



**Draft Annual Accounts for Year
Ended 31 March 2017**

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Management Commentary

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 is to provide clear information about the Council's performance during the financial year 2016/17 and the financial position as at the financial year end 31 March 2017. 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 98 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, social work, housing, environmental health, environmental services, planning, economic development, employment, highways and transport) to residents within the West Dunbartonshire area.

The Council employs approximately 5,500 staff across a range of locations within the Council area, serving a population of approximately 90,000 (1.7% of the overall population in Scotland). 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 71.2% (Scotland 72.9%); and life expectancy is 74.8 years (Scotland 77.1 years).

The Council is led by 22 councillors, elected every five years to represent the residents within the area. From 1 April 2016, the senior management structure was revised and now consists of the Chief Executive, two Strategic Directors and eight Strategic Leads, including the Section 95 Officer (Strategic Lead - Resources), with the Health and Social Care Partnership (HSCP) being managed at a senior level by the Chief Officer and four Heads of Service.

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 Single Outcome Agreement (SOA). The Council's SOA, covering the period from 2014 to 2017, feeds through into its Strategic Plan. Within the Council's 2012/17 Strategic Plan, the Council committed to improving outcomes in key areas in order to deliver on its vision of 'a prosperous West Dunbartonshire recognised as a dynamic area within a successful Scotland'.

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. On 1 July 2015 the HSCP was formed and generated its own Strategic Plan.

The Council's Strategic Performance Scorecard (SPS) sets out, through three strategic themes and underpinning priorities, the expected performance improvements for the period of the Strategic Plan. The themes and priorities are as follows:

Theme 1: Social Mission

- Improve economic growth and employability;
- Improve life chances for children and young people;
- Improve care for and promote independence with older people;
- Improve local housing and environmentally sustainable infrastructure; and
- Improve the wellbeing of communities and protect the welfare of vulnerable people.

Management Commentary (Cont'd)

The Strategic Plan (Cont'd)

Theme 2: Organisational Capabilities

- Strong financial governance;
- Fit-for-purpose estate and facilities;
- Innovative use of Information Technology; and
- Committed and dynamic workforce.

Theme 3: Legitimacy and Support

- Constructive partnership working and joined up service delivery; and
- Positive dialogue with local citizens and communities.

Performance Reporting

The Council monitors and reports its performance against these key themes through the SPS; where progress within these areas are monitored through a suite of key performance indicators with 2017 targets set within the Strategic Plan. 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/

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 2017. 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 fully 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:

Management Commentary (Cont'd)

Overview of Core Financial Statements (Cont'd)

- **the Comprehensive Income and Expenditure Statement** shows the income and expenditure for all Council services. It is shown on page 27;
- **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 28. Further information on each of the reserves held and how it may be used is also detailed within notes 33 and 34 on pages 95 and 96; and
- **Housing Revenue Account** shows the income and expenditure for Council housing services for the year. It is shown on pages 99 to 101 which also includes the statement of movement on the Housing Revenue Account Balance.

Capital expenditure is analysed in note 22 on page 83 which details the capital expenditure and the sources of finance that have been used to fund the capital plan investment in 2016/17.

The **Balance Sheet** on page 29 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 30 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 31 to 98 which give further information and analysis relevant to each statement.

Comprehensive Income and Expenditure Statement

This account covers the day to day operational income and expenditure for each service of the Council. The format has changed from previous years and is now reported in line with the Council's committee structure. Note 3 on page 50 details the effect of this change to the 2015/16 comparative figures within the Statement.

Income from council tax, non-domestic rates and revenue support grant was £215.184m with a net expenditure on services for the year of £217.233m (as shown on page 27 - 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 £1.926m against original budget (2015/16 £2.239m). Many of the favourable variances 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. Although, there is an element of demand led favourable variances, particularly within Early Years within Educational Services, the level of favourable variance has been partially offset due to some areas of overspend.

The Council's in-year collection of council tax increased from 94.45% in 2015/16 to 95.21% in 2016/17. Uncollected council tax is pursued for collection after the end of the financial year.

After taking account of the spend against earmarked balances held at 31 March 2016, then the overall movement for the year of £0.538m is deducted from the brought forward balance from the previous year (£11.203m), resulting in an accumulated surplus at 31 March 2017 of £10.665m (as shown on page 28). This includes an earmarked amount of £6.083m leaving £4.582m available for future use.

Management Commentary (Cont'd)

Comprehensive Income and Expenditure Statement (Cont'd)

This un-earmarked balance compares with that of £4.688m as at 31 March 2016 and shows that the un-earmarked reserve position has decreased by £0.106m 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 £4.104m and the position at financial year end exceeds this level of reserve by £0.478m.

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.

| | Budget £000 | Spend Against Budget £000 | Variance £000 | £000 |
|--|----------------|------------------------------------|------------------|------------------------|
| Total General Services Reserves Held as at 31/3/16 | | | | (11,203) |
| Earmarked Balances as at 31/3/16 | | | | <u>6,515</u> |
| Unearmarked balance as at 31/3/16 | | | | (4,688) |
| Total Expenditure | 214,125 | 212,133 | (1,992) | |
| Total Income | (214,125) | (214,059) | 66 | |
| Net Budgetary Control Position | | | (1,926) | |
| Net commitment to future budgets | | | <u>2,032</u> | |
| Movement in Unearmarked Reserves from 1/04/16 to 31/03/17 | | | | <u>106</u> |
| Unearmarked Balances held as at 31/3/17 | | | | (4,582) |
| Earmarked Balances held as at 31/3/17 | | | | <u>(6,083)</u> |
| Total General Services Reserves Held as at 31/3/17 | | | | <u>(10,665)</u> |

Housing Revenue Account

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 2017 was 10,580 (2015/16 10,748) as a result of right to buy sales and planned demolition programme, offset by the new build houses, as detailed in the table below.

| | |
|-------------------------|----------------------|
| Opening house numbers | 10,748 |
| Right to buy /disposals | (97) |
| Demolitions | (75) |
| Buy back | <u>4</u> |
| Closing house numbers | <u>10,580</u> |

Following the impact of earmarked balances, the account shows an overall surplus for the year of £0.746m (see page 99). In line with the prudential reserves policy (2% of expenditure), the target reserves level for the Housing Revenue Account for 2016/17 is £0.846m. Taking account of the in-year surplus (£0.746m) the brought forward balance from the previous year £6.217m and taking account of earmarked amounts (£6.117m) the balance available to the HRA for future use is £0.846m.

The Housing Revenue Account'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.

Management Commentary (Cont'd)

Housing Revenue Account (Cont'd)

| | Budget £000 | Spend Against Budget £000 | Variance £000 | £000 |
|--|-----------------|------------------------------------|------------------|----------------|
| Total HRA Reserves Held as at 31/3/16 | | | | (6,217) |
| Earmarked Balances as at 31/3/16 | | | | 5,362 |
| Unearmarked balance as at 31/3/16 | | | | <u>(855)</u> |
| Total Expenditure | 42,777 | 41,661 | (1,116) | |
| Total Income | <u>(42,777)</u> | <u>(42,425)</u> | 352 | |
| Net Budgetary Control Position | | | (764) | |
| Net transfer to earmarked balances | | | <u>773</u> | |
| Movement in Reserves from 1/04/16 to 31/03/17 | | | | 9 |
| Unearmarked Balances held as at 31/3/17 | | | | (846) |
| Earmarked Balances held as at 31/3/17 | | | | (6,117) |
| Total HRA Reserves Held as at 31/3/17 | | | | (6,963) |

Reserves

As at 31 March 2017, the usable reserves currently held by the Council are noted below, with further information on the future use of such reserves detailed within notes 32 and 33 on pages 94 and 95.

| | General Services £000 | HRA £000 | Total £000 |
|------------------------------|-----------------------------|--------------|---------------|
| Unearmarked Reserve | 4,582 | 846 | 5,428 |
| Earmarked Reserve | 6,083 | 6,117 | 12,200 |
| Total Revenue Reserve | 10,665 | 6,963 | 17,628 |
| Capital Receipts Reserve | 0 | 0 | 0 |
| Capital Grants Unapplied | 466 | 0 | 466 |
| Capital Reserve | 3,633 | 0 | 3,633 |
| Other Reserves | 499 | 0 | 499 |
| Total Usable Reserves | 15,263 | 6,963 | 22,226 |
| Prudential Target | 4,104 | 846 | |

Provisions

The Council has two main provisions held on its Balance Sheet, with a total value of £3.223m (see Note 31 on page 93). The Council holds funds for future equal pay claims and for further service re-design which will allow for a number of early terminations of contracts (through early retirement and severance).

Cash Flow Statement

The Council's cash flow statement shows a increase of cash and cash equivalents of £1.743m during 2016/17 (see page 30) mainly as a result of borrowing for capital spend on non-current assets.

Management Commentary (Cont'd)

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 £3.284m. Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Further details are provided in note 9 on pages 60 to 61.

Balance Sheet

The Balance Sheet shows that during 2016/17, the net assets have decreased by £52.210m (from £199.428m to £147.218m). The main movement is due to the increase in the pension liability of £87.186m 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 29 shows an assessed pension fund liability of £240.926m based on a snapshot valuation of the fund at 31 March 2017. Further information on the pension fund is provided in note 15 on pages 66 to 72. The valuation states that assets held at the valuation date were sufficient to cover 75.63% of accrued liabilities (79.71% in 2015/16).

The pension scheme liability has increased by £87.186m as advised by the appointed actuaries, and this is mainly as a result of the movement in the discount rate. 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 have either been refreshed in 2016/17 or will be during 2017/18.

The Council requires to assess the value of assets held based on current market conditions and, while in the current year particular assets have increased in value by £136.891m. At the same time, impairment and downward revaluations have reduced the value of other assets held by the Council by £96.201m, with a net impact of £40.690m. 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 2016/17 was agreed by the Council on 24 February 2016. The Council raised new long term loans of £20.000m (2015/16 £25.620m) and short term loans of £124.709m (2015/16 £69.500m) and repaid naturally maturing debt of £87.144m (2015/16 £63.029m). The total outstanding long term debt (excluding PPP debt) as at 31 March 2017 was £228.095m (2015/16 £241.009m) including £117.252m (2015/16 £137.665m) for the Council's housing stock. The total outstanding short term debt was £155.400m (2015/16 £85.067m), including £79.883m (2015/16 £48.591m) for the housing stock. The interest and expenses rate charged by the Council's loans fund was 3.62% (4.28% in 2015/16).

Management Commentary (Cont'd)

Borrowing (Cont'd)

The 10 year capital plan and the Council's Treasury Management Strategy 2016/17 were agreed by Council on 24 February 2016 and updated on 22 February 2017. 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 2016/17 and beyond. Details of the capital expenditure and financing are shown in note 22 on page 83. Total gross capital expenditure amounted to £88.667m.

