditure	<u>25</u>
<u>217</u>		<u>244</u>
	<b>Income</b>	
(280)	Rent – Sites and Offices	(301)
(7)	Gain on Investments	(293)
(2)	Other Income	(3)
<u>(289)</u>		<u>(597)</u>
<u>(72)</u>	<b>Net (surplus)/deficit for year</b>	<u>(353)</u>
(65)	In Year Usable Gain	(60)
<u>(7)</u>	In Year Un-usable Gain	<u>(293)</u>
<u>(72)</u>		<u>(353)</u>
(344)	Balance brought forward	(409)
<u>(65)</u>	In Year Usable Gain	<u>(60)</u>
<u>(409)</u>	<b>Balance carried forward</b>	<u>(469)</u>



## Notes to the Financial Statements (Cont'd)

### Note 23 - Common Good Fund (Cont'd)

#### Balance Sheet as at 31 March 2019

2017/18		2018/19
£000	Fixed Assets	£000
3,194	Investment properties	3,487
	<b>Current Assets</b>	
414	Investments – West Dunbartonshire Council	516
	<b>Current Liabilities</b>	
(5)	Creditors falling due within one year	(47)
<u>3,603</u>	<b>Total assets</b>	<u>3,956</u>
	<b>Funds</b>	
3,194	Capital Adjustment Account	3,487
409	General Fund	469
<u>3,603</u>		<u>3,956</u>

### Note 24 – Trust Funds

The council acts as sole or custodian trustee for a number of trust funds, which may be used for various purposes depending on the terms of the Trust. In all cases, the funds do not represent assets of the council and they have not been included within the Balance Sheet on page 38. Under the provisions of the "2005 Act" and the "Accounts Regulations" above, all registered charities in Scotland are required to prepare financial statements which must be externally scrutinised. The trust funds below are registered, under one registration, with the Office of the Scottish Charity Regulator. Management has reviewed the current arrangements for the trust funds to ensure the current arrangements reflect the needs of the council and ensure that all obligations are met. Responsibility for the compliance with the new regulations was delegated to the Strategic Lead - Resources.

#### Receipts and Payments Account

Receipts	Payments	Deficit		Receipts	Payments	Deficit
£000	£000	£000		£000	£000	£000
(3)	0	(3)	<b>Dunbartonshire Educational Trust Scheme 1962</b>	(1)	0	(1)
			Endowments amalgamated to form trust			
0	0	0	<b>McAuley Prize for Mathematics</b>	0	0	0
			Provide prizes for those studying maths & computing			
(1)	7	6	<b>Alexander Cameron Bequest</b>	(1)	29	28
			To encourage and support one-off community activities in Clydebank			
0	1	1	<b>Dr A K Glen Fund</b>	0	1	1
			Provide outings for Pensioners resident in Dumbarton			
0	2	2	<b>Vale of Leven Fund</b>	0	4	4
			For the people of the Vale of Leven			
0	0	0	<b>UIE Award</b>	0	0	0
			For students studying apprenticeships or training in industry			
<u>(4)</u>	<u>10</u>	<u>6</u>	<b>Total</b>	<u>(2)</u>	<u>34</u>	<u>32</u>

## Notes to the Financial Statements (Cont'd)

### Note 24 – Trust Funds (Cont'd)

#### Statement of Balances as at 31 March 2019

	Balance as at 1/4/18 £000	(Surplus)/deficit for year £000	Balance as at 31/3/19 £000
<b>Bank and Cash</b>			
Dunbartonshire Educational Trust Scheme 1962	(89)	(1)	(90)
McAuley Prize for Mathematics	(21)	0	(21)
Alexander Cameron Bequest	(150)	28	(122)
Dr A K Glen Fund	(25)	1	(24)
Vale of Leven Fund	(6)	4	(2)
UIE Award	(24)	0	(24)
<b>Total</b>	<b>(315)</b>	<b>32</b>	<b>(283)</b>

The Trust Funds hold no liabilities.

### Note 25 – Net 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 date of acquisition and that are readily convertible to known cash amounts, with insignificant risk of change of value. The investments comprise solely of short term lending of surplus funds to a limited number of pre-approved UK banks and other local authorities. All deposits are held in sterling. The carrying amount is the outstanding principal receivable. Bank balances are included in the Balance Sheet at the closing balance in the council's ledger and include cheques payable not yet cashed.

Cash and Cash Equivalents	31-Mar-18 £000	Movement £000	31-Mar-19 £000
Bank Current Account	(1,664)	346	(1,318)
Short term deposits with UK banks	24,006	(9,943)	14,063
<b>Total Cash and Cash equivalents</b>	<b>22,342</b>	<b>(9,597)</b>	<b>12,745</b>

### Note 26 – Financial Instruments

#### 1) Types of Financial Instrument

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments":

## Notes to the Financial Statements (Cont'd)

### Note 26 – Financial Instruments (cont'd)

#### 1) Types of Financial Instrument (cont'd)

	Long-term		Current	
	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
<b>Debtors</b>				
Loans and receivables	34	27	54,614	49,729
<b>Borrowing</b>				
Financial liabilities at amortised cost	260,000	231,084	175,550	218,458
<b>Other long term liabilities</b>				
PPP and finance leases	103,201	100,005	2,713	3,097
<b>Creditors</b>				
Financial liabilities at contract amount	0	0	34,196	46,899

The council does not have any of the following types of investments or borrowings:

- available for sale financial assets;
- unquoted equity investments at cost;
- financial assets at fair value through profit and loss; or
- financial liabilities at fair value through profit and loss.

The council has considered the Code requirements for accounting for financial instruments and the following events have not taken place in 2018/19:

- reclassification of financial assets carrying value between fair value and amortised cost;
- transfer of financial assets where part or all of the financial assets does not qualify for de-recognition;
- pledging of financial assets as collateral or liabilities or contingent liabilities, as a result no carrying or fair value exists;
- recording of impairment losses in a separate account which would require a reconciliation of changes during the year;
- default on any loans payable during 2018/19;
- breaches of long term loan agreements resulting in the liability being classed as current; or
- offsetting of financial assets and liabilities where a legally enforceable right exists and intent to settle is on net basis.

The council has considered the Code requirements for accounting for financial instruments and the following disclosures are consistent with the Code:

- current liabilities are recognised as such even if refinanced post balance sheet or original term greater than twelve months; and
- if the council has the discretion (contractually) and expects to roll forward current liabilities for over twelve months, then the obligation can be treated as long term.

#### 2) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) and are carried in the Balance Sheet at amortised cost. Fair values have been calculated with reference to the following:



## Notes to the Financial Statements (Cont'd)

### Note 26 – Financial Instruments (Cont'd)

#### 2) Fair Value of Assets and Liabilities carried at Amortised Cost (cont'd)

##### Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2018 have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- Non-PWLB loans (Level 2) - For non-PWLB loans payable, the fair value of market loans are calculated using estimated interest rates of 1.29% which is the average discount rate applied to market loans for calculation of premature repayment. The fair value of local council loans are calculated using estimated interest rates of 0.82% which is the average discount rate applied to local council loans for calculation of premature repayment. Discount rates have been applied to provide the fair value under PWLB debt redemption procedures.
- PFI/Finance leases (Level 3) – These are not the liability of the council as the debt is held by the PFI/lease provider. Fair value have been calculated at level 3 on a simple proxy basis. The same NPV methodology has been applied as for PWLB and non-PWLB debt.

##### Financial Assets

- Fixed or variable short term deposits of less than a year (including MMF's) – Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

##### Policy Type Assets

- Long term debtors – Level 2.

##### Creditors

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

##### Transfers between Levels of the Fair Value Hierarchy

- There were no transfers between input levels 1 and 2 or transfers in or out of level 3 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:

31-Mar-18		31-Mar-19	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000 Debtors	£000	£000
54,648	54,648	49,756	49,756
	Loans and Receivables		

The fair value is equal to the carrying amount because all loans and receivables are either short term or at a fixed interest rate or a variable rate linked to base rate without significant transaction costs. The council does not hold any equity investments in an unquoted market and, therefore, this type of investment is excluded from the above table.

## Notes to the Financial Statements (Cont'd)

### Note 26 – Financial Instruments (Cont'd)

#### 2) Fair Value of Assets and Liabilities carried at Amortised Cost (cont'd)

31-Mar-18			31-Mar-19	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		<b>Borrowing</b>		
435,550	606,412	Financial liabilities	449,543	607,924
		<b>Other Long Term Liabilities</b>		
105,914	185,010	PPP and Finance Lease Liabilities	103,101	184,291
		<b>Creditors</b>		
34,196	34,196	Financial liabilities at contract amount	46,899	46,899

The fair value is higher 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 at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of borrowings and PPP liabilities as at 31 March 2019 are comparable to 2018 reflecting a fairly static market.

A further breakdown of types of borrowing held by the Council as at 31 March 2019 is noted below:

31-Mar-18				31-Mar-19		
Principal outstanding £000	Accrued interest / EIR adjustment £000	Carrying amount £000		Principal outstanding £000	Accrued interest / EIR adjustment £000	Carrying amount £000
13,060	1,308	14,368	PWLB	10,302	1,125	11,427
0	878	878	Mortgage loans	0	816	816
152,500	426	152,926	Local Authority	200,500	438	200,938
2,713		2,713	PPP	3,097	0	3,097
1,418	31	1,449	Other	1,162	27	1,189
<b>169,691</b>	<b>2,643</b>	<b>172,334</b>	<b>Short Term Loans</b>	<b>215,061</b>	<b>2,406</b>	<b>217,467</b>
145,713	0	145,713	PWLB	145,774	0	145,774
87,600	1,687	89,287	Mortgage loans	77,600	1,680	79,280
25,000	0	25,000	Local Authority	5,000	0	5,000
0	0	0	Other	1,031	0	1,031
<b>258,313</b>	<b>1,687</b>	<b>260,000</b>	<b>Long Term Loans</b>	<b>229,405</b>	<b>1,680</b>	<b>231,085</b>

#### 3) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

## Notes to the Financial Statements (Cont'd)

### Note 26 – Financial Instruments (Cont'd)

#### 3) Gains and Losses on Financial Instruments (Cont'd)

	31-Mar-18			31-Mar-19		
	Financial Assets: Loans & receivables £000	Financial Liabilities: amortised cost £000	Total £000	Financial Assets: Loans & receivables £000	Financial Liabilities: amortised cost £000	Total £000
Interest (Investment)	320	0	320	330		330
Interest payable and similar charges						
Interest/expense*	0	(19,268)	(19,268)	0	(19,359)	(19,359)
Loss on de-recognition	0	(58)	(58)	0	(8)	(8)
<b>Net (Gain)/loss in year</b>	<b>0</b>	<b>(19,326)</b>	<b>(19,326)</b>	<b>0</b>	<b>(19,367)</b>	<b>(19,367)</b>

\* Interest/Expense has been calculated on an EIR basis where appropriate for market instruments.

There has been no gain/loss on either of the following classes of financial instruments, as the council does not own them:

- available for sale financial assets; and
- financial assets or liabilities at a fair value through profit and loss.

#### 4) Nature and Extent of Risks arising from Financial Instruments

The council's management of treasury risks actively works to minimise the council's exposure to the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. During 2018/19 these required the council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and the Local Government Investments (Scotland) Regulations 2010. Overall these procedures require the council to manage risk in the following ways:

- (i) by formally adopting the requirements of the Code of Practice;
- (ii) by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders;
- (iii) by approving annually in advance prudential and treasury indicators for the following three years in limiting:
  - The council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures regarding the maturity structure of debt; and
  - Its maximum annual exposure to investments maturing beyond a year.
- (iv) by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment.

These are required to be reported and approved prior to the start of the year to which they relate. These items are reported with 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 reported to Members to assess the effectiveness of controls established.

The 2018/19 annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 5 March 2018 and is available on the council website. The key issues within the strategy were:

- the authorised limit for 2018/19 was set by Council at that meeting at £637.911m and updated during the year to £650.445m. This is the maximum limit of external borrowing;
- the operational boundary was expected to be £584.752m when reported to Council at that meeting and updated during the year to £596.241m. This is the expected level of debt during the year;



## Notes to the Financial Statements (Cont'd)

### Note 26 – Financial Instruments (Cont'd)

#### 4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

- the maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the council's net debt; and
- the maximum exposures to the maturity structure of debt is detailed with refinancing and maturity risk.

The council has fully adopted all required CIPFA Codes and statutory regulation currently in force, and maintains written principles for overall risk management, as well as written policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing/maturity risk and market risk.

#### Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. It is the policy of the council to place deposits only with a limited number of pre approved UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The council's maximum exposure to credit risk in relation to investments in banks and building societies of £19.405m cannot be assessed on a general basis as the risk of any institution failing to make interest payments or repay principle sums is specific to each individual institution, however, recent experience has shown that the institutions invested in at the year end are unlikely to default on their commitments. A risk of irrecoverability applies to all of the council's deposits but there was no evidence at 31 March 2019 that this was likely to happen.

The following analysis summarises the council's maximum exposure to credit risk on other financial assets, based on past experience and current market conditions.

	Amount at 31.03.19 £000	Historical experience of non- payment adjusted for market conditions at 31.03.19 %	Estimated maximum exposure to default and uncollectibility £000
Customers and other income	34,341	4.36%	1,414

The council does not hold any of the following in relation to financial assets:

- collateral as security in case of default of investment; or
- financial assets that would otherwise be past due or impaired but have been renegotiated.

The council does not generally allow credit for customers, however currently £11.792m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	2,798
Three to six months	1,243
Six months to one year	1,359
More than one year	6,392
	<u>11,792</u>

Provisions are made in accordance with Code Guidance, whereby a judgement is made regarding the probability of collection for each category of debt. This judgement is based upon the past experience of collecting each category of debt to calculate the appropriate percentage of each debt that may not be eventually recovered.

## Notes to the Financial Statements (Cont'd)

### Note 26 – Financial Instruments (Cont'd)

#### 4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

No financial assets have been individually determined to be impaired and no collateral is held on past due or impaired financial assets, therefore the council has not obtained financial or non financial assets during the financial year by taking possession of any collateral or calling on other credit enhancements.

#### Liquidity risk

The council manages its liquidity position through the risk management procedures noted above (i.e. the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow forecast management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to borrowing from the Money Markets to cover any day to day cash flow need if required. The council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient funds are raised to cover annual expenditure. There is, therefore, no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

#### Refinancing and Maturity Risk

The council maintains a significant debt portfolio and whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial liabilities.

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this risk 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 as appropriate through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the council's day to day cash flow needs.

The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. No more than 50% of borrowings are due to mature within any financial year or within any rolling five-year period.

The maturity analysis of financial liabilities is as follows:

	<b>Creditors</b>	<b>PPP</b>	<b>Borrowing</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Less than one year	46,899	3,096	218,459	268,454
Between one and two years	0	3,605	14,499	18,104
Between two and five years	0	10,212	11,575	21,787
More than five years	0	86,188	205,010	291,198
	<b>46,899</b>	<b>103,101</b>	<b>449,543</b>	<b>599,543</b>

## Notes to the Financial Statements (Cont'd)

### Note 26– Financial Instruments (Cont'd)

#### 4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

##### Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charges on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional “fair value” of lending and borrowing. For example, a rise in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the council:

- it is the policy of the council to limit its exposure to variable rate borrowing to a maximum of 50% of what it borrows;
- during periods of falling rates and where it is economically advantageous to do so, the council will consider the repayment and restructuring of fixed interest rate debt;
- the council takes advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructurings of existing borrowings; and
- any potential for a financial impact on the council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the council receives for “loan charges”.

The interest rate profile of the council's borrowing is as follows:

	<b>£000</b>	<b>%</b>
Fixed Interest Debt	444,848	99.0%
Variable Interest Debt	4,695	1.0%
	<b>449,543</b>	

To illustrate the impact of changes in interest rates upon the council, the following table shows the financial effect if rates had been 1% higher at 31 March 2019, with all other variables held constant:

	<b>£000</b>
<b>Impact on tax payers and rent payers</b>	
Increase on interest payable on variable debt borrowings	1
Increase in interest receivable on variable rate investments	(195)
Increase in government grant receivable for 'loan charges'	(53)
Impact on Income and Expenditure Account	(247)
Share of overall impact due credited to the HRA	(108)
<b>Other accounting presentational changes</b>	
Decrease in fair value of fixed rate investments:	0
Decrease in fair value of fixed rate debt borrowings (disclosure confined to notes to the core financial statements)	(95,104)

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



## Notes to the Financial Statements (Cont'd)

### Note 26– Financial Instruments (Cont'd)

#### 4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

##### Foreign Exchange Risk

The council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

### Note 27 – Creditors

2017/18 £000	2018/19 £000
4,797 Central government bodies	9,371
9,080 Other local authorities	10,425
1,627 NHS Bodies	219
12 Public Corporations and trading funds	0
18,680 Other Entities and individuals	26,884
<b>34,196</b>	<b>46,899</b>

### Note 28 – Provisions

	Equal Pay £000	VER/VS £000	Total £000
<b>Opening Provision</b>	317	153	470
Contributions in year	0	118	118
Amounts utilised in year	(84)	(153)	(237)
Unutilised amounts reversed in year	0	0	0
<b>Closing Position</b>	<b>233</b>	<b>118</b>	<b>351</b>

**Equal pay claims and single status payments**– The council has implemented a Single Status pay structure. This provision is held for possible future equal pay claims through outstanding tribunal cases and revised gradings from the new pay structure.

**VER/VS (Voluntary Early Retirement / Voluntary Severance)** – This provision was held for known staff accepting a severance or early retiral package with a view to leaving in 2019/20.

### Note 29 – General Fund and HRA – Reserves and Earmarked Balances

The council holds reserves on the Balance Sheet in respect of General Fund and HRA brought forward surpluses:

- (1) The General Fund balance stands at £10.998m on 31 March 2019, of which £6.170m is earmarked for ringfenced purposes, leaving an unearmarked balance of £4.828m (prudential target £4.192m).

The main earmarked income held for future specific purposes:

## Notes to the Financial Statements (Cont'd)

### Note 29 – General Fund and HRA – Reserves and Earmarked Balances (Cont'd)

	<b>£000</b>
Change Fund	2,649
Apprenticeship fund	862
PEF	115
Business Gateway	214
2019/20 Budget	258
Jobs Growth	157
Food 4 Thought	200
Rape Crisis	140
Holiday Hunger Fund	400
Year of Young People Legacy Fund	500
Other Committed Spend (> £0.100m)	675
	<b>6,170</b>

(2) The HRA balance is currently £1.606m as at 31 March 2019, of which £0.756m is earmarked for ring fenced purposes, leaving an unearmarked balance of £0.850m.

The earmarked balance held for future specific purposes is:-

	<b>£000</b>
Regeneration of the stock	256
Welfare Reform	500
	<b>756</b>

### Note 30 – Other Reserves

Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure is financed from a reserve, it is charged to the appropriate service to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserve Statement so that there is no net effect on council tax.

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.

#### Usable reserves

Usable reserves are those that the council is able to apply to fund expenditure or reduce taxation and comprise of both capital and revenue reserves. Movement in the revenue reserves during the year are outlined in the Movement in Reserves Statement, however, a summary is shown below:

<b>31-Mar-18</b>	<b>31-Mar-19</b>
<b>£000</b>	<b>£000</b>
10,975 General Services	10,998
7,422 Housing Revenue Account	1,606
0 Capital Receipts Reserve	0
314 Capital Grants Unapplied	278
3,269 Capital Reserve	2,847
478 Other Reserves	362
<b>22,458 Total Usable Reserves</b>	<b>16,091</b>

## Notes to the Financial Statements (Cont'd)

### Note 30 – Other Reserves (Cont'd)

#### General Fund Revenue Reserve

The General Fund is held for services provided by the council through Revenue Support Grant funded through the Scottish Government and council tax. It excludes the Housing Revenue Account. This reserve holds funds not yet spent.

#### Housing Revenue Account Revenue Reserve

The council is required by the Local Government and Housing Act (Scotland) 1987 to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. This reserve holds funds not yet spent.

#### Capital Receipts Reserves

Capital receipts from asset sales are retained within this Reserve and used to fund planned capital expenditure.

#### Capital Grant Unapplied Reserve

Grants and other contributions given to the council are retained within this Reserve until all conditions agreed by the grant provider are satisfied.

#### Capital Items Replacement Fund (Other)

This reserve holds funds which are retained and used for the renewal or repair of school non-current assets.

#### Capital Reserve

This reserve holds funds which are retained for the funding of the Public Private Partnership (PPP) unitary charge for schools regeneration on a specific annual phased amount (also known as the Schools Regeneration Sinking Fund).