The main capital projects progressed during 2016/17 were:

General Services

Building upgrades
ICT modernisation
Replacement of elderly care homes
Community capital fund
Roads infrastructure works
Clydebank leisure centre
Clydebank crematorium works
Office rationalisation
New build school projects
Street lighting
Regeneration/Local economic development
Queens Quay
Children and young persons/ early years
Vehicle replacement

HRA

New build council houses
Demolitions
Void housing upgrades
EESH compliance work
Heating improvements
Building external component renewals
Doors/window component renewals
Environmental improvement works

During 2016/17, the Council had anticipated capital expenditure of £137.766m with an actual in year spend of £88.667m. The unspent amount (£49.099m) includes overspends, underspends and slippage, as noted within the table below. The total slippage on planned spend was £50.888m – 36.7% of the overall capital programme which is summarised in the following table:

| | Original Budget £000 | Actual Spend £000 | Overspend £000 | Underspend £000 | Slippage £000 |
|--|----------------------------|-------------------------|-------------------|--------------------|------------------|
| Service | | | | | |
| Corporate Services | 2,567 | 1,418 | 0 | (29) | (1,120) |
| Education | 26,351 | 19,870 | 739 | 0 | (7,220) |
| Infrastructure, Regeneration and Development | 65,543 | 35,155 | 157 | (418) | (30,127) |
| Housing and Communities | 604 | 58 | 0 | 0 | (546) |
| Miscellaneous Services | 2,522 | 2,696 | 184 | (10) | 0 |
| Health and Social Care Partnership | 9,934 | 9,458 | 0 | 0 | (476) |
| General Services | 107,521 | 68,655 | 1,080 | (457) | (39,489) |
| HRA | 30,245 | 20,012 | 2,333 | (1,167) | (11,399) |
| Total | 137,766 | 88,667 | 3,413 | (1,624) | (50,888) |

Management Commentary (Cont'd)

Capital Finance (Cont'd)

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 these projects have now fallen into capital budgets for 2017/18 and those with more significant slippage include:

General Services

| | |
|--------------------------------|---|
| Vehicle Replacement | Later date for procurement of vehicles. |
| Clydebank Community Sports Hub | Project was delayed pending confirmation of external funding. |
| Office Rationalisation | Delayed following the discovery and removal of an oil storage tank on the site. |
| Queens Quay Regeneration | Delays resulting from complex design solutions. |
| New Build School Projects | Delays due to discovery of asbestos and weather. |
| Levensgrove Park | Delay due to issuing of the Pre-Qualification Questionnaire and in the issuing of the Invitation To Tender. |
| Posties Park Sports Hub | External approval process has resulted in the delay to programme. |

HRA

| | |
|--|--|
| Regeneration/demolition of surplus stock | Delays due to both tenant relocations and unforeseen disposal of materials during pre-demolition clearances. |
| Non-traditional Improvement works | Delay due to finalisation of scope of works and obtaining owner agreement. |
| EESH compliance work | Building services experienced problems in recruitment to support this project. |

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 24 on pages 83 to 84.

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 is due to be handed over for use by the Council during 2017/18.

Events after the Balance Sheet date

Events since the Balance Sheet date (31 March 2017) until the date of signing the draft Statement of Accounts (28 June 2017) have been taken into consideration (Note 8 on page 60).

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 107 to 116 consolidate the Council's Financial Statements, the Common Good and Trust Funds and six other entities (including two 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 £15.322m creating an overall net asset of £162.541m. This includes the combined pension liability of these organisations similar to that of the Council. However, 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.

Management Commentary (Cont'd)

The Financial Outlook and the Annual Budget process

During the course of the year, 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 latest projections for public sector expenditure from the Treasury, as well as various financial institutions, outline a scenario where resources are anticipated to continue to decline in real terms over the next five years. 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 2017/18 was a one year settlement and reduced funding to the Council due to Scottish Government reducing general funding levels to Councils.

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 October 2016 and in setting the Council budget for 2017/18 in February 2017. Following the setting of the budget in February 2017, the projections have identified current expected gaps of £7.885m in 2018/19 and a further £3.512m for 2019/20. The strategy will be reviewed by Council later by October 2017 and in setting the budget for 2018/19.

At Council in February 2017, the Council also updated the General Fund and HRA capital plans and set the HRA budget for 2017/18. 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 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 projected decline in Council population and the likelihood of continued austerity measures;
- the impact on the welfare reform agenda (introducing changes to the welfare benefits systems);
- changing demands and needs for Council services (particularly in relation older people);
- 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 as expected.

Risks are identified with actions to minimize and/or mitigate those risks (where possible) through the Council's performance monitoring system (covalent), 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.

Ongoing and Future Events

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 2017/18. 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 2017/18 as follows:

Management Commentary (Cont'd)

Ongoing and Future Events (cont'd)

- Glasgow City Region City Deal – the Council, together with a number of other Scottish local authorities, is participating in the Glasgow Region City Deal. 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 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 some 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 along the waterfront and beyond; and
- Strategic Programmes – In setting the budgets for 2015/16 and 2016/17 Council approved a range of projects to generate efficiencies. Some of these are capital funded projects where funding has been approved by Council. Significant projects include: Office Rationalisation; Care Home re-provision; shared services; new Clydebank leisure Centre, amongst others. 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.

Remuneration Report

This report presents information on the remuneration of senior elected members and senior officers within the Council (pages 18 to 25).

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.

Management Commentary (Cont'd)

Financial Performance Indicators (Cont'd)

| 2015/16 | | | 2016/17 |
|-----------|---|--|-----------|
| | Housing Performance | | |
| £0.105m | Total rent owed by tenants leaving their tenancies with arrears | Demonstrates the Council's effectiveness in collecting local housing rents | £0.063m |
| £430.10 | Average rent owed by tenants leaving their tenancies with arrears | Demonstrates the Council's effectiveness in collecting local housing rents | £312.67 |
| 10.37% | 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 | 10.33% |
| 1,038 | 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 | 1,025 |
| 8.59% | Current / former / total tenant arrears as a percentage of net rent due in year | Demonstrates the Council's effectiveness in collecting local housing rents | 7.87% |
| £3.261m | Amount of current/ former/ total tenant rent arrears | Demonstrates the Council's effectiveness in collecting local housing rents | £3.056m |
| 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 | 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% |
| (£0.034m) | Movement in the free reserve balance | Demonstrates variances contributing to the overall free reserve position | (£0.016m) |
| 96.51% | 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) | 98.16% |

| 2015/16 | | | 2016/17 |
|-----------|--|--|-----------|
| | General Services Performance | | |
| £10.26 | Cost of collecting council tax (per dwelling) | Demonstrates the Council's effectiveness in collecting local taxation | £12.84 |
| 13.91% | Council tax as a percentage of overall funding | Demonstrates the amount of budget raised through council tax | 14.68% |
| 94.45% | In-year council tax collection rate | Demonstrates the Council's effectiveness in collecting local taxation | 95.21% |
| £30.133m | Amount of income due from council tax for the year that was received | Demonstrates the Council's effectiveness in collecting local taxation | £30.653m |
| 111% | 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 | 112% |
| 2.19% | 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) | 2.18% |
| (£1.043m) | Movement in the free reserve balance | Demonstrates variances contributing to the overall free reserve position | (£0.083m) |
| 100.31% | 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) | 99.11% |

| 2015/16 | | | 2016/17 |
|-----------|---|---|-----------|
| | Prudence And Affordability – Capital | | |
| 4.77% | 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 | 5.06% |
| 33.67% | Ratio of financing costs to net revenue stream – HRA | Demonstrates how much of the HRA revenue budget is used to support previous capital investment | 31.52% |
| £53.98 | Impact of prudential borrowing on council tax – General Services | Illustrates the impact of new borrowing during the last financial year on council tax | £68.96 |
| £1.59 | Impact of prudential borrowing on housing rents – HRA | Illustrates the impact of new borrowing during the last financial year on housing rents | £0.68 |
| £412.449m | Capital Financing Requirement | The amount of planned capital expenditure not yet funded | £464.275m |
| £321.958m | External Debt Levels | The amount of external debt held by the Council. Increases due to funding of the capital programme | £379.523m |

Management Commentary (Cont'd)

Conclusion

The financial results show the Council's finances in a fairly healthy position and, considering the significant and exceptional 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: 28 June 2017

Joyce White
Chief Executive
Date: 28 June 2017

Stephen West
Strategic Lead - Resources
Date: 28 June 2017

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 (formerly known as the Head of Finance and 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 28 June 2017.

Signed on behalf of West Dunbartonshire Council

Councillor Jonathan McColl
Leader of the Council
Date: 28 June 2017

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 2017.

Stephen West
Strategic Lead - Resources
Date: 28 June 2017

Annual Governance Statement

The Annual Governance Statement is included within the Financial Statements to assure stakeholders on how the Council directs and controls its functions and how it relates to communities which will 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) is 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 recently approved and adopted a revised 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. A copy of this Code is available from the Council website at:

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

The concept underpinning the revised Framework is that it assists local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. This Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities;
- There is sound and inclusive decision making; and
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

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 of the Statement on the System of Internal Financial Control.

The Local Code evidences the Council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA.

The Council has also 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 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, engages with and leads the community. It enables the Council to monitor the achievement of the strategic objectives set out in the Strategic Plan.

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 2012/17, which sets out the key priorities of the Council;
- West Dunbartonshire Council Financial Statements for the Year Ended 31 March 2017;
- the Council operates within an established procedural framework which incorporates a scheme of delegation, standing orders and financial regulations. The Council facilitates policy and decision making through the agreed Committee structure;
- services are able to demonstrate how their own activities link to the Council's vision and priorities through their 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 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 in inter-party protocol;
- 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 Audit and Performance Review Committee;
- comprehensive arrangements are in place to ensure members and officers are supported by appropriate training and development; and
- a governance framework has been in place at West Dunbartonshire Council for the year ended 31 March 2017 and up to the date of approval of the Financial Statements.

Review of Effectiveness

The Council has a responsibility for ensuring the continuing effectiveness of its governance framework and its system of internal financial control. The Council's revised 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 & Performance Review Committee on 21 June 2017.

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. The Council's Audit & Risk Manager (the Council's Chief Internal Auditor) has responsibility for reviewing independently and reporting to the Audit and Performance Review Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

The Audit and Performance Review 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.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 and reports to the Audit and Performance Review Committee. An annual programme of work is determined and undertaken by Internal Audit, approved by the Audit and Performance Review Committee, based upon an established risk based methodology. The Audit & Risk Manager provides an independent opinion on the adequacy and effectiveness of the Council's System of Internal Financial Control.

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 & Risk Manager stating that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems.

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

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 have been identified:

- Further enhancement of the workforce management system;
- Implementation of approved workforce planning process;
- Implementation of eBilling for Council Tax along with myAccount functionality;
- Develop new approaches to detecting fraud within the Corporate Fraud team;
- Implement Category Strategies for procurement activity;
- Enhance performance monitoring and scrutiny across the Council;
- Improve procurement processes and monitoring of contracts across the Council;
- Roll out the Procurement Request Form and Procurement Awareness Toolkit across the Council;
- Enhance compliance with Strategic Environmental Assessment Legislation;
- Further developments of ICT infrastructure to ensure consistent stability; and
- Implement "Be the Best Conversations" across the Council.

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 (the report to Audit and Performance Review Committee provides more detail on these):

- Communications;
- Strategic / Service Planning;
- Benchmarking and Continuous Improvement
- Community Planning and Engagement;
- Sustainability;
- Options Appraisal Process; and
- Records Management Policy.

WDC Internal Audit has recently carried out a review of West Dunbartonshire Health and Social Care Partnership (WDHSCP) Board's Governance, Performance & Financial Management arrangements. This review confirmed that the systems examined are generally working effectively. The HSCP is currently making arrangements to consider its own compliance with the revised Code of Governance.

The Council welcomes the approach taken by external inspection agencies, through the Local Area Network to develop a comprehensive annual Local Scrutiny Plan (LSP) which is proportionate and based upon risks identified. The 2016/17 LSP identified a number of areas of risk which the Council has been working on over the last year. A recently published update to the LSP, covering 2017/18, was reported to Council on 28 June 2017 and notes that the Council continues to demonstrate a strong commitment to best value and has strong leadership, a clear vision and a focus on continuous improvement. The LAN did not identify any specific areas from the risk assessment where specific scrutiny was required, other than scrutiny that was nationally directed or part of a planned programme of work. The LAN members followed up on some areas that were identified in the 2016/17 LSP for ongoing oversight and monitoring which are detailed below:

- Housing & Homelessness – whilst there is evidence of positive progress in Housing, the pace of change needs to continue to sustain and build on improvements already achieved;
- Staff Absence levels – requires ongoing oversight and monitoring; and
- Financial sustainability – The LAN recognises that the Council has managed its finances proactively however, as there is still uncertainty in the wider economic climate the financial position will continue to be kept under review and reported in the 2016/17 Annual Audit.