#### Unusable reserves

Unusable reserves are those that the council is not able to utilise to provide services and comprise of:-

31-Mar-18	31-Mar-19
£000	£000
239,753 Capital Adjustment Account	243,308
128,492 Revaluation Reserve	153,968
(126,199) Pension Reserve	(205,215)
(3,239) Employee Statutory Adjustment Account	(3,280)
(14,510) Financial Instruments Adjustment Account	(13,894)
<b>224,297 Total Unusable Reserves</b>	<b>174,887</b>

#### Capital Adjustment Account

The capital adjustment account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings to the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. The movement in reserve statement provides detail of the source of all the transactions posted to the account.



## Notes to the Financial Statements (Cont'd)

### Note 30 – Other Reserves (Cont'd)

#### Capital Adjustment Account (Cont'd)

2017/2018 £000	2018/2019 £000
232,656 Opening Balance	239,753
(32,422) Depreciation	(28,420)
(7,465) Impairment	(23,096)
9,712 Increase in Depreciation Caused by Revaluation	9,972
2,208 Deficit/Surplus on Revaluations	4,112
(107) Assets That Should Have been Deleted	0
1,069 Write off Revaluation Reserve Balance re Disposals	114
(4,405) Disposal of Fixed Assets	(6,791)
13,322 Government Grants Applied	20,290
7,585 Capital Financed by Current Revenue	13,349
13,790 Long Term Debt Payment	14,025
3,810 Capital Receipts Applied	0
<u>239,753 Closing Balance</u>	<u>243,308</u>

#### Revaluation Reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2017/2018 £000	2018/2019 £000
137,666 Opening Balance	128,492
19,291 Unrealised Gains on Revaluation of Assets	53,226
(17,684) Impairments and Losses on Revaluation of Assets	(17,664)
(1,069) Write off Revaluation Reserve Balance re Disposals	(114)
(9,712) Depreciation due to Revaluation of Assets	(9,972)
<u>128,492 Closing Balance</u>	<u>153,968</u>

#### Pension Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the comprehensive income and expenditure as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements requires benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible.

## Notes to the Financial Statements (Cont'd)

### Note 30 – Other Reserves (Cont'd)

#### Pension Reserve (Cont'd)

The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/2018 £000	2018/2019 £000
(240,926) Opening Balance	(126,199)
134,863 Actuarial (Loss)/Gain	(49,463)
19,560 Employer Contributions	19,074
(39,696) Reversal of IAS19 Entries	(48,627)
<u>(126,199) Closing Balance</u>	<u>(205,215)</u>

#### Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from this account.

2017/2018 £000	2018/2019 £000
(3,658) Opening Balance	(3,239)
419 Staff Accrual Movement	(41)
<u>(3,239) Closing Balance</u>	<u>(3,280)</u>

#### Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account as at 31 March 2019 will be charged to the General Fund over the next thirty-nine years.

2017/2018 £000	2018/2019 £000
(15,392) Opening Balance	(14,510)
846 Annual Write off of Premiums and Discounts	851
0 New Premiums and Discounts	(243)
Annual EIR Adjustment to Stepped Interest Instruments	8
<u>(14,510) Closing Balance</u>	<u>(13,894)</u>

## **Notes to the Financial Statements (Cont'd)**

### **Note 31 – Contingent Assets or Liabilities**

A contingent asset arises where an event has taken place that gives the council a possible asset 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 are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

A contingent 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 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 liabilities are not recognised in the Balance Sheet but are disclosed as a note to the accounts, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The council has a residual contingent liability relating to those workers who have yet to settle their pay protection claims.

Additionally, the council has a potential contingent liability relating to paid holiday entitlement. UK employers are bound by employment law in relation to the definition of paid holiday entitlement. Case law has clarified that all pay elements intrinsically linked to the performance of a contract of employment should be included in the calculation of holiday pay, including payments made for additional working. The council adjusted the method of calculation in August 2014 (backdated in line with the leave year to April) and has included on-going costs within the long term financial strategy. The legal position remains subject to challenge however, given the action taken, any potential claim by employees for any retrospective payments is likely to be minimal. As a result, whilst recognising there may be such a requirement, it is not possible to quantify such.

The council is not aware of any other contingent assets or liabilities which may be outstanding.

### **Note 32 – Financial Guarantee**

In terms of West Dunbartonshire Leisure Trust's admission to the Strathclyde Pension Scheme, the council has guaranteed to accept liability for any unfunded pension costs should they cease to exist, withdraw from the Scheme or become unable to meet any unfunded liability. The council has not quantified the possible liability.



## Movement on the Housing Revenue Account Statement

This statement shows the movement in the year on the housing revenue account reserve. The surplus or (deficit) on the housing revenue account income and expenditure statement is reconciled to the surplus or deficit for the year on the housing revenue account balance, calculated in accordance with the Housing (Scotland) Act 1987.

Re-stated 2017/18 £000	2018/19 £000	2018/19 £000
<b>(6,963) Balance on the Housing Revenue Account at the End of the Previous Year (1)</b>		<b>(7,422)</b>
<b>(7,104) Total Comprehensive Income and Expenditure (2)</b>		<b>(3,395)</b>
(588) Pension Scheme Adjustments	(584)	
(26) Financial Instruments Adjustment	4	
(13) Holiday Pay Adjustment	32	
Reversal of entries included in the Surplus/Deficit on the Provision of Services in (5,885) relation to capital expenditure	(7,648)	
<b>(6,512) Adjustments to the revenue resource (3)</b>	<b>(8,196)</b>	
(203) Net gain or loss on sale of non-current assets	(2,603)	
5,960 Statutory Repayment of Debt (Loans Fund Advances)	6,288	
6,969 CFCR	13,349	
<b>12,726 Adjustments between Revenue and Capital Resources (4)</b>	<b>17,034</b>	
<b>6,214 Total Statutory Adjustments (5)=(3)+(4)</b>		<b>8,838</b>
431 Transfers (to)/from Other Statutory Reserves (6)		373
<b>(459) (Increase)/Decrease in Year (7)=(2)+(5)+(6)</b>		<b>5,816</b>
<b>Balance on the Housing Revenue Account at the end of the Current Year (7,422) (8)=(1)+(7)</b>		<b>(1,606)</b>

## Housing Revenue Account Income and Expenditure Statement

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. The council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

It should be noted that due to a change in Accounting Practice from 2018/19 onwards, the layout of for sundry bad debt provisions is shown within the 'impairment loss – debtors' below the Net Cost of Service section of the Comprehensive Income and Expenditure Statement. There was no requirement to re-state the relevant figures in 2017/18 for this change.

<b>Re-stated 2017/18 £000</b>		<b>2018/19 £000</b>	<b>2018/19 £000</b>
	<b>Income</b>		
(39,123)	Dwelling Rents (net of voids)	(40,118)	
(286)	Other Rents	(264)	
(2,874)	Other Income	(1,575)	
<u>(42,283)</u>			<u>(41,957)</u>
	<b>Expenditure</b>		
11,968	Repairs and Maintenance	12,221	
10,790	Supervision and Management	10,105	
9,428	Depreciation and Impairment	9,944	
883	Bad/Doubtful Debts	0	
387	Other Expenditure	371	
<u>33,456</u>			<u>32,641</u>
<u>(8,827)</u>	<b>Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement</b>		<u>(9,316)</u>
	<b>HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement</b>		
(3,543)	Recognised Capital Income (Grants, Contributions and Donations)	(2,297)	
203	Gain or Loss on the Sale of HRA Non Current Assets	2,603	
5,151	Interest Payable and Similar Charges	5,142	
0	Amortisation of Premiums and Discounts	2	
0	Impairment Loss - Debtors	619	
(88)	HRA Interest and Investment Income	(148)	
<u>1,723</u>			<u>5,921</u>
<u>(7,104)</u>	<b>(Surplus)/Deficit for the year on HRA Services</b>		<u>(3,395)</u>

## Notes to the Housing Revenue Account Income and Expenditure Statement

### Note 1 - The number and types of dwellings in the council's stock

The council was responsible for managing 10,397 dwellings during 2018/19 (10,457 in 2017/18). The following shows an analysis of these dwellings by type.

Number at 31.03.18	2017/18 Average weekly rent £	Type of Dwelling	Number at 31.03.19	2018/19 Average weekly rent £
2,719	71.84	Two-apartment	2,734	74.98
4,792	74.34	Three-apartment	4,754	77.21
2,628	79.84	Four-apartment	2,590	82.05
311	86.02	Five-apartment	312	87.91
2	88.75	Six-apartment	2	90.52
1	80.83	Seven-apartment	1	82.45
2	88.75	Eight-apartment	2	90.52
2	88.75	Nine-apartment	2	90.52
<b>10,457</b>	<b>Total</b>		<b>10,397</b>	

### Note 2 – Dwelling Rents

The £40.118m noted in the Income and Expenditure Statement is the total rental income less voids chargeable for the year of £0.560m (£0.693m in 2017/18). It excludes irrecoverables and bad debts. Average rents were £78.18 per week in 2018/19 (£75.35 per week in 2017/18).

### Note 3 –Other Rents

This is the total income received from travelling person site rentals, lock-ups and shops less voids chargeable for the year, but excludes irrecoverables and bad debts. Lost rents from lock-ups in 2018/19 were £0.079m (£0.076m in 2017/18).

### Note 4 - Rent arrears

As at 31 March 2019, total rent arrears amounted to £3.519m (£3.468m as at 31 March 2018). This is 8.74% of the total value of rents due at 31 March 2019. It should be noted that the total arrears do not all relate to 2018/19 and the year on year movement in value of arrears is an increase of £0.051m.

### Note 5 - Provision for Bad Debts

In the financial year 2018/19, the rental bad debt provision has been increased by £0.041m (£0.443m increase 2017/18). The provision to cover loss of rental income stands at £2.509m as at 31 March 2019 – equivalent of 71.31% (71.18% 2017/18) of the total value of rents due at that date.



## Council Tax Account

### Council Taxpayers: £33.805m (2017/18 £32.607m)

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. 2018/19 represents the sixth year of operation of the Council Tax Reduction Scheme in Scotland. The Council Tax Reduction Scheme represents a new discount introduced across Scotland following the abolition of Council Tax Benefits as part of the UK government's welfare reform programme. The resultant total net income within the Council Tax Account is transferred to the Comprehensive Income and Expenditure Statement.

2017/18 £000		2018/19 £000
47,828	Gross council tax	49,494
	Less:	
(8,429)	Council Tax Reduction Scheme Discount*	(8,573)
(5,702)	Other discounts and reductions	(6,148)
(840)	Provision for bad and doubtful debts	(853)
(250)	Adjustments for prior years	(115)
<u>32,607</u>	<b>Transfer to General Fund</b>	<u>33,805</u>

#### The calculation of the council tax base

Band	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	CTRS Discount	Total Dwellings	Ratio to Band D	Band D Equivalent
A(Disabled)	0	0	26	12	0	13	32	200/360	18
Band A	7,897	531	38	4,512	142	3,377	9,349	240/360	6,233
Band B	16,826	536	(9)	7,822	153	5,399	19,319	280/360	15,026
Band C	7,509	181	(5)	2,880	54	1,701	8,208	320/360	7,296
Band D	5,908	101	19	1,795	31	595	5,933	360/360	5,933
Band E	4,580	48	(49)	975	16	198	4,401	473/360	5,378
Band F	1,682	12	(9)	215	10	41	1,640	585/360	2,369
Band G	796	8	(10)	103	5	22	766	705/360	1,276
Band H	66	1	(1)	4	6	0	62	882/360	123
<b>Total</b>									<b>43,652</b>
Provision for bad debt									<b>(712)</b>
<b>Council Tax Base</b>									<b>42,940</b>

#### The nature and actual amount of each charge fixed

Gross Charges	2017/18 £ per year	2018/19 £ per year
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 charge is then decreased/increased dependent on the band. The band D charge for 2018/19 was £1,197.89.		
	775 Band A	798.59
	905 Band B	931.69
	1,034 Band C	1,064.79
	1,163 Band D	1,197.89
	1,528 Band E	1,573.89
	1,890 Band F	1,946.57
	2,278 Band G	2,345.87
	2,849 Band H	2,934.83

#### Discounts, Reliefs and Exemptions

A council tax bill is reduced by 25% where a property has only one occupant or 50% where the property is empty. For council tax purposes certain students are not regarded as occupants. Certain properties may also qualify for relief if the property has been adapted for a disabled person. Properties undergoing major renovation or held pending demolition may be awarded exemption from council tax.

\*Council Tax Benefit has been replaced by Revenue Support Grant received from the Scottish Government. The result of which has been to reduce the Council Tax Income due by use of a Council Tax Discount Mechanism.

## Non Domestic Rates Account

### Non-Domestic Rates Income £78.812m (2017/18 £77.334m)

The Non Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non Domestic Rates account. The statement shows the gross income from the rates and deductions made under Statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

Non-Domestic Rates are pooled for Scotland as a whole and redistributed to authorities on a basis which reflects population. West Dunbartonshire Council received £78.812m (2017/18 £77.334m) from the national pool. West Dunbartonshire Council's allocation from the pool now reflects the council's duty to collect Scottish Gas utilities on behalf of all Scottish councils and this equates to £55.458m in year (£53.923m 2017/18). The council's Revenue Support Grant has been adjusted to compensate for this change. In 2012/13 the Scottish Government introduced Business Rates Incentivisation Scheme (BRIS), to incentivise councils to grow their potential business rates tax base and as a result increase rates income, a proportion of which is to be retained by councils. Following a review of the original BRIS by a joint Scottish Government/COSLA Review Group the original scheme was suspended and a revised scheme was introduced in 2014/15. The amount of revised BRIS local targets will be linked only to the buoyancy element of the total estimated NDRI for any one year. This ensures that each council will have the ability to influence their own local tax base. Local provision target for 2018/19 was 1.8% and indications suggest the council is not due any additional income for the year.

The amount deemed to be collected locally was £80.558m (2017/18 £82.419m). The sum actually collected locally and contributed to the pool was £83.046m (2017/18 £81.268m), made up as follows:

2017/18 £000		2018/19 £000
91,604	Gross rates levied	94,260
	<u>Less:</u>	
(8,438)	Reliefs and other deductions	(9,480)
(916)	Provision for bad and doubtful debts	(943)
<u>82,250</u>	Net non-domestic rate income	<u>83,837</u>
(982)	Adjustments for prior years	(791)
<u>81,268</u>	Total Non Domestic Rate Income (before retention)	<u>83,046</u>
0	Non Domestic Rate Income Retained by the Council (BRIS)	0
<u>81,268</u>	<b>Contribution to National Non Domestic Rate Pool</b>	<u>83,046</u>
77,334	Distribution from National Non Domestic Rate Pool	78,812
<u>3,934</u>	<b>Net contribution to/(from) National Non Domestic Rate Pool</b>	<u>4,234</u>
	 <b>Net Non Domestic Rate Income to Comprehensive Income &amp; Expenditure Statement</b>	
<b>77,334</b>		<b>78,812</b>

The non-domestic rates pool operates on a cash accounting basis and as such the non-domestic rate income account within West Dunbartonshire Council is calculated on a similar basis.

Analysis of rateable Values:	£	An explanation of the nature and amount of each rate fixed
Rateable value at 1/4/18	187,617,505	The amount paid for non-domestic rates is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ announced each year by the government.
Running roll (full year RV)	(1,727,118)	
Rateable value at 31/3/19	<u>185,890,387</u>	The national non-domestic rate poundage set by the First Minister for Scotland for 2018/19 was £0.48.
Less: partially exempt	734,150	
Less: wholly exempt	3,326,825	
<b>Net rateable value at 31/3/19</b>	<u><b>181,829,412</b></u>	

## **Group Accounts**

### **Introduction**

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires local authorities to consider their interests in all types of entities. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973, including statutory bodies such as Valuation and Concessionary Travel Joint Boards. Authorities are required to prepare a full set of group accounts in addition to their own council's accounts where they have a material interest in such entities. West Dunbartonshire Council has accounted for its interests in each associate and joint venture using the equity method of accounting.

### **Combining Entities**

The Group Accounts consolidate the results of the council with six other entities:

- Dunbartonshire and Argyll & Bute Valuation Joint Board (VJB);
- West Dunbartonshire Health and Social Care Partnership (HSCP);
- Strathclyde Partnership for Transport (SPT);
- Strathclyde Concessionary Travel Joint Board (SCT);
- West Dunbartonshire Leisure Trust (WDLT); and
- Clydebank Property Company (CPC).

In addition to these entities, the Dumbarton Common Good and Sundry Trust Funds have also been consolidated.

The accounting period for all entities is 31 March 2019.

The council would class an entity as an associate if they have significant influence over the financial and operating policies of the entity. The council would class an entity as a subsidiary if they have control of the entity. The council would class an entity as a joint venture where it has contractually agreed to share control with another party, such as significant decisions require unanimous consent and the joint venturers have rights to the net assets of the arrangement.

Under accounting standards, this council includes the results of three of these organisations as 'associates' because it has a significant influence over their financial and operating policies (namely VJB, SPT and SCT). The council has no shares in, nor ownership of any of these organisations which are entirely independent of the council.

The Joint Boards are independent public bodies formed by an Act of Parliament. All local government functions that relate to these bodies have been delegated from the constituent councils that comprise the area of each Board. The members of each Board are elected Councillors and are appointed by the councils in proportions specified by legislation.

The WDLT, CPC and the Common Good and Trust Funds have been included as subsidiaries.

HSCP has been included as a joint venture.

### **Basis of Combination and Going Concern**

The combination has been accounted for on an acquisition basis using the equity method – that is, the council's share of the net assets and liabilities of each entity is incorporated and adjusted each year by the council's share of the entities' results (recognised in the Group Income and Expenditure Account), and its share of other gains and losses.

For four of the six entities, the council has a share in a net asset. The negative balance on the VJB and the Leisure Trust arise from the inclusion of liabilities related to defined benefit pension schemes as required by IAS19 and FRS102.



## **Group Accounts (Cont'd)**

### **Basis of Combination and Going Concern (Cont'd)**

The effects of inclusion of these entities and the Common Good and Trust Funds on the Group Balance Sheet is to increase reserves and Net Assets by £24.788m – representing the council's share of net assets in these entities.

The Code requires councils to prepare financial statements on a going concern basis. A transfer within public services does not negate the presumption that these bodies are still a going concern.

Thus all entities consider it appropriate that their Financial Statements should follow the 'going concern' basis of accounting. Statutory arrangements with the constituent local authorities for the deficit of the Valuation Joint Board means that the financial position of the Board is assured.

Whilst the Balance Sheet of some entities show negative total assets, this relates primarily to defined benefit scheme pension liabilities in these entities. The financial statements of all individual group entities have been prepared on a going concern basis and, as such, the group accounts have also been prepared on this basis.

## Group Accounts (Cont'd)

### Group Comprehensive Income and Expenditure Statement

Restated 2017/18 Gross Expenditure £000	Restated 2017/18 Gross Income £000	Restated 2017/18 Net Expenditure £000		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
			<b>Service</b>			
78,427	(50,967)	27,460	Corporate Services	74,782	(50,931)	23,851
101,915	(9,591)	92,324	Educational Services	112,568	(9,851)	102,717
52,116	(14,374)	37,742	Infrastructure, Regeneration and Economic Development	63,321	(17,422)	45,899
9,341	(4,326)	5,015	Housing and Communities	9,441	(4,451)	4,990
33,456	(42,283)	(8,827)	Housing Revenue Account	32,641	(41,957)	(9,316)
9,699	(6,916)	2,783	Miscellaneous Services	17,248	(7,094)	10,154
153,055	(86,828)	66,227	Health and Social Care Partnership	162,121	(92,273)	69,848
2,481	0	2,481	Requisitions	2,459	0	2,459
7,276	(3,238)	4,038	Subsidiaries	7,879	(3,830)	4,049
<b>447,766</b>	<b>(218,523)</b>	<b>229,243</b>	<b>Net Cost of Service (1)</b>	<b>482,460</b>	<b>(227,809)</b>	<b>254,651</b>
			595 (Gain) / loss on Disposal of Fixed Assets			3,362
			<b>595 Other Operating Expenditure (2)</b>			<b>3,362</b>
			(32,607) Council Tax			(33,805)
			(77,334) Non-Domestic Rates			(78,812)
			(104,165) Revenue Support Grant			(104,759)
			(13,189) Recognised Capital Income (Grants, Contributions & Donations)			(20,254)
			<b>(227,275) Taxation and Non-specific Grant Income (3)</b>			<b>(237,630)</b>
			(156) Interest Eamed			(287)
			18,326 External Interest Payable / Similar Charges			18,354
			0 (Gain)/Loss early settlement of borrowing			5
			0 Impairment Loss - Debtors			1,414
			(2,773) Surplus on Trading Undertakings not included in net cost of services			(3,248)
			6,545 Pension Interest Cost/Expected Return on Pension Assets			3,760
			<b>21,942 Finance/Investment Income and Expenditure (4)</b>			<b>20,998</b>
			<b>24,505 (Surplus)/Deficit on Provision of Services</b>			<b>41,381</b>
			<b>(5) = (1)+(2)+(3)+(4)</b>			
			(3,367) Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			337
			(1,489) (Surplus)/Deficit arising from revaluation of property, plant and equipment			(35,706)
			0 (Surplus)/Deficit on revaluation of available for sale assets			238
			(143,033) Actuarial (gains)/losses on pension fund assets and liabilities			51,217
			<b>(147,889) Other Comprehensive (Income) and Expenditure (6)</b>			<b>16,086</b>
			<b>(123,384) Total Comprehensive (Income) and Expenditure (5)+(6)</b>			<b>57,467</b>