Annual Governance Statement (Cont'd)

Review of Effectiveness (Cont'd)

Delivery of Education is no longer an area which requires ongoing oversight and monitoring by the LAN. The following new risk was identified by the LAN requiring ongoing oversight and monitoring:

- Shared Services - delivering services with partners has been identified by the Council as an area where savings could be realised over the next three years. However identifying further opportunities for shared services has not progressed as quickly as initially expected and therefore the savings targets have not been achieved.

Strategic Leads have identified, through their service planning processes, actions to deliver on these four areas and the strategic / high level elements of these have been brought together in an action plan which will be separately monitored with quarterly progress reports to the Audit & Performance Review Committee. We are satisfied that these steps address the need for improvements and we will monitor their implementation and operation as part of our next annual review.

A continuing area of risk relates to the ongoing implementation of the UK Government's Welfare Reform agenda which is anticipated to continue until 2020, with likely impact on Council finances.

Financial Considerations

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

CIPFA published this statement in 2010 and under the Local Code the Council is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is that the Chief Financial Officer in a public organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Council considers that it complies with the above Statement.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2016/17 to provide 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

Joyce White
Chief Executive

Stephen West
Strategic Lead - Resources

Date: 28 June 2017

Date: 28 June 2017

Date: 28 June 2017

Remuneration Report

Introduction

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with 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 have been reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration - Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2016 (SSI No. 2016/6). 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 below.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of West Dunbartonshire Council was £33,789. The Regulations also state that the maximum yearly amount that may be paid to the Provost (£25,341) 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 (£25,341) is 75% of the total yearly amount payable to the Leader of the Council. For 2016/17 the total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £211,180. 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. The Council policy is to pay Senior Councillors a salary of £21,118.

During 2016/17, the Council agreed the appointment of a Council Leader, Provost and 10 Senior Councillors and the remuneration paid to the 10 Senior Councillors totalled £211,180 per annum. 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 2017 are shown in Table 5 on page 24.

The Scheme of Members Allowances which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 16 May 2012. The report to Council and the Register of Members' Expenses is available at:

<https://www.west-dunbarton.gov.uk/council/councillors-and-committees/>

The regulations also set out the amounts a Councillor may be paid for being a convener or vice-convener of a Joint Board. For 2016/17 the remuneration for the post of Convener of the Valuation Joint Board is £21,118 per annum.

Remuneration Report (Cont'd)

a) Table 1: Remuneration of Senior Councillors

| Name | Position | Year ended 31 March 2017 | | | | 2015/16 |
|--------------------|--|---------------------------------|---------------------|--|-----------------------|-----------------------|
| | | Salary, Fees & Allowances | Taxable Expenses | Non-cash Expenses, Benefits-in kind | Total Remuneration | Total Remuneration |
| | | £ | £ | £ | £ | £ |
| Martin Rooney | Leader of Council Convener of Recruitment & Individual Performance; Community Alliance Committee | 33,789 | 0 | 0 | 33,789 | 33,454 |
| Douglas McAllister | Provost (Civic Head) | 25,341 | 0 | 0 | 25,341 | 25,090 |
| John Millar | Depute Provost | 21,118 | 0 | 0 | 21,118 | 20,909 |
| Patrick McGlinchey | Depute Leader Convener Infrastructure Regeneration & Economic Dev Community; Joint Consultative Forum | 21,118 | 0 | 0 | 21,118 | 20,909 |
| Gail Casey | Convener of Community Health Care Partnership; Argyll, Bute & Dunbartonshire Criminal Justice; Integrated Joint Board (HSCP) | 21,127 | 0 | 0 | 21,127 | 20,844 |
| Lawrence O'Neill | Convener of Licensing Committee; Planning Committee | 21,118 | 0 | 0 | 21,118 | 20,909 |
| Kathleen Ryall | Convener of Corporate Services Committee | 21,127 | 0 | 0 | 21,127 | 20,844 |
| Thomas Rainey | Convener of Appeals Committee | 21,118 | 0 | 0 | 21,118 | 20,909 |
| John Mooney | Convener of the Licensing Board | 21,118 | 0 | 0 | 21,118 | 20,909 |
| Michelle McGinty | Convener of Education Services Committee; Education, Grievance & Disciplinary Committee | 21,118 | 0 | 0 | 21,118 | 20,909 |
| David McBride | Convener of Housing and Communities Committee; Tendering Committee | 21,118 | 0 | 0 | 21,118 | 20,909 |
| Jonathan McColl | Leader of Opposition Convener of Audit & Performance Review Committee | 21,118 | 0 | 0 | 21,118 | 20,909 |
| James Brown | Convener of Valuation Joint Board | 21,118 | 0 | 0 | 21,118 | 20,909 |

Note:

1. 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).
2. Salaries allowances and expenses in 2016/17 have been included only for senior Councillors. For those Councillors still active and no longer senior, the allowances are, therefore, noted as £0.

Remuneration Report (Cont'd)

b) Remuneration paid to Councillors

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

| 2015/16 £000 | 2016/17 £000 |
|-----------------------------|-----------------------|
| 439,282 Salaries | 443,500 |
| <u>23,922 Expenses</u> | <u>22,125</u> |
| <u>463,204 Total</u> | <u>465,625</u> |

Note:

- The annual return of Councillors' salaries and expenses for 2016/2017 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's website at www.west-dunbarton.gov.uk.

c) Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/148 sets the amount of salary for the Chief Officials of West Dunbartonshire Council for the period 2015 to 2017. 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 and employer contributions to the pension fund. There were no bonuses, compensation for loss of office or other benefits paid to senior employees during the year. The salary details for senior employees are noted in table 2.

Table 2: Remuneration of Senior Employees

| Name | Position at 31/03/17 | Salary, Fees and Allowances 2016/17 £ | Total Remuneration 2015/16 £ |
|----------------|---|--|--|
| Joyce White | Chief Executive | 132,526 | 124,615 |
| Angela Wilson | Strategic Director of Transformation and Public Sector Reform | 105,889 | 104,451 |
| Richard Cairns | Strategic Director of Regeneration, Environment and Growth | 105,889 | 104,451 |
| *Keith Redpath | Chief Officer - Health and Social Care Partnership | 53,717 (full time equivalent £107,435) | 51,536 (full time equivalent £103,072) |
| Jackie Irvine | Strategic Lead - Children's Health, Care & Criminal Justice | 85,731 | 84,618 |
| Stephen West | Strategic Lead - Resources | 85,731 | 84,197 |

Remuneration Report (Cont'd)

c) Remuneration of Senior Employees (Cont'd)

* Details of Mr. Redpath's remuneration are included within the accounts of the National Health Service Greater Glasgow & Clyde. The figure shown for Mr. Redpath under Salary, Fees and Allowances, represents the contribution made by West Dunbartonshire Council to NHS Greater Glasgow and Clyde towards Mr. Redpath's salary.

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 2017 would include any amounts received as the Returning Officer for West Dunbartonshire in elections. For the year to 31 March 2017 there were two elections: The Scottish Parliament Election and the EU Referendum and, therefore, amounts are included.

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.

d) 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.

Table 3: Remuneration of Employees

| Remuneration Bands | Number of Employees | |
|---------------------|---------------------|------------|
| | 2016/17 | 2015/16 |
| £50,000 - £54,999 | 41 | 51 |
| £55,000 - £59,999 | 33 | 32 |
| £60,000 - £64,999 | 18 | 12 |
| £65,000 - £69,999 | 1 | 3 |
| £70,000 - £74,999 | 1 | 3 |
| £75,000 - £79,999 | 1 | 7 |
| £80,000 - £84,999 | 9 | 3 |
| £85,000 - £89,999 | 1 | 1 |
| £100,000 - £104,999 | 1 | 2 |
| £105,000 - £109,999 | 1 | 0 |
| £110,000 - £114,999 | 0 | 1 |
| £120,000 - £125,999 | 0 | 1 |
| £130,000 - £134,999 | 1 | 0 |
| Total | 108 | 116 |

Remuneration Report (Cont'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 2017 are shown in Table 5 on page 24. 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.

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.

Table 4: Contribution Rates

| | Contribution rate 2016/17 | Contribution rate 2015/16 |
|---|--------------------------------------|--------------------------------------|
| The tiers and members contribution rates for 2016/17 whole time pay: | | |
| <u>Local Government employees</u> | | |
| On earnings up to and including £20,500 (£20,500) | 5.50% | 5.50% |
| On earnings above £20,500 (£20,500) and up to £25,000 (£25,000) | 7.25% | 7.25% |
| On earnings above £ 25,000 (£25,000) and up to £34,400 (£34,400) | 8.50% | 8.50% |
| On earnings above £34,400 (£34,400) and up to £45,800 (£45,800) | 9.50% | 9.50% |
| On earnings above £45,800 (£45,800) | 12.00% | 12.00% |
| The tiers and members contribution rates for 2016/17 actual pay: | | |
| <u>Teachers</u> | | |
| On earnings up to and including £25,999 | 7.20% | 7.20% |
| On earnings above £ 25,999 and up to £34,999 | 8.70% | 8.70% |
| On earnings above £ 34,999 and up to £41,499 | 9.70% | 9.70% |
| On earnings above £41,499 and up to £54,999 | 10.40% | 10.40% |
| On earnings above £54,999 and up to £74,999 | 11.50% | 11.50% |
| On earnings above £74,999 | 11.90% | 11.90% |

Remuneration Report (Cont'd)

Pension Benefits (Cont'd)

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 1/49th of pay from 1 April 2015. Prior to this the accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the 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. The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

The pension entitlements for the year to 31 March 2017 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:

Remuneration Report (Cont'd)

Pension Benefits (Cont'd)

e) Table 5: Pension Benefits of Senior Councillors and Senior Employees

| | | In-year pension contributions | | Accrued pension benefits | |
|---------------------------|--|-------------------------------|---------------------------|--------------------------|---------------------|
| | | For year to 31 March 2017 | For year to 31 March 2016 | As at 31 March 2017 | As at 31 March 2016 |
| Name | Position at 31/03/17 | £ | £ | £ | £ |
| Senior Councillors | | | | | |
| Martin Rooney | Leader of Council Convener of Recruitment & Individual Performance Committee Convener of Community Alliance Committee | 6,521 | 6,457 | 7,072 | 6,096 |
| Gail Casey | Convener of Community Health Care Partnership Convener of Argyll, Bute & Dunbartonshire Criminal Justice Integrated Joint Board (SCP) | 4,062 | 4,023 | 4,969 | 4,428 |
| Kathleen Ryall | Convener of Corporate Services Committee | 4,062 | 4,023 | 1,901 | 1,435 |
| John Mooney | Convener of Licensing Board | 4,076 | 4,035 | 1,912 | 1,446 |
| Michelle McGinty | Convener of Education Services Committee; Education, Grievance & Disciplinary Committee | 4,076 | 4,035 | 1,912 | 1,446 |
| David McBride | Convener of Housing & Communities Committee Convener of Tendering Committee | 4,076 | 4,035 | 4,846 | 4,269 |
| Jonathan McColl | Leader of Opposition Convener of Audit & performance Review Committee | 4,076 | 4,035 | 4,788 | 4,260 |
| Lawrence O'Neill | Convener of Licensing Committee Convener of Planning Committee | 4,076 | 4,035 | 1,223 | 776 |
| Senior Employees | | | | | |
| Joyce White | Chief Executive | 25,035 | 23,893 | 24,546 | 21,905 |
| Angela Wilson | Strategic Director of Transformation and Public Sector Reform | 20,361 | 20,159 | 138,064 | 134,546 |
| Richard Cairns | Strategic Director of Regeneration, Environment and Growth | 20,361 | 20,159 | 56,082 | 53,376 |
| Keith Redpath | Chief Officer - Health and Social Care Partnership | 0 | 0 | 0 | 0 |
| Jackie Irvine | Strategic Lead - Children's Health, Care & Criminal Justice | 16,485 | 16,331 | 50,850 | 48,632 |
| Stephen West | Strategic Lead - Resources | 16,485 | 16,331 | 109,750 | 106,983 |

Remuneration Report (Cont'd)

Pension Benefits (Cont'd)

All employees in table 5 above, with the exception of Mr. Redpath are members of the Local Government Pension Scheme. Mr. Redpath is a member of the NHS Superannuation Scheme (Scotland). Details of Mr Redpath's pension are included within the accounts of the National Health Service Greater Glasgow & Clyde and are therefore noted as zero in the Council accounts. 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.

f) Table 6: Exit Packages

| Banding | Number of compulsory packages | | Number of other departures | | Total Number | | Total cost | |
|---------------------|-------------------------------|----------|----------------------------|-----------|--------------|-----------|------------------|------------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | | | | | | | £ | £ |
| £0 - £20,000 | 0 | 0 | 23 | 72 | 23 | 72 | 178,817 | 302,962 |
| £20,001 - £40,000 | 0 | 0 | 9 | 7 | 9 | 7 | 245,043 | 188,836 |
| £40,001 - £60,000 | 0 | 0 | 5 | 5 | 5 | 5 | 242,978 | 251,629 |
| £60,001 - £80,000 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | 139,959 |
| £80,001 - £100,000 | 0 | 0 | 5 | 1 | 5 | 1 | 446,209 | 91,579 |
| £100,001 - £150,000 | 0 | 0 | 4 | 2 | 4 | 2 | 452,451 | 239,142 |
| £150,001 - £600,000 | 0 | 0 | 0 | 5 | 0 | 5 | 0 | 904,349 |
| Total | 0 | 0 | 46 | 94 | 46 | 94 | 1,565,498 | 2,118,456 |

The total cost of £1.565m for 2016/17 in Table 6 above includes £1.296m for exit packages that have been agreed, accrued for and charged to West Dunbartonshire Council's Comprehensive Income and Expenditure Statement.