## Group Accounts (Cont'd)

### Group Movement in Reserves Statement

	Usable Reserves			Unusable Reserves			Total Reserves £000
	WDC Usable Reserves £000	Group Usable Reserves £000	Total Usable Reserves £000	WDC Unusable Reserves £000	Group Unusable Reserves £000	Total Unusable Reserves £000	
<b>2018/19</b>							
Opening Balance at 1 April 2018	(22,458)	(11,878)	(34,336)	(224,297)	(14,600)	(238,897)	(273,233)
<b>Movement in reserve 2018/19</b>							
(Surplus) or deficit on provision of services	41,682	(301)	41,381	14,138	1,672	15,810	57,191
Other Comprehensive Expenditure and Income	(36,118)	333	(35,785)	36,118	(57)	36,061	276
<b>Net Increase/(Decrease) before Transfers to Other Statutory Reserves</b>	<b>5,564</b>	<b>32</b>	<b>5,596</b>	<b>50,256</b>	<b>1,615</b>	<b>51,871</b>	<b>57,467</b>
Transfers to/from other statutory reserves *	803	43	846	(846)	0	(846)	0
<b>Closing Balance at 31 March 2019</b>	<b>(16,091)</b>	<b>(11,803)</b>	<b>(27,894)</b>	<b>(174,887)</b>	<b>(12,985)</b>	<b>(187,872)</b>	<b>(215,766)</b>
<b>2017/18 (Restated)</b>							
Opening Balance at 1 April 2017	(24,679)	(8,279)	(32,958)	(110,346)	(6,545)	(116,891)	(149,849)
<b>Movement in reserve 2017/18</b>							
(Surplus) or deficit on provision of services	24,797	(292)	24,505	(136,363)	(400)	(136,763)	(112,258)
Other Comprehensive Expenditure and Income	(23,351)	(3,471)	(26,822)	23,351	(7,655)	15,696	(11,126)
<b>Net Increase/(Decrease) before Transfers to Other Statutory Reserves</b>	<b>1,446</b>	<b>(3,763)</b>	<b>(2,317)</b>	<b>(113,012)</b>	<b>(8,055)</b>	<b>(121,067)</b>	<b>(123,384)</b>
Transfers to/from other statutory reserves *	775	164	939	(939)	0	(939)	0
<b>Closing Balance at 31 March 2018</b>	<b>(22,458)</b>	<b>(11,878)</b>	<b>(34,336)</b>	<b>(224,297)</b>	<b>(14,600)</b>	<b>(238,897)</b>	<b>(273,233)</b>

\*The transfer of statutory reserves is in relation to dividends paid to the council by Clydebank Property Company.




## Group Accounts (Cont'd)

### Group Balance Sheet

Re-stated 2017/18 £000		2018/19 £000
876,346	Property, Plant and Equipment	932,385
38	Intangible Assets	232
17,566	Investment in associates	18,184
34	Long Term Debtors	27
3,691	Long term Investments	7,987
1,406	Heritage Assets	1,406
<u>899,081</u>	<b>Total Long Term Assets</b>	<u>960,221</u>
9,069	Asset Held for Sale	5,670
988	Inventories	1,079
37,416	Short Term Debtors	45,176
30,812	Cash and Cash Equivalents	19,475
<u>78,285</u>	<b>Current Assets</b>	<u>71,400</u>
(470)	Provisions	(351)
(5,929)	Cash and Cash Equivalents	(4,088)
(34,578)	Short Term Creditors	(47,495)
(171,834)	Short Term Borrowing	(216,711)
<u>(212,811)</u>	<b>Current Liabilities</b>	<u>(268,645)</u>
<u>764,555</u>	<b>Total Assets less Current Liabilities</b>	<u>762,976</u>
(521)	Liabilities in Associates	(1,084)
(257,287)	Long Term Borrowing	(227,988)
(105,914)	PPP & Finance Lease Liabilities	(103,101)
(625)	Provision for liability	(594)
(125,975)	Net Pensions Liability	(207,144)
(1,000)	Capital Grants Receipts in Advance (conditions)	(7,299)
<u>(491,322)</u>	<b>Long Term Liabilities</b>	<u>(547,210)</u>
<u>273,233</u>	<b>Total Assets Less Liabilities</b>	<u>215,766</u>
	<b>Represented by:</b>	
34,336	Usable Reserves	27,894
238,897	Unusable Reserves	187,872
<u>273,233</u>	<b>Total Reserves</b>	<u>215,766</u>

The unaudited Financial Statements were authorised for issue on 26 June 2019 and the audited Financial Statements were authorised for issue on 25 September 2019.

  
Stephen West  
Strategic Lead - Resources  
West Dunbartonshire Council  
25 September 2019

## **Group Accounts (Cont'd)**

### **Group Cashflow Statement**

The incorporation of the associates and subsidiaries within the group cash flow statement is immaterial, therefore, no cash flow statement is noted within the Group Accounts.

The Council's cashflow is noted on page 39.

## Group Accounts (Cont'd)

### Notes to the Group Accounts

#### Note 1 - Details of combining entities

The notes required for the Financial Statements of West Dunbartonshire Council are disclosed separately in the preceding pages. For Strathclyde Partnership for Transport and Concessionary Travel Scheme, although the council holds less than 20% voting rights, it has a significant influence on the bodies. The organisations have voting allocations over 11 other local councils, with no one council holding majority shares, which ensures that all 12 councils can influence decisions. The following notes provide material additional amounts and details in relation to the other combining entities.

#### Associates and Joint Ventures

**Strathclyde Partnership for Transport** is the statutory body responsible for formulating the public transport policy on behalf of the 12 local authorities in the West of Scotland. In 2018/19, the council contributed £1.605m (2017/18 £1.609m) or 4.39% (2017/18 4.39%) of the Board's estimated running costs and its share of the year end net asset of £14.541m (2017/18 £14.429m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

**Strathclyde Concessionary Travel Scheme Joint Board** oversees the operation of the concessionary fares scheme for public transport on behalf of the 12 local authorities in the West of Scotland. The costs of the scheme are funded through requisitions from the 12 councils and by the Scottish Executive via a 'section 70' grant. In 2018/19, the council contributed £0.171m (2017/18 £0.175m), 4.19% (2017/18 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.053m (2017/18 £0.065m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

**Dunbartonshire and Argyll and Bute Valuation Joint Board** was formed in 1996 at local government re-organisation by an Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of West Dunbartonshire, East Dunbartonshire and Argyll and Bute. The Board's running costs are met by the three authorities, with surpluses and deficits on the Board's operations also shared between the councils. In 2018/19, the council contributed £0.688m (2017/18 £0.694m) or 26.95% (2017/18 26.95%) of the Board's estimated running costs and its share of the year end net liability of £1.084m (2017/18 £0.521m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, 16 Church Street, Dumbarton G82 1QL.

**The West Dunbartonshire Health & Social Care Partnership - the Public Bodies (Joint Working) Act (Scotland) 2014** sets out the arrangements for the integration of health and social care across the country. The Scottish Government approved the Integration Scheme for West Dunbartonshire which details the 'body corporate' arrangement by which NHS Greater Glasgow & Clyde Health Board and West Dunbartonshire Council agreed to formally delegate health and social care services for adults and children (including criminal justice, social work services) to a third body, which is described in the Act as an Integration Joint Board. The Integration Joint Board for West Dunbartonshire is known as the West Dunbartonshire Health & Social Care Partnership Board (HSCP Board) and started operations on 1 July 2015. The Board's running costs are met by the two bodies mentioned above, with surpluses and deficits on the Boards operations also shared between them. In 2018/19, the council contributed £64.895m towards estimated running costs and its share of the year end net asset of £3.590m is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Chief Financial Officer to the Integration Joint Board, 16 Church Street, Dumbarton G82 1QL.



## Group Accounts (Cont'd)

### Notes to the Group Accounts (Cont'd)

#### Note 1 - Details of combining entities (Cont'd)

The council's share of its associates and joint ventures are as follows:

	Strathclyde Partnership for Transport £000	Strathclyde Concessionary Travel Scheme Joint Board £000	Dunbartonshires and Argyll and Bute Valuation Joint Board £000	West Dunbartonshire Health & Social Care £000	Total £000
<b>2018/19</b>					
Surplus/ (Deficit) on					
Operating Activities	539	(12)	(204)	519	842
Non Current Assets	10,965	0	171	0	11,136
Current Assets	7,821	89	184	3,590	11,684
Non Current Liabilities	(3,089)	0	(1,406)	0	(4,495)
Current Liabilities	(1,155)	(36)	(33)	0	(1,224)
<b>2017/18</b>					
Surplus/ (Deficit) on					
Operating Activities	4,008	(5)	(148)	287	4,142
Non Current Assets	9,313	0	173	0	9,486
Current Assets	7,713	103	185	3,071	11,072
Non Current Liabilities	(1,681)	0	(846)	0	(2,527)
Current Liabilities	(915)	(38)	(33)	0	(986)

#### Subsidiaries

**West Dunbartonshire Leisure Trust** was formed in December 2011 and started trading on 5 April 2012. The Trust is a charitable company registered in Scotland and provides leisure facilities within the West Dunbartonshire area to the general public and operates sports centres, leisure centres, swimming pools, halls and community education centres owned by the council. The Trust is paid a management fee by the council for the provision of these services. The Trust's net asset at 31 March 2019 was £0.234m (2017/18 £2.228m net asset) and its surplus for the year was £0.160m (2017/18 £0.272m surplus). The accounts of the Trust are published separately and can be obtained from the Manager, Leisure Trust Headquarters, Alexandria CE Centre, Alexandria, G83 0NU which is also the company's principal place of business.