Jonathan McColl
Leader of the Council
Date: 28 June 2017

Joyce White
Chief Executive
Date: 28 June 2017

Core Financial Statements

The financial statements comprise the following primary statements:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cashflow Statement; and
- Summary of significant accounting policies and other explanatory notes.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost, for 2016/17, 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.

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.

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. Non-usable 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'.

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.

Comprehensive Income and Expenditure Statement

| 2015/16 Gross Expenditure £000 | 2015/16 Gross Income £000 | 2015/16 Net Expenditure £000 | | 2016/17 Gross Expenditure £000 | 2016/17 Gross Income £000 | 2016/17 Net Expenditure £000 |
|---|------------------------------------|---------------------------------------|---|---|------------------------------------|---------------------------------------|
| | | | Service | | | |
| 75,018 | 52,572 | 22,446 | Corporate Services | 72,733 | 50,477 | 22,256 |
| 96,223 | 4,769 | 91,454 | Educational Services | 98,412 | 5,445 | 92,967 |
| 67,081 | 26,710 | 40,371 | Infrastructure, Regeneration and Economic Development | 57,572 | 24,519 | 33,053 |
| 9,025 | 6,227 | 2,798 | Housing and Communities | 7,457 | 5,188 | 2,269 |
| 37,451 | 40,118 | (2,667) | Housing Revenue Account | 37,776 | 40,625 | (2,849) |
| 8,401 | 2,992 | 5,409 | Miscellaneous Services | 7,229 | 6,423 | 806 |
| 133,105 | 68,654 | 64,451 | Health and Social Care Partnership | 149,705 | 83,549 | 66,156 |
| 2,586 | 0 | 2,586 | Requisitions | 2,575 | 0 | 2,575 |
| 428,890 | 202,042 | 226,848 | Net Cost of Service (1) | 433,459 | 216,226 | 217,233 |
| | | <u>861</u> | (Gain) / loss on Disposal of Fixed Assets | | | <u>(1,146)</u> |
| | | 861 | Other Operating Expenditure (2) | | | (1,146) |
| | | (30,714) | Council Tax | | | (31,592) |
| | | (84,053) | Non-Domestic Rates | | | (82,793) |
| | | (106,095) | Revenue Support Grant | | | (100,799) |
| | | <u>(15,738)</u> | Recognised Capital Income (Grants, Contributions & Donations) | | | <u>(8,229)</u> |
| | | (236,600) | Taxation and Non-specific Grant Income (3) | | | (223,413) |
| | | (203) | Interest Earned | | | (177) |
| | | 18,909 | External Interest Payable / Similar Charges | | | 18,437 |
| | | 836 | (Gain)/Loss early settlement of borrowing | | | 846 |
| | | (2,721) | Surplus on Trading Undertakings not included in net cost of services | | | (3,284) |
| | | <u>7,059</u> | Pension Interest Cost/Expected Return on Pension Assets | | | <u>5,462</u> |
| | | 23,880 | Finance/Investment Income and Expenditure (4) | | | 21,284 |
| | | 14,989 | (Surplus)/Deficit on Provision of Services (5) = (1)+(2)+(3)+(4) | | | 13,958 |
| | | 2,180 | (Surplus)/Deficit arising from revaluation of property, plant and equipment | | | (38,097) |
| | | (863) | (Surplus)/Deficit on revaluation of available for sale assets | | | (691) |
| | | <u>(77,852)</u> | Actuarial (gains)/losses on pension fund assets and liabilities | | | <u>77,040</u> |
| | | (76,535) | Other Comprehensive (Income) and Expenditure (6) | | | 38,252 |
| | | <u>(61,546)</u> | Total Comprehensive (Income) and Expenditure (5) + (6) | | | <u>52,210</u> |

Movement in Reserves Statement

| | Note | Usable Reserves | | | | | | | | |
|---|------|------------------------------|---------------------|----------------------------------|--|-------------------------|------------------------|-------------------------------|---------------------------|------------------------|
| | | 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 | Unusable Reserves £000 | Total Reserves £000 |
| 2016/17 | | | | | | | | | | |
| Opening Balance at 1 April 2016 | | (11,203) | (6,217) | 0 | (484) | (3,824) | (527) | (22,255) | (177,173) | (199,428) |
| Movement in reserve 2016/17 | | | | | | | | | | |
| (Surplus) or deficit on provision of services | | 12,550 | 1,408 | 0 | 0 | 0 | 0 | 13,958 | 38,252 | 52,210 |
| Other Comprehensive Expenditure and Income | 7 | (11,793) | (2,154) | 0 | 18 | 0 | 0 | (13,929) | 13,929 | 0 |
| Net Increase/(Decrease) before Transfers to Other Statutory Reserves | | 757 | (746) | 0 | 18 | 0 | 0 | 29 | 52,181 | 52,210 |
| Transfers to/from other statutory reserves | | (219) | 0 | 0 | 0 | 191 | 28 | 0 | 0 | 0 |
| Closing Balance at 31 March 2017 | | (10,665) | (6,963) | 0 | (466) | (3,633) | (499) | (22,226) | (124,992) | (147,218) |
| 2015/16 | | | | | | | | | | |
| Opening Balance at 1 April 2015 | | (9,623) | (4,570) | 0 | (421) | (4,012) | (433) | (19,059) | (118,823) | (137,882) |
| Movement in reserve 2015/16 | | | | | | | | | | |
| (Surplus) or deficit on provision of services | | 12,876 | 2,113 | 0 | 0 | 0 | 0 | 14,989 | (76,535) | (61,546) |
| Adjustments between accounting basis and funding basis under regulations | 7 | (14,362) | (3,760) | 0 | (63) | 0 | 0 | (18,185) | 18,185 | 0 |
| Net Increase/(Decrease) before Transfers to Other Statutory Reserves | | (1,486) | (1,647) | 0 | (63) | 0 | 0 | (3,196) | (58,350) | (61,546) |
| Transfers to/from other statutory reserves | | (94) | 0 | 0 | 0 | 188 | (94) | 0 | 0 | 0 |
| Closing Balance at 31 March 2016 | | (11,203) | (6,217) | 0 | (484) | (3,824) | (527) | (22,255) | (177,173) | (199,428) |

Balance Sheet

| 2015/16 | | | 2016/17 |
|------------------|-------|--------------------------------------|------------------|
| £000 | Notes | | £000 |
| 760,302 | 18 | Property, Plant and Equipment | 839,486 |
| 45 | 19 | Intangible Assets | 29 |
| 58 | | Long Term Debtors | 44 |
| 1,406 | 21 | Heritage Assets | 1,406 |
| 501 | | Long Term Investments | 501 |
| 762,312 | | Long Term Assets | 841,466 |
| 653 | 20 | Asset Held for Sale | 7,345 |
| 922 | 25 | Inventories | 1,146 |
| 35,413 | 26 | Short Term Debtors | 37,645 |
| 12,357 | 28 | Cash and Cash Equivalents | 12,030 |
| 49,345 | | Current Assets | 58,166 |
| (4,643) | 31 | Provisions | (3,223) |
| (36,642) | 30 | Short Term Creditors | (36,955) |
| (86,724) | | Short Term Borrowing | (157,557) |
| (4,788) | 28 | Cash and Cash Equivalents | (2,718) |
| (132,797) | | Current Liabilities | (200,453) |
| 678,860 | | Net Assets | 699,179 |
| (325,649) | | Long Term Borrowing | (310,255) |
| (153,740) | 15 | Net Pensions Liability | (240,926) |
| (43) | 12 | Capital Grants Receipts in Advance | (780) |
| (479,432) | | Long Term Liabilities | (551,961) |
| 199,428 | | Total Assets Less Liabilities | 147,218 |
| | | Represented by: | |
| 22,255 | MIR | Usable Reserves | 22,226 |
| 177,173 | MIR | Unusable Reserves | 124,992 |
| 199,428 | | Total Reserves | 147,218 |

The unaudited Financial Statements were issued on 28 June 2017.

Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
Date: 28 June 2017

Cash Flow Statement

| 2015/16 £000 | Notes | | 2016/17 £000 |
|-----------------|-------|---|-----------------|
| | | Operating Activities | |
| 14,989 | | Net deficit on the provision of services | 13,958 |
| (48,460) | | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (39,002) |
| 15,759 | | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financial activities | 8,141 |
| <u>(17,712)</u> | 27 | Net cash inflow from Operating Activities | <u>(16,903)</u> |
| 48,774 | 27 | Investing Activities | 70,598 |
| <u>(30,296)</u> | 27 | Financing Activities | <u>(55,438)</u> |
| <u>766</u> | | | <u>(1,743)</u> |
| 8,335 | 28 | Cash and cash equivalents at the beginning of the reporting period | 7,569 |
| <u>7,569</u> | 28 | Cash and cash equivalents at the end of the reporting period | <u>9,312</u> |
| <u>766</u> | 28 | Movement – Increase in Cash | <u>(1,743)</u> |

Notes to the Financial Statements

Note 1 - Accounting Policies

1. General Principles

The Financial Statements summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. 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 2016/17 ("the code") and the Service Reporting Code of Practice 2016/17, 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.

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; and
- 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

3. 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.

Investments held by the Council 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.

4. 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.

5. Charges to Revenue for Property, Plant and Equipment

Council Services and Trading Accounts are debited 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

6. 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.

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.

Where expenditure qualifies as capital for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance and are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

7. 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

7. 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:

- Infrastructure, community and assets under construction assets – historical 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; and
- 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

7. Property, Plant and Equipment (Cont'd)

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 2016/17 and planned each of the following four years is as follows:

- 2016/17 Crematorium/Cemeteries/operational offices/depots/stores/car parks/non HRA residential properties
- 2017/18 All Council non-operational properties; and
- 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 Valuation

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

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.

Where impairment losses are identified, they are accounted for 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 accumulated gains); 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

7. Property, Plant and Equipment (Cont'd)

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.

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-classified 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. Where there is a subsequent decrease to fair value less sale costs, the loss is posted to the Surplus and Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount in the Balance Sheet is written off 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. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains 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 required to be credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying borrowing requirement. Receipts are appropriated to the Reserve 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).