**Clydebank Property Company** was part of a group organisation previously known as Clydebank Rebuilt which was a pathfinder urban regeneration organisation, limited by guarantee and included a commercial letting company (industrial units) and a registered charity (the Titan Trust). On 11 August 2014, following the transfer of the Titan Crane to the Property Company, the council bought the commercial letting company with a view to continuing its regeneration objective. The Company's net asset at 31 March 2019 was £3.294m and its deficit for the year before payment of a dividend was £0.028m (2017/18 £0.047m surplus). The accounts of the Company are published separately and can be obtained from the Company's Headquarters, Titan Enterprise, 1 Aurora Avenue, Queen's Quay, Clydebank G81 1BF which is also the Company's principal place of business.

**Dumbarton Common Good** is held in Trust by West Dunbartonshire Council. Although the council does not contribute to this fund financially, it has been included within the council's Group through materiality by nature. Net usable income in 2018/19 was £0.060m (2017/18 £0.065m).

## Group Accounts (Cont'd)

### Notes to the Group Accounts (Cont'd)

#### Note 1 - Details of combining entities (Cont'd)

**Trust Funds** are held in Trust by West Dunbartonshire Council. Although the council does not contribute to these funds financially, they have been included within the council's Group through materiality by nature. The net movement in funds in-year was a decrease of £0.032m (2017/18 £0.006m decrease) for the Trust Funds. For the purposes of the Group Accounts, two Trust Funds managed by the council (Dunbartonshire Educational Trust and McAulay Prize for Mathematics Trust) have been included pro rata to the council's share. This has resulted in 2017/18 re-statement of the Group Accounts. Copies of the accounts may be obtained from West Dunbartonshire Council, 16 Church Street, Dumbarton G82 1QL.

The council's subsidiaries year end results are as follows:

	West Dunbartonshire Leisure Trust £000	Clydebank Property Company £000	Common Good £000	Trust Funds £000	Total £000
<b>2018/19</b>					
Surplus/ (Deficit) on Operating Activities	160	(28)	60	(32)	160
Non Current Assets	1,064	4,004	3,487	0	8,555
Current Assets	2,845	427	516	204	3,992
Non Current Liabilities	(1,929)	(594)	0	0	(2,523)
Current Liabilities	(1,746)	(543)	(47)	0	(2,338)
<b>2017/18 (Re-stated)</b>					
Surplus/ (Deficit) on Operating Activities	272	47	72	(6)	385
Non Current Assets	634	4,165	3,194	0	7,993
Current Assets	2,995	269	414	238	3,916
Non Current Liabilities	224	(625)	0	0	(401)
Current Liabilities	(1,625)	(444)	(5)	0	(2,074)

#### Note 2 – Non-Material Interest in Other Entities

The council has an interest in a number of other organisations. The council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the council. Accordingly, the Group Accounts do not include these organisations. Under Accounting Regulations, the council is required to disclose the business nature of each organisation.

**Scotland Excel** is a joint committee established through Section 57 of the Local Government (Scotland) Act 1973. The main purpose of the committee includes co-ordination of collaborative buying initiatives, representation of interests in public sector contracts, and the development and operation of a centre of procurement expertise for Local Government in Scotland.

**Clydebank Municipal Bank** is a company limited by shares set up based upon the Companies Act 1908 and 1913. It acts as banker for a number of private individuals/organisations. The council provides services to the bank and funds any annual losses incurred. The bank's year end is 5 April. The principal business of the Municipal Bank is to accept deposits from private account holders and to invest funds with West Dunbartonshire Council. The chairman and directors of the bank are Elected Members of the Council. As per the bank's unaudited financial statements at 31 March 2019, 2,471 accounts were held with the bank (2017/18 2,463), with a total amount on deposit of £1.345m (2017/18 £1.234m), with £1.131m being invested with the council (2017/18 £0.861m). Interest paid by the council to the bank in the year was £0.028m (2017/18 £0.021m).

## Group Accounts (Cont'd)

### Notes to the Group Accounts (Cont'd)

#### Note 2 – Non-Material Interest in Other Entities (Cont'd)

**Hub West of Scotland** is a public private Joint Venture development organisation established in 2012. They work with the public sector partners to plan, design, build, and fund and maintain buildings in the most efficient and effective manner delivering better value for money and ultimately improving public services. Hub West of Scotland comprises: Hub West Territory Participants, Scottish Futures Trust and The Wellspring Partnership.

**Business Loans Scotland Ltd** was formed in March 2017 with 27 Scottish local authorities full members, including West Dunbartonshire Council, and the remaining 5 Scottish local authorities becoming associate members. In this respect, each member local council provides a level of loan finance for companies in their area under Phase 1, augmented in Phase 2 by Scottish Growth Scheme and European Regional Development Funding (ERDF).

#### Note 3 – Financial Impact of Consolidation

The effect of inclusion of the entities on the Group Balance Sheet is to increase reserves and net assets by £24.788m (2017/18 £26.478m – re-stated) respectively representing the council's share of the realisable surpluses/deficits in these organisations. This leaves the group account with an overall net asset of £215.766m (2017/18 £273.233m re-stated).

#### Note 4 – Analysis of Material Amounts in Income and Expenditure Account

The following table provides an analysis of the council's share of the material amounts as a result of the inclusion of the associates and subsidiaries.

#### Contribution to Group Income and Expenditure Reserve:

Re-stated 2017/18 £000	2018/19 £000
14,429 Partnership for Transport	14,541
65 Concessionary Travel Board	53
(521) Valuation Joint Board	(1,084)
3,071 West Dunbartonshire Health & Social Care	3,590
2,228 West Dunbartonshire Leisure Trust	234
3,365 Clydebank Property Company	3,294
3,603 Common Good	3,956
238 Trust Funds	204
<b>26,478 Total</b>	<b>24,788</b>



## **General Accounting Policies**

### **Note 33 - Accounting Policies**

#### **1. General Principles**

The Financial Statements summarises the council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the code") and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Financial Statements is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The convention also adopts the assumption that the council will continue as a going concern for the foreseeable future.

#### **2. Accruals of Income and Expenditure**

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

- revenue from sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and when it is probable that the economic benefits associated with the transaction will flow to the council;
- revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and when it is probable that the economic benefits associated with the transaction will flow to the council;
- expenses in relation to services received are recorded as expenditure when the services are received, rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption their value is carried as inventories on the Balance Sheet;
- interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than on cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and charged to revenue for the income that might not be collected; and
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

#### **3. Changes in Accounting policies, Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, events or conditions on the council's financial position or performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative figures, as if the new policy has always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years only.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative figures.

## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 4. Charges to Revenue for Property, Plant and Equipment

Council Services and Trading Accounts are debited/ credited with the following amounts to record the cost of using or holding fixed assets during the year:

- depreciation, attributable to the assets used by the relevant service or trading account;
- revaluation and impairment losses, where there is no accumulated gain in the Revaluation Reserve;
- revaluation gains, where these reverse an impairment loss previously charged to the service or trading account; and
- amortisation of intangible fixed assets.

The council is not required to raise council tax to cover depreciation, revaluation gains or losses or impairment losses. However, it is required to make annual provision from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are replaced by the revenue provision in the General Fund by an adjustment within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### 5. Intangible assets

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Assets are measured originally at cost and only revalued where the fair value of the asset can be determined by reference to an active market.

Where an intangible asset has a finite useful life, the depreciable amount of the asset is charged over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is recognised in the Surplus or Deficit on the Provision of Services when the asset is derecognised.

#### 6. Property, Plant and Equipment

Assets that have physical substance and are held for the supply of goods and services, either directly or indirectly, 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, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the asset can be measured reliably. Expenditure that maintains, but does not add to the asset's potential to deliver future economic benefits or service potential, is charged as an expense when it is incurred.

## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 6. Property, Plant and Equipment (Cont'd)

##### Measurement

Initially measured at cost, comprising of:

- purchase price;
- any costs associated with bringing the asset to the location or condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of costs for dismantling and removing the item and restoring the site on which it is located to its original state.

The council does not capitalise borrowing costs incurred during construction of an asset.

Where property, plant or equipment are acquired in exchange for a non monetary asset or assets, or a combination of monetary and non monetary assets, the cost of the acquired item shall be measured at fair value unless there is no economic substance to the exchange transaction, or the fair value of neither the asset received nor the asset given up can be reliably measured. The acquired item is measured at fair value even if the council cannot immediately derecognise the asset given up. The acquired item is measured at the carrying amount of the asset given up if it is not measured at fair value.

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

<b>Asset Type</b>	<b>Valuation Method</b>
Infrastructure, community and assets under construction assets	Historic Cost
Council dwellings	Fair value - determined in accordance with existing use value of social housing (EUV-SH)
Other buildings	Fair value. Where there is no market based evidence of fair value because of the specialised nature of the asset and the asset is rarely sold, depreciated replacement cost is used as an estimate of fair value
Plant and equipment and other non property assets	Fair value. Where assets in this class have either short useful lives or low values (or both), depreciated historical cost is considered to be a proxy for fair value where the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of the consumption of the asset class

##### Revaluation

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years. The programme of revaluation for 2018/19 and planned each of the following four years is as follows:



## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 6. Property, Plant and Equipment (Cont'd)

2018/19	Schools/school houses/ social work homes/adult training centres/ community education centres/early education centres;
2019/20	Halls/ Public conveniences/ libraries/ outdoor centres/ golf course/ pavilions/ sports centres/ swimming pools/ travellers site/ car parks;
2020/21	Any properties not previously re-valued / general re-appraisal / HRA housing stock;
2021/22	Offices / depots/ cemeteries/ crematorium lodges; and
2022/23	All council non-operational properties.

In addition to assets being revalued within the programme of revaluation assets will be revalued in any given year if any of following 3 criteria is met:

- When the historic cost of the building is less than £2m but the combined value of the building historic cost and any enhancement expenditure incurred since the last revaluation date exceeds £2m then the asset will be revalued and (if new valuations exceeds £2m) componentised if necessary;
- Where the historic cost of the building exceeds £2m (and is therefore already componentised) and where any enhancement expenditure incurred since the last revaluation date exceeds 25% of the historic cost of the building then the asset will be revalued; and
- Where the combined value of building historic cost and any enhancement expenditure incurred since the last revaluation date spend is less than £2m but the value of the enhancement expenditure exceeds 50% of building historic cost and in value is more than £0.500m then the asset will be revalued.