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

7. Property, Plant and Equipment (Cont'd)

The useful lives of assets, as estimated and advised by a suitably qualified officer, are as follows:

| | | |
|------------------------------|-------------|---------------|
| • Council dwellings | 40 years | straight line |
| • Other buildings* | 20-60 years | straight line |
| • Infrastructure | 20 years | straight line |
| • Vehicles, plant, equipment | 5-10 years | straight line |
| • Intangibles | 5-10 years | straight line |

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

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.

8. 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 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. Assets are not depreciated. 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.

9. Heritage assets

Heritage assets are tangible and intangible assets with historic, artistic, scientific, technological, geographical or environmental qualities that are held and maintained primarily for their contribution to knowledge and culture.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

9. Heritage assets (Cont'd)

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 models of ships, works of art, silver and commemorative ware, civic robes and sewing machine collections are the responsibility of Libraries and Museums 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
- Council Offices, Garshake Road; and
- Clydebank Town Hall.

Ships models, works of art and silver and commemorative ware are included in the balance sheet based on the last formal valuations by Bonhams, Sotheby's and Phillips respectively. 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 and where the value of the asset is estimated to be in excess of £10,000.

Civic chains relates to the chains of office held at Council Headquarters at Garshake Road, Dumbarton and worn by office bearers (such as the Provost and Deputy Provost) at ceremonial and civic events.

Listed buildings and scheduled ancient monuments are the responsibility of Housing, Environmental and Economic Development. These assets include memorial structures and buildings as well as statues and fountains.

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

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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

9. Heritage assets (Cont'd)

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. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Models of Ships

The models included within this collection include MV Rangitane, MV Essex and HMS Vanguard. Assets are reported in the balance sheet based on the last formal valuation by Bonhams.

Works of Art

There are 470 paintings within the works of art collection. The paintings are reported in the balance sheet based on the last formal valuation by Sotheby's and Bonhams. Where a lower and upper valuation has been provided the mid valuation has been used

Acquisitions are made by purchase or donation. 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.

Silver and Commemorative Ware

The items included within this collection are reported in the balance sheet based on the last formal valuation by Phillips.

Civic Regalia

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

Sewing Machine Collection

There are 809 sewing machines (of various models) included within the 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

The authority holds and maintains listed buildings and ancient monuments of historic significance, many of which are tributes to the war dead. 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 authority 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

10. Construction Contract (Work in Progress)

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

11. 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 pension schemes:

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

Both schemes provide defined benefits to members earned as employees of the Council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet, and the Education Service line in the Comprehensive Income and Expenditure Account Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

11. Employee Benefits (Cont'd)

Post Employment Benefits (Cont'd)

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

- the liabilities of the pension fund attributable to the Council are included within the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates, projection of earnings for current employees, etc.;
- liabilities are discounted to their value at current prices using a discount rate based upon the indicative return rate on long dated high quality corporate bonds; and
- the assets of the local government pension fund attributable to the Council are included in the Balance Sheet at bid value and are split into quoted prices in active markets and prices not quoted in active markets. They are now shown in the notes in more detail split by:-
 - equity securities;
 - debt securities;
 - private equity;
 - real estate;
 - investment funds; and
 - derivatives cash.
- the change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked;
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - Net interest expense – the expected increase in the present value of liabilities during the year as they move one year closer to being paid less the fair value of plan assets – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

11. Employee Benefits (Cont'd)

Post Employment Benefits (Cont'd)

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and
- Contributions paid to the local government pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

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

12. 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 is 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.

13. 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

14. 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.

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.

15. Financial Assets

The reconciliation of amounts is charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

15. 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. 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.

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

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

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

15. Financial Assets (Cont'd)

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.

16. Fair Value Measurement

The Council measures some of 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.

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.

17. Government grants and contributions

Whether paid on account, by instalments or arrears, government grants and third party contributions and donations 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

17. Government grants and contributions (Cont'd)

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.

18. Inventories

Inventories are included in the Balance Sheet at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

19. 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 to the Council 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).

The Council is not required to raise council tax to cover depreciation/ revaluation or impairment losses arising on leased assets. 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

19. Leases (Cont'd)

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 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.

20. 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 2016/17. 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.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

20. Overhead and support services (Cont'd)

General Fund Services have not been charged for these support service costs, in line with the Council's budgetary reporting structure.

21. 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.

The amounts payable to the PPP 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.

22. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal obligation, either legal or constructive, as a result of a past event that results in a probable outflow of resources embodying economic benefits or service potential being required to settle the obligation, 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 the effect of the time value of money is material, the amount of the provision recognised is the present value of the expenditures expected to be required to settle the obligation.

When payments are eventually made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less probable that a transfer of economic benefits is now required; the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle the provision is expected to be recovered from a third party, this is recognised as income for the relevant service if it is almost certain that reimbursement will be received if the authority settles the obligation.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

22. Provisions, contingent liabilities and contingent assets (Cont'd)

Contingent assets and 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.

23. 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.

24. Revenue expenditure funded from Capital under statute (deferred charges)

Expenditure incurred that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

25. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

Notes to the Financial Statements (Cont'd)

Note 1 - Accounting Policies (Cont'd)

26. Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in phase 2 which started on 1 April 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. Carbon dioxide is produced, as energy is used). As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the liability which is normally at the current market price for the number of allowances required at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services.

27. 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 one company is recorded, as the Council has shares and full ownership of the Clydebank Property Company (purchased during 2014/15). No other interests are recorded in the Council's single entity accounts of any of other organisation.

Note 2 – Accounting Standards that have been issued but have not yet been adopted

For 2017/18, 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 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs; and
- Amendment to the reporting of investment concentration.

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 2017 and therefore there is no impact on the 2016/17 Statement of Accounts.

Note 3 – Prior Year Adjustment

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 within the Code. The service cost information is now reported on a similar basis to the Council's budgetary reporting structure, rather than the as prescribed by the Code.

The net expenditure shown within the Net Cost of Services remains the same, however the gross expenditure and income position has changed.

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

Notes to the Financial Statements (Cont'd)

Note 3 – Prior Year Adjustment (Cont'd)

| | As previously Stated £000 | Prior Year Adjustment £000 | Restated £000 |
|---|---------------------------------|----------------------------------|------------------|
| Comprehensive Income and Expenditure - Gross Expenditure | | | |
| Central Services | 9,165 | (9,165) | 0 |
| Cultural and Related Services | 16,829 | (16,829) | 0 |
| Educational Services | 105,277 | (105,277) | 0 |
| Environmental Services | 17,471 | (17,471) | 0 |
| Housing Services | 50,995 | (50,995) | 0 |
| Planning and Development Services | 10,273 | (10,273) | 0 |
| Roads and Transport Services | 14,575 | (14,575) | 0 |
| Social Work - Provision of Services | 89,173 | (89,173) | 0 |
| Social Work - Contribution to IJB | 45,319 | (45,319) | 0 |
| Corporate and Democratic Core | 3,701 | (3,701) | 0 |
| Non distributed costs | 3,289 | (3,289) | 0 |
| Corporate Services | 0 | 75,018 | 75,018 |
| Education | 0 | 96,223 | 96,223 |
| Infrastructure, Regeneration and Economic Development | 0 | 67,081 | 67,081 |
| Housing and Communities | 0 | 9,025 | 9,025 |
| Housing Revenue Account | 0 | 37,451 | 37,451 |
| Miscellaneous Services | 0 | 8,401 | 8,401 |
| Health and Social Care Partnership | 0 | 133,105 | 133,105 |
| Requisitions | 0 | 2,586 | 2,586 |
| Net Cost of Service | 403,518 | 25,372 | 428,890 |
| Comprehensive Income and Expenditure - Gross Income | | | |
| Central Services | 1,448 | (1,448) | 0 |
| Cultural and Related Services | 881 | (881) | 0 |
| Educational Services | 4,111 | (4,111) | 0 |
| Environmental Services | 4,591 | (4,591) | 0 |
| Housing Services | 47,951 | (47,951) | 0 |
| Planning and Development Services | 7,195 | (7,195) | 0 |
| Roads and Transport Services | 5,439 | (5,439) | 0 |
| Social Work - Provision of Services | 64,716 | (64,716) | 0 |
| Corporate and Democratic Core | 220 | (220) | 0 |
| Corporate Services | 0 | 52,572 | 52,572 |
| Education | 0 | 4,769 | 4,769 |
| Infrastructure, Regeneration and Economic Development | 0 | 26,710 | 26,710 |
| Housing and Communities | 0 | 6,227 | 6,227 |
| Housing Revenue Account | 0 | 40,118 | 40,118 |
| Miscellaneous Services | 0 | 2,992 | 2,992 |
| Health and Social Care Partnership | 0 | 68,654 | 68,654 |
| Net Cost of Service | 176,670 | 25,372 | 202,042 |

Notes to the Financial Statements (Cont'd)

Note 3 – Prior Year Adjustment (Cont'd)

| | As previously Stated £000 | Prior Year Adjustment £000 | Restated £000 |
|---|---------------------------------|----------------------------------|------------------|
| Comprehensive Income and Expenditure - Net Expenditure | | | |
| Central Services | 7,717 | (7,717) | 0 |
| Cultural and Related Services | 15,948 | (15,948) | 0 |
| Educational Services | 101,166 | (101,166) | 0 |
| Environmental Services | 12,880 | (12,880) | 0 |
| Housing Services | 3,044 | (3,044) | 0 |
| Planning and Development Services | 3,078 | (3,078) | 0 |
| Roads and Transport Services | 9,136 | (9,136) | 0 |
| Social Work - Provision of Services | 24,457 | (24,457) | 0 |
| Social Work - Contribution to IJB | 45,319 | (45,319) | 0 |
| Corporate and Democratic Core | 3,481 | (3,481) | 0 |
| Non distributed costs | 3,289 | (3,289) | 0 |
| Corporate Services | 0 | 22,446 | 22,446 |
| Education | 0 | 91,454 | 91,454 |
| Infrastructure, Regeneration and Economic Development | 0 | 40,371 | 40,371 |
| Housing and Communities | 0 | 2,798 | 2,798 |
| Housing Revenue Account | 0 | (2,667) | (2,667) |
| Miscellaneous Services | 0 | 5,409 | 5,409 |
| Health and Social Care Partnership | 0 | 64,451 | 64,451 |
| Requisitions | 0 | 2,586 | 2,586 |

Note 4 – 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 1. 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 2017 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.

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.

Notes to the Financial Statements (Cont'd)

Note 5 – 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 2017, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| 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 £0.304m for every year that useful lives had to be reduced. |
| Provision – severance and early retiral | The Council has set aside a provision of £1.972m for future early retiral 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 £0.197m to the provision needed. |
| Provision – equal pay | The Council has set aside a provision of £1.251m 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 £0.125m 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 2016/17 the appointed actuaries advised that the net liability had increased by £87.186m as a result of estimates being updated and an update to the assumptions. |
| Arrears and bad debts | As at 31 March 2017, the Council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £37.645m 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 5 – 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 18, 20 and 29.</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 29. 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 6 - 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 | 11,300 |
| Insurances | Insurance premiums for all policies | 2,235 |
| Landfill Tax | A tax paid on the disposal of waste. It is payable to Her Majesty's Revenue and Customs (HMRC) | 1,912 |
| Housing Benefit paid | Benefit paid to support customers on low incomes with housing rent costs | 45,419 |
| Housing Benefit received | Benefit received to support customers on low incomes with housing rent costs | (43,407) |
| Care Homes | Cost of providing care home services by external providers | 8,183 |
| NHS Resource Transfer | Income received from NHS to support care in the community. | (8,819) |
| Supplementation | Residential Accommodation for adults and children with disabilities | 11,546 |
| Supplementation – supporting people | Support to allow clients to stay in their own homes | 4,409 |
| Day Support | Support to access day activities and assist with practical and life skill support | 1,101 |
| Home Care & Physical Disabilities External Suppliers | Support to allow clients to stay in their own homes | 1,496 |

Notes to the Financial Statements (Cont'd)

Note 7 – 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 28. It is identified under the headings Usable and Unusable Reserves. Further detail of the reserves identified under the classification of usable is given in note 33 on page 95 and unusable is given in note 34 on page 96.

2016/17

| | 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 |
|--|------------------------------------|------------------------|--|---|----------------------------|---------------------------|-------------------------------------|
| Usable Reserves | | | | | | | |
| Adjustments to the Revenue Resources | | | | | | | |
| Pension Costs (transferred to (or from) the Pensions Reserve) | 9,948 | 198 | 0 | 0 | 0 | 0 | 10,146 |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (8) | (9) | 0 | 0 | 0 | 0 | (17) |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | (274) | (1) | 0 | 0 | 0 | 0 | (275) |
| 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) | 11,025 | 13,082 | 0 | 70 | 0 | 0 | 24,177 |
| | 20,691 | 13,270 | 0 | 70 | 0 | 0 | 34,031 |
| Adjustments between Capital and Revenue Resources | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,497) | 351 | 1,146 | 0 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt (transfer to/from the Capital Adjustment Account) | (6,865) | (6,093) | 0 | 0 | 0 | 0 | (12,958) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (536) | (5,374) | 0 | 0 | 0 | 0 | (5,910) |
| | (8,898) | (11,116) | 1,146 | 0 | 0 | 0 | (18,868) |
| Adjustments to the Capital Resources | | | | | | | |
| Disposal of non-current asset sale proceeds | 0 | 0 | 4,305 | 0 | 0 | 0 | 4,305 |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | (5,451) | 0 | 0 | 0 | (5,451) |
| Application of capital grants to finance capital expenditure | 0 | 0 | 0 | (88) | 0 | 0 | (88) |
| | 0 | 0 | (1,146) | (88) | 0 | 0 | (1,234) |
| Total Adjustments | 11,793 | 2,154 | 0 | (18) | 0 | 0 | 13,929 |

Notes to the Financial Statements (Cont'd)

Note 7 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2016/17

| | Capital Adjustment Account £000 | Revaluation Reserve £000 | Pension Reserve £000 | Employee Statutory Adjustment Account £000 | FIAA £000 | Total Unusable Reserves £000 |
|--|--|--------------------------------|----------------------------|--|--------------|---------------------------------------|
| Unusable Reserves | | | | | | |
| Adjustments to the Revenue Resources | | | | | | |
| Pension Costs (transferred to (or from) the Pensions Reserve) | 0 | 0 | (10,146) | 0 | 0 | (10,146) |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | 0 | 0 | 0 | 0 | 17 | 17 |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 0 | 0 | 0 | 275 | 0 | 275 |
| 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) | (24,177) | 0 | 0 | 0 | 0 | (24,177) |
| | (24,177) | 0 | (10,146) | 275 | 17 | (34,031) |
| Adjustments between Capital and Revenue Resources | | | | | | |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 12,958 | 0 | 0 | 0 | 0 | 12,958 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 5,910 | 0 | 0 | 0 | 0 | 5,910 |
| | 18,868 | 0 | 0 | 0 | 0 | 18,868 |
| Adjustments to the Capital Resources | | | | | | |
| Disposal of non-current asset sale proceeds | (4,305) | 0 | 0 | 0 | 0 | (4,305) |
| Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve | 9,421 | (9,421) | 0 | 0 | 0 | 0 |
| Write out Revaluation Reserve of Disposals | 466 | (466) | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance capital expenditure | 5,451 | 0 | 0 | 0 | 0 | 5,451 |
| Application of capital grants to finance capital expenditure | 88 | 0 | 0 | 0 | 0 | 88 |
| | 11,121 | (9,887) | 0 | 0 | 0 | 1,234 |
| Total Adjustments | 5,812 | (9,887) | (10,146) | 275 | 17 | (13,929) |

Notes to the Financial Statements (Cont'd)

Note 7 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2015/16 (re-stated)

| | 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 |
|--|------------------------------------|------------------------|--|---|----------------------------|---------------------------|-------------------------------------|
| Usable Reserves | | | | | | | |
| Adjustments to the Revenue Resources | | | | | | | |
| Pension Costs (transferred to (or from) the Pensions Reserve) | 14,534 | 379 | 0 | 0 | 0 | 0 | 14,913 |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (9) | (12) | 0 | 0 | 0 | 0 | (21) |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | (815) | (19) | 0 | 0 | 0 | 0 | (834) |
| 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) | 7,126 | 11,439 | 0 | 173 | 0 | 0 | 18,738 |
| | 20,836 | 11,787 | 0 | 173 | 0 | 0 | 32,796 |
| Adjustments between Capital and Revenue Resources | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 831 | 30 | (861) | 0 | 0 | 0 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (6,758) | (5,623) | 0 | 0 | 0 | 0 | (12,381) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (547) | (2,434) | 0 | 0 | 0 | 0 | (2,981) |
| | (6,474) | (8,027) | (861) | 0 | 0 | 0 | (15,362) |
| Adjustments to the Capital Resources | | | | | | | |
| Disposal of non-current asset sale proceeds | 0 | 0 | 3,675 | 0 | 0 | 0 | 3,675 |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | (2,814) | 0 | 0 | 0 | (2,814) |
| Application of capital grants to finance capital expenditure | 0 | 0 | 0 | (110) | 0 | 0 | (110) |
| | 0 | 0 | 861 | (110) | 0 | 0 | 751 |
| Total Adjustments | 14,362 | 3,760 | 0 | 63 | 0 | 0 | 18,185 |

Notes to the Financial Statements (Cont'd)

Note 7 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2015/16 (re-stated)

| | Capital Adjustment Account £000 | Revaluation Reserve £000 | Pension Reserve £000 | Employee Statutory Adjustment Account £000 | FIAA £000 | Total Unusable Reserves £000 |
|--|--|--------------------------------|----------------------------|--|--------------|---------------------------------------|
| Unusable Reserves | | | | | | |
| Adjustments to the Revenue Resources | | | | | | |
| Pension Costs (transferred to (or from) the Pensions Reserve) | 0 | 0 | (14,913) | 0 | 0 | (14,913) |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | 0 | 0 | 0 | 0 | 21 | 21 |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 0 | 0 | 0 | 834 | 0 | 834 |
| 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) | (18,738) | 0 | 0 | 0 | 0 | (18,738) |
| | (18,738) | 0 | (14,913) | 834 | 21 | (32,796) |
| Adjustments between Capital and Revenue Resources | | | | | | |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 12,381 | 0 | 0 | 0 | 0 | 12,381 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 2,981 | 0 | 0 | 0 | 0 | 2,981 |
| | 15,362 | 0 | 0 | 0 | 0 | 15,362 |
| Adjustments to the Capital Resources | | | | | | |
| Disposal of non-current asset sale proceeds | (3,675) | 0 | 0 | 0 | 0 | (3,675) |
| Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve | 7,632 | (7,632) | 0 | 0 | 0 | 0 |
| Write out Revaluation Reserve of Disposals | 317 | (317) | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance capital expenditure | 2,814 | 0 | 0 | 0 | 0 | 2,814 |
| Application of capital grants to finance capital expenditure | 110 | 0 | 0 | 0 | 0 | 110 |
| | 7,198 | (7,949) | 0 | 0 | 0 | (751) |
| Total Adjustments | 3,822 | (7,949) | (14,913) | 834 | 21 | (18,185) |

Notes to the Financial Statements (Cont'd)

Note 8 – Events After the Balance Sheet Date

The draft Financial Statements were authorised for issue by the Strategic Lead - Resources on 28 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing as at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 9 – 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 2014/15 to 2016/17 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.

| | 2014/15 | 2015/16 | 2016/17 | Cumulative |
|----------------|------------|------------|--------------|--------------|
| | £000 | £000 | £000 | £000 |
| Turnover | 17,923 | 18,551 | 20,156 | 56,630 |
| Expenditure | 17,387 | 17,880 | 19,023 | 54,290 |
| Surplus | 536 | 671 | 1,133 | 2,340 |

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.

| | 2014/15 | 2015/16 | 2016/17 | Cumulative |
|---|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 |
| Turnover | 9,606 | 9,959 | 9,856 | 29,421 |
| Expenditure | 7,953 | 7,909 | 7,705 | 23,567 |
| Surplus | 1,653 | 2,050 | 2,151 | 5,854 |
| Surplus as noted in Comprehensive Income and Expenditure Statement | 2,189 | 2,721 | 3,284 | 8,194 |

Through annual review and evaluation, the Council operates two trading services, namely grounds maintenance/street cleaning and housing property maintenance. The above table confirms that both trading accounts which have been statutory for more than three years, have met the break even target.

Notes to the Financial Statements (Cont'd)

Note 9 – Trading Operations (Cont'd)

The Trading Operations require to budget for estimated ISA19 pension expenditure. In 2016/17 the actual ISA19 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 10 – 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 £183.592m (2015/16 £190.148m) of revenue government grants and £6.641m (2015/16 £11.613m) of capital grants from the Scottish Government (with £0.495m due to the Council at the year end); £43.528m (2015/16 £46.506m) from the Department of Works and Pensions (with £0.233m owed by the Council at the year end); and other grants of £2.969m (2015/16 £2.405m) as shown in Note 12 Grant Income (with £0.089m 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 15 Defined Benefit Pension Schemes. The balance owed to the pension fund at the year end was £2.155m.

Joint Boards

The Council is a member of the Joint Boards for Valuation, Strathclyde Partnership for Transport and West Dunbartonshire Health and Social Care Partnership. The Council's contributions are disclosed in the Group Accounts.

Voluntary Sector

The following voluntary organisations received over £0.050m in grant funding from West Dunbartonshire Council during 2016/17:

| | £000 |
|--|-------------|
| West Dunbartonshire Citizens Advice Bureau | 369 |
| Independent Resource Centre | 110 |
| Y-Sort It Youth Information Project | 191 |
| The Environment Trust | 171 |
| Dumbarton Women's Aid | 75 |
| Clydebank Women's Aid | 75 |

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

Notes to the Financial Statements (Cont'd)

Note 10 – 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 2016/17 is shown in the remuneration statement on pages 18 to 25. 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 2017, the Council has not had any material transactions for anybody in which Members have an interest.

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.