Valuations in 2018/19 have been carried out by an external valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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 by:

- where a balance of revaluation gains for the asset is held in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the total gain); or
- where no balance of revaluation gains for the asset is held in the Revaluation Reserve – the carrying amount 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, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment

Where impairment losses are identified, they are accounted for in the same way as revaluation decreases.

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.

## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 6. Property, Plant and Equipment (Cont'd)

##### Disposals

When it becomes apparent that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is re-classed as either a surplus asset or an Asset Held for Sale. The asset is re-valued immediately before re-classification and then carried at the lower of this amount and the fair value less sale costs.

Assets to be scrapped are not re-classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, both the carrying amount in the Balance Sheet and receipts from disposal are transferred to the Surplus and Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of a gain or loss on sale. Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is credited to either the Capital Receipts Reserve or the Capital Fund and can only be used for new capital investment, set aside to reduce the council's underlying borrowing requirement, to fund the principal element of loan charges or to fund premium charges. Receipts are appropriated to these reserves from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax. It is appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

##### Depreciation

Depreciation is provided on all property, plant and equipment over their useful economic lives, with an exception made for assets without a determinable finite useful life (i.e. non depreciating land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

The useful lives of assets have been revised during 2018/19 and estimated and advised by suitably qualified officers of the council with appropriate expertise, are as follows:

Council dwellings	10 to 80 years	straight line
Other buildings	15 to 80 years	straight line
Regeneration activity	10 to 120 years	straight line
Open spaces	10 to 120 years	straight line
Infrastructure	15 to 120 years	straight line
Vehicles, plant, equipment	5 to 20 years	straight line
Intangibles	5 to 10 years	straight line
Other	10 to 120 years	straight line

\* Including components such as structure, mechanical and electrical, etc.

This change in policy has been applied prospectively for property assets that have been revalued during 2018/19 and for all other assets that are newly depreciated in 2018/19.

Where an item of property, plant and equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 6. Property, Plant and Equipment (Cont'd)

##### Tangible fixed assets and depreciation – Common Good Assets

All assets valued over £6,000 are capitalised and valued at market value. Depreciation is charged on assets other than Investment assets on a straight line basis over their estimates life. The Fund only holds investment assets.

#### 7. Assets Held for Sale

These assets are measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length, less costs to sell at the initial classification and at the end of each reporting date. Revaluation gains shall be recognised for any initial or subsequent increase in fair value less costs to sell but not in excess of the cumulative impairment loss or revaluation loss that have been recognised in the Surplus of Deficit on the Provision of Services. Impairment losses (or revaluation losses) will be recognised for any subsequent decrease to fair value less costs to sell following reclassification in the Surplus or Deficit on the Provision of Service even where there is a balance on the assets Revaluation Reserve.

#### 8. Heritage assets

Heritage assets are presented separately in the balance sheet from other property, plant and equipment. The assets are measured at historic cost or fair value. Where the council considers that it is not practical to obtain a reliable valuation, the asset is not recognised on the Balance Sheet. Where assets are measured at fair value, valuations are made by any method that is appropriate:

Type of asset	Valuation method for Balance Sheet purposes
Ship models/ Silver and Commemorative wear	The last formal valuations were by Bonhams, Sotheby's and Phillips. Further formal valuations will be commissioned where it is considered that there could potentially be a material change in value and where the value of the asset is estimated to be in excess of £10,000
Works of art	The last formal valuations by Bonhams, Sotheby's and Phillips. Where a lower and upper valuation has been provided the mid valuation has been used Further formal valuations will be commissioned where it is considered that there could potentially be a material change in the value of the assets held
Civic Regalia	The robes are not recognised on the balance sheet as they are considered to have no significant value. However the chains are reported in the balance sheet at insurance value.
Sewing Machine Collection	These collections are not recognised on the balance sheet as cost information is not readily available. Nearly all the items are believed to have an immaterial value.
Listed Buildings and Scheduled Ancient Monuments	These assets are not recognised on the balance sheet as it is considered that there is a lack of available, comparable market values to establish a 'fair value'. It is unlikely that the council would procure such assets but is more likely to refurbish or enhance existing structures. In this respect, the cost of those works will be capitalised at cost.



## **General Accounting Policies (Cont'd)**

### **Note 33 - Accounting Policies (Cont'd)**

#### **9. Construction Contract (Work in Progress)**

Purchased assets are initially recognised at cost and donations are recognised at valuation where that value is estimated to be greater than the threshold of £10,000 as specified above. The carrying amounts are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

No depreciation shall be chargeable on any heritage asset, in view of the indeterminate life and residual value.

The proceeds from any disposal of heritage assets are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment.

Work in progress is valued at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

#### **10. Employee Benefits**

##### **Benefits payable during employment**

Short term employee benefits (i.e. fall due within 12 months of the year-end), such as wages and salaries, paid leave, paid sick leave, bonuses and non monetary benefits for current employees are recognised as an expense in the year in which the employees render service to the council. An accrual is made against the services in the Surplus or Deficit on the Provision of Service for the costs of holiday entitlement and other forms of leave earned by the employee but not taken before the year end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Statutory Mitigation Account in the Movement in Reserves Statement.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision made by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept a voluntary termination package in exchange for those benefits. Termination benefits do not provide the council with future economic benefits and consequently they are recognised on an accruals basis immediately in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Account when the authority is demonstrably committed to provision of the termination benefits.

Where termination benefits involve the enhancement of pensions, they are treated as pension costs for the purpose of the statutory transfer between the Pension Reserve and the General Fund of the amount by which the pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations. In the Movement in Reserves Statement appropriations are required to and from the Pension Reserve to remove notional debits and credits for termination benefits related to pensions enhancements and replace them with the cost of the cash paid, including any amounts due and not paid at the year end.

##### **Post Employment Benefits**

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

- the Teachers' Pension Scheme, administered by the Scottish Pensions Agency; and
- the Local Government Pensions Scheme, administered by Glasgow City Council.

## **General Accounting Policies (Cont'd)**

### **Note 33 - Accounting Policies (Cont'd)**

#### **10. Employee Benefits (cont'd)**

In relation to retirement benefits, statutory provisions require the General Fund 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 in accordance to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove any notional debits and credits for retirement benefits and replace them with the cash paid or payable at the year end, to the pension fund and pensioners. The negative balance that arises on the Pension Reserve 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 earned by employees.

#### **Discretionary Benefits**

The council 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) arising from the use of these discretionary powers 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.

#### **11. Events after the reporting period**

Events after the reporting period are those events (both favourable and unfavourable) that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types have been identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect this; and
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect this. However, if the event is material, a disclosure is made within the notes of the nature and financial effect.

#### **12. Exceptional items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either within the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the council's financial performance.

#### **13. Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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



## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 13. Financial liabilities (Cont'd)

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the General Fund balance to be spread over future years. Premiums and discounts that were on the balance sheet as at 31 March 2007 are written off in accordance with the schedules in place at that time, however premiums and discounts that are incurred as a result of transactions that have taken place since 1 April 2007 are written off in accordance with regulations as follows:

##### Modified Loans

- both old and new premiums and discounts are amortised over the life of the new loan using the effective interest rate as noted above.

##### Unmodified Loans

- new premiums and discounts are written off over the life of the new loan (if fixed) or over a maximum of 20 years (if variable or with an option to vary);
- old premiums are written off over a maximum of 20 years; and
- old discounts are written off over a maximum of 5 years.

##### Straight Repayment

- both old and new premiums and discounts are written off over a maximum of 5 years.

#### 14. Financial Assets

Financial assets are classified using a principles based approach with the accounting treatment being determined by both the particular characteristics of the individual instrument and the overarching investment strategy under which the instrument has been acquired or originated. Three classes of financial asset have been identified:

- amortised cost;
- fair value through other comprehensive income; and
- fair value through profit or loss

##### Amortised Cost

For assets carried at amortised cost interest is credited (using the effective interest rate) and movements in impairment loss allowances are debited or credited to surplus or deficit on the provision of services with no recognition of gains or losses in fair value until reclassification or derecognition of the asset.

##### Fair Value Through Other Comprehensive Income

For assets carried at fair value through other comprehensive income movements in amortised cost are debited or credited to the surplus or deficit on the provision of services with movements in fair value debited or credited to other comprehensive income and expenditure.

##### Fair Value Through Profit or Loss

For assets carried at fair value through profit or loss all gains or losses are posted to surplus or deficit on the provision of services as they arise.



## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 14. Financial Assets (Cont'd)

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; and
- 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 party to the contractual provisions of a financial instrument and initially measured at fair value.

They are then measured at their amortised cost. 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 carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where considered material movements in impairment loss allowances are also debited or credited as appropriate. For most other 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 soft loans are made and are material, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the community groups, with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

#### Instruments entered into since 1 April 2006

Any financial guarantees the council has committed to since 1 April 2006 have been recognised at fair value and assessed for probability of the guarantee being called and the likely amount payable under the guarantee. Any material provision for this has been recognised in the Financial Statements to the extent that provisions might be required or a contingent liability note is needed.

#### 15. Fair Value Measurement

The council measures some on its non-financial assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 15. Fair Value Measurement (Cont'd)

When measuring fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy as follows:

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

#### 16. Government grants and contributions

Government grants and other contributions are recognised as due by 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.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified for future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. 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 ringfenced 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 not yet been 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.

#### 17. Inventories

Inventories are held by a number of council services, such as asset maintenance services, roads, services, school technician services, hospitality services, etc., and include consumable stock and work in progress, where appropriate.

Consumable stock is included in the Balance Sheet on a cost price basis, with inventory quantities based on physical stock at the end of the year.

## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 18. Leases

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operational. Where the lease covers both land and buildings, the elements are considered separately for classification.

#### Council as Lessee

##### Finance Leases

Assets held under finance lease are recognised in the Balance Sheet at the start of the lease at its fair value at the lease's inception, or, if lower the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay. Initial direct costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to revenue in the years they incur. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

Assets recognised under the finance lease are accounted for using the policies applied generally to council owned assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight line basis over the life of the lease, even if it does not match the pattern of payment.