Note 11 – Agency Services

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

| 2015/16 Net Payment/ (receipt) £000 | Organisation | Description | 2016/17 Receipts £000 | 2016/17 Payment £000 | (Debtor)/ Creditor at 31.03.17 £000 |
|--|------------------------|---|--------------------------------------|-------------------------------------|--|
| 13,168 | Scottish Water | Water and sewerage charges collected by Council and paid over | 0 | 13,563 | 263 |
| (77,214) | Scottish Government | Non Domestic Rates | 80,253 | 0 | (3,795) |

Notes to the Financial Statements (Cont'd)

Note 12 – 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 2016/17.

| 31 March 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 190,148 | Revenue Support Grant/ Non-Domestic Rates | 183,592 |
| 642 | Strathclyde Passenger Transport | 110 |
| 9,466 | General Services Capital Grant | 3,683 |
| 137 | Cycle/Walk/Safer Streets grant | 98 |
| 66 | Sustrans | 55 |
| 1,582 | Scottish Futures Trust | 62 |
| 2 | Sands Contribution to Dumbarton Cemetery | 0 |
| 1,645 | Energy Works | 0 |
| 33 | Mortgage to rent | 0 |
| 64 | Levensgrove | (7) |
| 150 | Keil School Planning | 0 |
| 0 | Clydebank A814 | 8 |
| 655 | Owner Occupier contributions/ roofing contributions | 0 |
| 220 | City Deal | 397 |
| 150 | Communities Fund | 0 |
| 22 | Balloch Charette | 0 |
| 25 | SFA | 0 |
| 0 | War Memorial Trust | 16 |
| 0 | Dumbarton Castle Walkway | 11 |
| 0 | Glasgow Airpath Flightpath Fund | 3 |
| 71 | Heritage Lottery | 125 |
| 0 | Scottish Water | 25 |
| 250 | Sports Scotland | 0 |
| 200 | New House Build | 2,463 |
| 6 | Information and Computer Technology Modernisation Fund | 20 |
| 9 | Electric Vehicle Charging Grant | 0 |
| 0 | Balloch Library Upgrade | 38 |
| 0 | New Dumbarton Office | 250 |
| 17 | Turnberry Homes | 0 |
| 30 | John Muir Trail | 2 |
| 0 | Overton Estate Restoration | 156 |
| 614 | Vale of Leven Workshops | 0 |
| 0 | Balloch School Campus | 592 |
| 0 | West Thompson St Playpark | 24 |
| (353) | Civic Heart | 0 |
| 35 | Insurance Receipts | 98 |
| 205,886 | | 191,821 |

Notes to the Financial Statements (Cont'd)

Note 12 – Grant Income (Cont'd)

The Council credited the following grants to Services within the Comprehensive Income and Expenditure Statement in 2016/17.

| 31 March 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 9 | Food for thought | 12 |
| 3 | Food standards | 3 |
| 25 | Education Maintenance Allowance Admin | 25 |
| 416 | Education Maintenance Allowance | 365 |
| 0 | English for Speakers of Other Languages | 12 |
| 22 | School Milk | 15 |
| 368 | Private Sector Housing | 364 |
| 0 | STEM | 135 |
| 0 | Scottish Government - Transition Planning and Supp | 86 |
| 44 | Self directed support | 0 |
| 17 | Autism HSCP | 0 |
| 61 | Smarter Choices Smarter Places - Sustainability | 35 |
| 47 | Violence against woman | 53 |
| 50 | Waste Grant Debtors | 0 |
| 33 | Gaelic | 47 |
| 90 | Access to Education | 0 |
| 6 | Learning and Teaching | 14 |
| 779 | Scottish Attainment | 1,674 |
| 0 | Scottish Government - Innovation Fund | 23 |
| 0 | School Improvement Partnership grant | 8 |
| 0 | Numeracy Hub Champions Grant | 5 |
| 72 | Whole Systems Approach | 0 |
| 86 | Opportunities for all | 0 |
| 5 | Autism – Education | 0 |
| 6 | Town Centre | 0 |
| 51 | Business Gateway | 75 |
| 25 | Scottish Futures Trust | 0 |
| 188 | Youth Employment Grant | 13 |
| 2 | Vehicle Emission testing | 4 |
| 2,405 | | 2,968 |

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:

| 31 March 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 7 | Turnberry Homes | 7 |
| 3 | Glasgow Airpath Flightpath Fund | 0 |
| 33 | Wheatley Group - Balloch Library Upgrade | 0 |
| 0 | New Build Haldane | 395 |
| 0 | New Build Second Avenue | 38 |
| 0 | HEEPS | 340 |
| 43 | | 780 |

Notes to the Financial Statements (Cont'd)

Note 13 – Operating Leases

Council as Lessee

Finance Leases

The Council does not have any assets or liabilities under a finance lease.

Operating Leases

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 2016 | 31 March 2017 |
|---|----------------------|
| £000 | £000 |
| 706 Not later than one year | 713 |
| 2,750 Later than one year and not later than five years | 2,790 |
| 4,569 Later than five years | 4,151 |
| <u>8,025</u> | <u>7,654</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 £0.697m (2015/16 - £0.600m).

The Council has acquired grounds maintenance vehicles by entering into operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

| 31 March 2016 | 31 March 2017 |
|---|----------------------|
| £000 | £000 |
| 60 Not later than one year | 65 |
| 175 Later than one year and not later than five years | 134 |
| 0 Later than five years | 0 |
| <u>235</u> | <u>199</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 £0.064m (2015/16 - £0.058m).

The Council has acquired a number of photocopiers and vending machines by entering into operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

| 31 March 2016 | 31 March 2017 |
|---|----------------------|
| £000 | £000 |
| 214 Not later than one year | 150 |
| 393 Later than one year and not later than five years | 334 |
| 338 Later than five years | 271 |
| <u>945</u> | <u>755</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 £0.194m (2015/16 - £0.213m).

Notes to the Financial Statements (Cont'd)

Note 13 – Operating Leases (Cont'd)

Council as Lessor

Finance Leases

The Council has not entered into any finance leases.

Operating Leases

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 2016 | 31 March 2017 |
|--|----------------------|
| £000 | £000 |
| 3,747 Not later than one year | 3,803 |
| 10,029 Later than one year and not later than five years | 12,092 |
| 143,638 Later than five years | 141,537 |
| <u>157,414</u> | <u>157,432</u> |

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 2016/17 £2.696m contingent rents were receivable by the Council (2015/16 £2.743m).

Note 14 – Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £1.296m (£1.785m in 2015/16). 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 15 – 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 2016/17 was 19.3%, and 2017/18 is set at 19.3%. In 2016/17, the Council paid an employer's contribution of £17.278m (2015/16 £16.358m).

Notes to the Financial Statements (Cont'd)

Note 15 – Defined Benefit Pension Schemes (Cont'd)

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 and consequently 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 £6.236m (2015/16 £5.887m) in respect of expenditure for teachers added years, £0.032m payments were made (2015/16 £0.032m).

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 2016/17, the Council's own contribution equates to 1.62%.

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 2016/17 the capitalised costs that would have arisen from the early retirement of West Dunbartonshire Council employees and from predecessor authorities were as follows:

| | £000 |
|------------------|----------------------|
| 2016/2017 | 8,367 |
| In earlier years | <u>54,794</u> |
| Total | <u>63,161</u> |

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 15 – Defined Benefit Pension Schemes (Cont'd)

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

| 2015/16 | | 2016/17 |
|----------|---|-----------|
| £000 | | £000 |
| | Net cost of services | |
| 26,016 | Current service cost | 22,986 |
| 1,177 | Past service cost | 2,039 |
| 27,193 | | 25,025 |
| | Financing and investment Income and Expenditure | |
| 7,059 | Net interest expense | 5,462 |
| 34,252 | Total post employment benefit charged to the Surplus or Deficit on the provision of Services | 30,487 |
| | | |
| 3,533 | Expected return on assets | (119,376) |
| (72,050) | Actuarial gains and losses arising from changes in financial assumptions | 194,636 |
| (9,335) | Actuarial gains and losses arising from experience assumptions | 1,780 |
| (43,600) | Total post employment benefit charged to the comprehensive income and expenditure statement | 107,527 |
| | | |
| | Movement in Reserves Statement | |
| (34,252) | Reversal of net charges made to surplus of deficit for post employment benefits | (30,487) |
| | | |
| | Actual amount charged against the General Fund balance in the year | |
| 19,339 | Employer contributions payable to Scheme | 20,341 |

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

| 2015/16 | 2016/17 |
|-----------|--|
| £000 | £000 |
| 603,802 | 747,597 |
| (702,748) | (925,362) |
| (98,946) | (177,765) |
| | |
| | <u>Present Value of Unfunded Liabilities</u> |
| (23,643) | (28,355) |
| (22,770) | (26,324) |
| (8,381) | (8,482) |
| (153,740) | (240,926) |

Notes to the Financial Statements (Cont'd)

Note 15 – Defined Benefit Pension Schemes (Cont'd)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £240.926m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £147.218m. 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 scheme assets have increased by £143.795m. This is due to asset returns being more favourable than anticipated.

The estimated liabilities have increased by £230.981m due to financial assumptions as at 31 March 2017 being less favourable than they were at 31 March 2016, mainly due to the discount rate falling to 2.6% (2015/16 3.5%).

1) 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 | 65.3% | 23.3 |
| Deferred Members | 7.8% | 23 |
| Pensioner Members | 20.6% | 12.7 |
| Pre-Local Government Re-organisation Members | 6.3% | 10 |
| | 100% | 18.5 |

2) Pension Assets and Liabilities

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

| 2015/16 | 2016/17 |
|---|----------------|
| £000 | £000 |
| 804,438 Opening balance | 757,542 |
| 26,016 Current service cost | 22,986 |
| 25,879 Interest cost | 26,651 |
| 4,839 Contributions by Members | 4,995 |
| (72,050) Actuarial gains/losses – change in financial assumptions | 194,636 |
| (9,335) Actuarial gains/losses – other experience | 1,780 |
| 1,177 Past service costs/(gains) | 2,039 |
| (2,981) Estimated unfunded benefits paid | (3,063) |
| (20,441) Estimated benefits paid | (19,043) |
| 757,542 Closing Balance as at 31 March | 988,523 |

Notes to the Financial Statements (Cont'd)

Note 15 – 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:

| 2015/16 £000 | 2016/17 £000 |
|--|-----------------------|
| 587,759 Opening balance | 603,802 |
| (3,533) Expected return on assets | 119,376 |
| 18,820 Interest Income | 21,189 |
| 4,839 Contributions by Members | 4,995 |
| 16,358 Contributions by employer | 17,278 |
| 2,981 Contributions in respect of unfunded benefits | 3,063 |
| (2,981) Estimated unfunded benefits paid | (3,063) |
| (20,441) Estimated benefit paid | (19,043) |
| <u>603,802</u> Closing Balance as at 31 March | <u>747,597</u> |

WDC Share of the pension fund asset at 31 March 2017 comprised :

| 2015/16 | | | Asset Category | 2016/17 | | |
|---|--|-----------------------|----------------------------------|---|--|-----------------------|
| 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 |
| 219,674 | 476 | 220,150 | Equity Securities | 274,339 | 142 | 274,481 |
| 0 | 1 | 1 | Debt Securities | 0 | 7 | 7 |
| 0 | 58,733 | 58,733 | Private Equity | 0 | 61,638 | 61,638 |
| 0 | 64,865 | 64,865 | Real Estate | 0 | 90,174 | 90,174 |
| 5,459 | 233,642 | 239,101 | Investment funds and unit trusts | 8,681 | 284,295 | 292,976 |
| 146 | 0 | 146 | Derivatives | 63 | 100 | 163 |
| 20,162 | 644 | 20,806 | Cash and Cash Equivalent | 26,916 | 1,242 | 28,158 |
| <u>245,441</u> | <u>358,361</u> | <u>603,802</u> | Totals | <u>309,999</u> | <u>437,598</u> | <u>747,597</u> |

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 75.63% (2015/16 79.71%) of accrued liabilities at that date.

Notes to the Financial Statements (Cont'd)

Note 15 – 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:

| 31/03/2016 | 31/03/2017 |
|--|-------------------|
| Long term expected return on assets | |
| 2.20% Pension increase rate | 2.40% |
| 4.20% Salary Increase rate | 4.40% |
| 3.50% Discount rate | 2.60% |
| | |
| <u>Mortality</u> | |
| Based on these assumptions, the average future life expectancies at the age of 65 are: | |
| 22.1 Current pensioners –Men | 22.1 |
| 23.6 Current pensioners -Women | 23.6 |
| 24.8 Future pensioners –Men | 24.8 |
| 26.2 Future pensioners -Women | 26.2 |

The above excludes any Net Pension liability that the Council may have to contribute to in respect of the Joint Boards of Passenger 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 local government pension scheme's assets consist of the following categories. As at 31 March 2017 assets are now held at bid value and the historic figures are at mid-market value.

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 2017 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 15 – Defined Benefit Pension Schemes (Cont'd)

2) Pension Assets and Liabilities (Cont'd)

| | Approximate % increase to Employer Liability | Approximate monetary Amount £000 |
|--|--|--|
| Member life expectancy (1 year increase) | 0% | 0 |
| Rate for discounting fund liabilities (0.5% decrease) | 11% | 106,136 |
| Rate of pension increase (0.5% increase) | 7% | 66,388 |
| Rate of increase in salaries (0.5% increase) | 4% | 36,502 |

The total contribution expected to be made to the Local Government pension scheme for 2017/18 is £16.132m.