#### Council as Lessor

##### Finance Leases

When the council grants a finance lease over an asset, the asset is written out of the Balance Sheet as a disposal. At the start of the lease the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement, matched by a lease asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a receipt for the acquisition of the interest in the asset – applied to write down the lease asset (together with any premiums received); and
- finance income (credited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amounts due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element of the charge for the acquisition



## **General Accounting Policies (Cont'd)**

### **Note 33 - Accounting Policies (Cont'd)**

#### **18. Leases (Cont'd)**

of the interest in the asset is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of the disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

#### Operating Leases

Where the council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if it doesn't match the pattern of payment.

#### **19. Overhead and support services**

The costs of overheads and support services are charged to non General Fund services that benefit from the supply in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19. The total absorption costing principle is used – the full cost of overheads and support services are shared between those users in proportion to the benefits received. General Fund Services have not been charged for these support service costs, in line with the council's budgetary reporting structure.

#### **20. 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 passes to the private contractor. As the council is deemed to control the services that are provided under the PPP scheme and as ownership of the property, plant and equipment will pass to the council at the end of the contract for no additional charge, the council carries the asset on its Balance Sheet.

#### **21. Provisions**

Provisions are made where an event has taken place that gives the council a legal obligation 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 that obligation.

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

When payments are 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 probable that a transfer of economic benefits is required; the provision is reversed and credited back to the relevant service.

#### **22. Interest in Companies and Other Entities**

The council has material interests in companies and other entities that have the nature of associates/ subsidiaries and require it to prepare group accounts. In the council's own single entity accounts, the interests of two companies are recorded as an investment in the Balance Sheet, as the council has shares and full ownership of the Clydebank Property Company (purchased during 2014/15) and has an investment with Hub West Scotland (invested 2015/16). No other interests are recorded in the council's single entity accounts of any of other organisation.



## General Accounting Policies (Cont'd)

### Note 33 - Accounting Policies (Cont'd)

#### 23. VAT

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

### Note 34 – Accounting Standards that have been issued but have not yet been adopted

For 2018/19, the Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- IAS40 – Investment Property: Transfers of Investment Property – this clarifies guidance regarding transfers in/ out of investment properties where there is evidence of a change in use and the asset now meets (or ceases to meet) the definition of an investment property;
- Improvements to IFRS Standards 2014 to 2016. This includes:
  - IFRS1 – alleviates concerns regarding the deletion of short term exemptions for first time adoption of International Financial Reporting Standards;
  - IFRS12 – applies to the disclosure requirements of an entity's interests which are classified as held for sale/ distribution or as a discontinued operation, in accordance with IFRS5 (Non-current Assets Held for Sale and Discontinued Operations);
  - IAS28 – clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity is available for each individual investment in an associate or joint venture, upon initial recognition;
- IFRIC22 – Foreign Currency Transactions and Advanced Consideration – this applies to foreign currency transactions where a non-monetary asset or liability arises from either a payment or a receipt of an advanced consideration, before recognition of the related asset, expense or income;
- IFRIC23 – Uncertainty over Income Tax Treatments – this clarifies the accounting uncertainties in income taxes and should be used when determining taxable profits/loss, tax bases, unused tax losses/ credits and tax rates where there is an element of uncertainty over income tax treatment under IAS12; and
- IFRS9 amendments – Financial Instruments (prepayment features with negative compensation) – this alters the existing requirements in IFRS9 regarding termination rights in order to allow measurement at amortised cost.

It is not anticipated that the above changes will have a material impact on the information provided in the financial statements.

The Code requires implementation of these from 1 April 2019 and therefore there is no impact on the 2018/19 Statement of Accounts.

### Note 35 – Critical Judgement in Applying Accounting Policies

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 32. Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect are detailed below:

**Holiday Entitlement** - Unused holiday entitlement earned at 31 March 2019 but not taken at that date has been quantified on the basis of a sample of all non term time staff. The sample is proportionate to the number of staff within each grade. The calculation in respect of unused annual leave for term time employees is based upon entitlement earned at the year end and no estimation was required for these staff.

## **General Accounting Policies (Cont'd)**

### **Note 35 – Critical Judgement in Applying Accounting Policies (Cont'd)**

**Public Private Partnership (PPP)** - The council has entered into a PPP for the provision of educational buildings, their maintenance and related facilities. The council controls the services provided under the scheme and ownership of the schools will pass to the council at the end of the contract for no additional charge. The assets used to provide services at the schools are recognised on the council's Balance Sheet.

**Public Sector Funding** – There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets held might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Note 36 - Group Accounting Policies: Disclosure of differences with main Statement of Accounting Policies**

The financial statements in the Group Accounts are prepared in accordance with the accounting policies set out in Note 33 on pages 104 to 117 with additions and exceptions noted below:

#### **Group Income and Expenditure Account**

Proceeds from disposal of fixed assets – profits and losses from the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account within the net cost of services. The proceeds are then appropriated out after net operating expenditure. For those proceeds associated with the disposal of the council's assets, appropriation is to the Group Reserves. For those proceeds associated with the disposal of associates' assets, appropriation is to the Group Income and Expenditure Reserve.

#### **Group Balance Sheet**

Inventories – valuation methods vary slightly across the Group. The council uses cost price basis. The difference in valuation methods does not have a material impact on the results of the group given the levels of stock held within the organisations; and

Pensions – West Dunbartonshire Leisure Trust complies with the Financial Reporting Standard FRS102 concerning the disclosure of information on pensions. There is no difference in the Profit and Loss Account by using this method in comparison with IAS19 (which is used by other group entities) therefore there is no impact on the results of the group.



## Glossary of Terms

While much of the terminology used in this report is self explanatory, the following additional definitions and interpretation of the terms used are provided for assistance. The Glossary of Terms does not comprise part of the audited financial statements.

1. **Employee benefit expenses**  
This includes salaries, wages, overtime, bonus, enhancements, pensions, employer's national insurance, travelling and subsistence expenses and other staff allowances.
2. **Other service expenses**  
This includes:
  - property costs (e.g. rent, rates, insurance, repairs and maintenance, upkeep of grounds, heating and lighting);
  - supplies and services (e.g. food, materials, books, uniforms and protective clothing, purchase/ maintenance of equipment);
  - transport costs (e.g. fuel, repairs and maintenance, tyres, licences, insurance and procurement of transport for school children);
  - administration costs (e.g. printing and stationery, advertising, postages, telephone costs);
  - Payments to Other Bodies (e.g. grants and payments to individuals, organisations and agencies providing services complementing or supplementing the Council's work.
3. **Specific Government Grants**  
This includes grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred e.g. National Priority Action Fund, Benefits Administration.
4. **General Income**  
This includes the charges to persons and bodies for the direct use of council services.
5. **Capital Expenditure**  
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, finance leases, or utilising the income from the sale of existing assets.
6. **Capital Financed from Current Revenue**  
This is expenditure incurred in creating, acquiring or improving assets where that expenditure is charged directly to the revenue account.
7. **Deferred Asset**  
The deferred asset represents the net value of the premium paid/discounts received by the Council on the early repayment of external long term loans.
8. **Useable Capital Receipts Reserve**  
The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
9. **Pension Interest Cost**  
The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement
10. **Expected Return of Pension Assets**  
The average rate of return expected over the remaining life of the related obligation on the actual assets held.
11. **CIPFA**  
Chartered Institute of Public Finance and Accountancy
12. **LASAAC**  
Local Council (Scotland) Accounts Advisory Committee
13. **Budget**  
The original revenue budget as set by Members at an appropriate Council meeting.
14. **Intangible Assets**  
Expenditure on assets such as software licences that do not have physical substance but are identifiable and controlled by the Council.
15. **Revaluation Reserve**  
This fund is a store of gains on the revaluations of fixed assets. It is a reserve held for technical accounting purposes and is not available for distribution.

## Glossary of Terms (Cont'd)

16. **Capital Adjustment Account (CAA)**  
This fund is a store of capital resources set aside to meet past expenditure. It is an account held for technical accounting purposes and is not available for distribution.
17. **Financial Instrument Adjustment Account (FIAA)**  
This account is used to balance for differences in statutory requirements and proper accounting practices for borrowing and lending. It is an account held for technical accounting purposes and is not available for distribution.
18. **Associate Body**  
An entity other than a subsidiary or a joint venture in which the council has an interest and over who's operating and financial policies the council is able to exercise significant influence.
19. **Entity**  
A body that is delivering a service or carrying on a business. It should have a separate legal personality and is legally obliged to prepare its own financial statements.
20. **Statutory Additions**  
Additional charges levied for late payment of council tax and non domestic rates.
21. **Capital Items Replacement Fund**  
Reserve earmarked for specific purposes within Education
22. **Available for Sale Reserve**  
Assets that have a quoted market price and/or do not have fixed or determinable payments.
23. **Current Service Costs (Pension)**  
This relates to the real cost of benefit entitlement earned by employees.
24. **Past Service Costs/Gains (Pension)**  
This relates to posts/gains from years prior to the current year and arise from decisions made in year. In 2017/18 this relates to the capitalised cost of early retirements on efficiency grounds.
25. **Curtailments (Pension)**  
Used to reduce the number of expected years of future service for employees. In 2018/19 this relates to the capitalised cost of early retirements on efficiency grounds.
26. **Interest Cost (Pensions)**  
The amount needed to unwind the discount applied in calculating current service cost.
27. **Expected Return on Assets (Pensions)**  
A measure of the return on the investment assets held by the scheme for the year.
28. **Public Private Partnership (PPP)/Public Finance Initiative (PFI)**  
A contract between the council and a private organisation for the provision of new Educational buildings maintenance and related facilities.
29. **Available for Sale Assets**  
These assets are in relation to Financial Instruments and include:
  - Equity investments; and
  - Other investments traded in an active market.
30. **Heritage Assets**  
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities which is held for its contribution to knowledge and culture.
31. **PPE**  
Property, Plant and Equipment.

## **Independent auditor's report to the members of West Dunbartonshire 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 West Dunbartonshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non Domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

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

#### **Basis for opinion**

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 10 April 2017. The period of total uninterrupted appointment is three 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.

#### **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 Strategic Lead - 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 have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I have identified and my conclusions thereon.

### **Responsibilities of the Strategic Lead - Resources and West Dunbartonshire Council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Strategic Lead - 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 Strategic Lead - 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 Strategic Lead - 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 Council 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

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

The Strategic Lead - 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 FCA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

26 September 2019