Note 16 – External Audit Costs

In 2016/17 the Council incurred the following fees relating to external audit in respect of external audit services undertaken in accordance with the Code of Audit Practice:

| 2015/16 £000 | 2016/17 £000 |
|-------------------------------|-------------------------------|
| 277,024 Fees payable 2016/17 | 256,710 |

Note 17 – 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 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 17 – Expenditure and Funding Analysis (Cont'd)

| 2015/16 £000 | | 2016/17 £000 |
|------------------|---|------------------|
| | Expenditure | |
| 161,435 | Employee benefits expenses | 157,004 |
| 227,616 | Other service expenses | 240,684 |
| 2,950 | Support service recharges | 2,987 |
| 34,303 | Depreciation, amortisation, impairment | 32,302 |
| 26,804 | interest payments | 24,745 |
| 2,586 | Precepts and levies | 2,554 |
| 861 | Gain on the disposal of assets | (1,146) |
| <u>456,555</u> | Total Expenditure | <u>459,130</u> |
| | Income | |
| (202,042) | Fees, charges and other service income | (218,298) |
| (2,924) | Interest and investment income | (3,461) |
| (114,767) | Income from council tax and non-domestic rates | (114,385) |
| (121,833) | Government grants and contributions | (109,028) |
| <u>(441,566)</u> | Total Income | <u>(445,172)</u> |
| <u>14,989</u> | Surplus / Deficit on the Provision of Services | <u>13,958</u> |

Notes to the Financial Statements (Cont'd)

Note 17 – 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:

2016/17

| | 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 |
|---|--|--|---|
| Corporate Services | 19,558 | 2,698 | 22,256 |
| Education | 82,577 | 10,390 | 92,967 |
| Infrastructure, Regeneration and Economic Development | 29,223 | 3,830 | 33,053 |
| Housing and Communities | 1,621 | 648 | 2,269 |
| Housing Revenue Account | (18,617) | 15,768 | (2,849) |
| Miscellaneous Services | (1,214) | 2,020 | 806 |
| Health and Social Care Partnership | 61,515 | 4,641 | 66,156 |
| Requisitions | 2,575 | 0 | 2,575 |
| Net Cost of Services | 177,238 | 39,995 | 217,233 |
| Other Income and Expenditure | (177,446) | (25,829) | (203,275) |
| Surplus or Deficit on Provision of Service | (208) | 14,166 | 13,958 |
| Opening General Fund and HRA Balance as at 31 March 2016 | (17,420) | | |
| Closing General Fund and HRA Balance as at 31 March 2017 | (17,628) | | |

Notes to the Financial Statements (Cont'd)

Note 17 – Expenditure and Funding Analysis (Cont'd)

2015/16

| | 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 |
|---|---|---|--|
| Corporate Services | 19,301 | 3,145 | 22,446 |
| Education | 83,085 | 8,369 | 91,454 |
| Infrastructure, Regeneration and Economic Development | 27,255 | 13,116 | 40,371 |
| Housing and Communities | 1,729 | 1,069 | 2,798 |
| Housing Revenue Account | (17,001) | 14,334 | (2,667) |
| Miscellaneous Services | 4,695 | 714 | 5,409 |
| Health and Social Care Partnership | 60,482 | 3,969 | 64,451 |
| Requisitions | 2,586 | 0 | 2,586 |
| Net Cost of Services | 182,132 | 44,716 | 226,848 |
| Other Income and Expenditure | (185,359) | (26,500) | (211,859) |
| Surplus or Deficit | (3,227) | 18,216 | 14,989 |
| Opening General Fund and HRA Balance as at 31 March 2015 | (14,193) | | |
| Closing General Fund and HRA Balance as at 31 March 2016 | (17,420) | | |

Notes to the Financial Statements (Cont'd)

Note 17 – Expenditure and Funding Analysis (Cont'd)

This analysis details the adjustments within the Expenditure and Funding Analysis by type of adjustment.

2016/17

| | Adjustments for Capital Purposes £000 | Net Change for the Pension Adjustment £000 | Other Differences £000 | Total £000 |
|---|---|--|---------------------------|---------------|
| Corporate Services | 1,689 | 1,009 | 0 | 2,698 |
| Education | 9,616 | 938 | (164) | 10,390 |
| Infrastructure, Regeneration and Economic Development | 2,504 | 1,326 | 0 | 3,830 |
| Housing and Communities | 79 | 569 | 0 | 648 |
| Housing Revenue Account | 15,571 | 198 | (1) | 15,768 |
| Miscellaneous Services | 3 | 2,127 | (110) | 2,020 |
| Health and Social Care Partnership | 2,841 | 1,800 | 0 | 4,641 |
| Requisitions | 0 | 0 | 0 | 0 |
| Net Cost of Services | 32,303 | 7,967 | (275) | 39,995 |

Notes to the Financial Statements (Cont'd)

Note 17 – Expenditure and Funding Analysis (Cont'd)

2015/16

| | Adjustments for Capital Purposes £000 | Net Change for the Pension Adjustment £000 | Other differences £000 | Total £000 |
|---|---|--|---------------------------|---------------|
| Corporate Services | 1,513 | 1,632 | 0 | 3,145 |
| Education | 7,038 | 1,639 | (308) | 8,369 |
| Infrastructure, Regeneration and Economic Development | 10,729 | 2,387 | 0 | 13,116 |
| Housing and Communities | 96 | 973 | 0 | 1,069 |
| Housing Revenue Account | 13,973 | 379 | (18) | 14,334 |
| Miscellaneous Services | 15 | 1,207 | (508) | 714 |
| Health and Social Care Partnership | 939 | 3,030 | 0 | 3,969 |
| Requisitions | 0 | 0 | 0 | 0 |
| Net Cost of Services | 34,303 | 11,247 | (834) | 44,716 |

Notes to the Financial Statements (Cont'd)

Note 18 – Property, Plant and Equipment

1) Movements in 2016/17

| | 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 |
|--|---------------------------|--------------------------------|--------------------------|--------------------------|------------------------|-------------------|------------------------|-----------------------------------|------------------------------------|
| Cost/Valuation at 1 April 2016 | 515,400 | 359,611 | 48,653 | 47,642 | 97,947 | 1,563 | 9,112 | 36,829 | 1,116,757 |
| Additions | 16,639 | 38,865 | 35 | 2,732 | 4,905 | 31 | 1,898 | 19,265 | 84,370 |
| Revaluations: | | | | | | | | | |
| - To Revaluation Reserve | 156,719 | 6,430 | 286 | 0 | 0 | 2 | (33) | 0 | 163,404 |
| - To Net cost of Service | 0 | (525) | (16) | 0 | 0 | (1) | 2,469 | (22) | 1,905 |
| Disposals | (3,911) | 0 | (241) | 0 | 0 | 0 | 0 | 0 | (4,152) |
| Assets reclassified to/from Held for Sale | 0 | (593) | 0 | 0 | 0 | 0 | (2,845) | 0 | (3,438) |
| Other Movements | 0 | 26,484 | 52 | 0 | 0 | 745 | 179 | (27,401) | 59 |
| As at 31 March 2017 | 684,847 | 430,272 | 48,769 | 50,374 | 102,852 | 2,340 | 10,780 | 28,671 | 1,358,905 |
| Depreciation/Impairment at 1 April 2016 | (144,209) | (139,539) | (3,313) | (34,543) | (34,499) | 0 | (303) | (49) | (356,455) |
| Depreciation charge | (15,525) | (10,513) | (415) | (3,404) | (4,848) | 0 | 0 | 0 | (34,705) |
| Depreciation: | | | | | | | | | 0 |
| - To Revaluation Reserve | (36,563) | (1,394) | 0 | 0 | 0 | 0 | (4) | 0 | (37,961) |
| Impairments: | | | | | | | | | 0 |
| - To Revaluation Reserve | (87,454) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (87,454) |
| - To Net Cost of Service | 0 | (1,274) | 0 | 0 | 0 | (1,566) | (4) | 0 | (2,844) |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Movement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As At 31 March 2017 | (283,751) | (152,720) | (3,728) | (37,947) | (39,347) | (1,566) | (311) | (49) | (519,419) |
| Net Book Value at 31 March 2016 | 371,191 | 220,072 | 45,340 | 13,099 | 63,448 | 1,563 | 8,809 | 36,780 | 760,302 |
| Net Book Value at 31 March 2017 | 401,096 | 277,552 | 45,041 | 12,427 | 63,505 | 774 | 10,469 | 28,622 | 839,486 |

Notes to the Financial Statements (Cont'd)

Note 18 – Property, Plant and Equipment (Cont'd)

2) Movements in 2015/16

| | 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 |
|--|---------------------------|--------------------------------|--------------------------|--------------------------|------------------------|-------------------|------------------------|-----------------------------------|------------------------------------|
| Cost/Valuation at 1 April 2015 | 496,345 | 354,762 | 48,318 | 45,498 | 87,542 | 65 | 6,827 | 14,731 | 1,054,088 |
| Additions | 20,890 | 6,389 | 1,886 | 2,144 | 8,602 | 398 | 142 | 28,011 | 68,462 |
| Revaluations: | | | | | | | | | 0 |
| - To Revaluation Reserve | (2,662) | (701) | 79 | 0 | 0 | 6 | 381 | 1,066 | (1,831) |
| - To Net cost of Service | 0 | (15) | (1,620) | 0 | 0 | 0 | 374 | (317) | (1,578) |
| Disposals | (2,147) | (319) | 0 | 0 | 0 | (6) | 0 | 0 | (2,472) |
| Assets reclassified to/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 573 | 1,150 | 1,723 |
| Other Movements | 2,974 | (505) | (10) | 0 | 1,803 | 1,100 | 815 | (7,812) | (1,635) |
| As at 31 March 2016 | 515,400 | 359,611 | 48,653 | 47,642 | 97,947 | 1,563 | 9,112 | 36,829 | 1,116,757 |
| Depreciation/Impairment at 1 April 2015 | (129,974) | (129,787) | (2,894) | (30,856) | (30,164) | 0 | (276) | (49) | (324,000) |
| Depreciation charge | (13,924) | (9,541) | (416) | (3,687) | (4,335) | 0 | (4) | 0 | (31,907) |
| Depreciation: | | | | | | | | | 0 |
| - To Revaluation Reserve | 0 | 300 | 20 | 0 | 0 | 0 | 0 | 0 | 320 |
| Impairments: | | | | | | | | | 0 |
| - To Revaluation Reserve | (311) | 264 | 0 | 0 | 0 | 0 | (23) | 0 | (70) |
| - To Net Cost of Service | 0 | (775) | (23) | 0 | 0 | 0 | 0 | 0 | (798) |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Movement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As At 31 March 2016 | (144,209) | (139,539) | (3,313) | (34,543) | (34,499) | 0 | (303) | (49) | (356,455) |
| Net Book Value at 31 March 2015 | 366,371 | 224,975 | 45,424 | 14,642 | 57,378 | 65 | 6,551 | 14,682 | 730,088 |
| Net Book Value at 31 March 2016 | 371,191 | 220,072 | 45,340 | 13,099 | 63,448 | 1,563 | 8,809 | 36,780 | 760,302 |

Notes to the Financial Statements (Cont'd)

Note 18 – Property, Plant and Equipment (Cont'd)

3) Capital Commitments

As at 31 March 2017, the Council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for non housing and housing projects in 2016/17 budgeted to cost £25.119m (2015/16 £48.588m) and £1.519m (2015/16 £1.771m) respectively. The main commitments are:

| General Services | £000 |
|--|-------------|
| Our Lady and St. Patrick's High School - new build | 450 |
| Bellsmyre co-location project | 670 |
| Kilpatrick High School – new build | 217 |
| Balloch campus project | 10,931 |
| Office Rationalisation - New Dumbarton Office | 9,052 |
| Office Rationalisation - Bridge Street | 315 |
| Office Rationalisation - Data Centre | 171 |
| ICT Modernisation and Infrastructure | 181 |
| UCT Security and DR | 100 |
| Building Upgrade Works | 1,170 |
| Schools Regeneration works | 811 |
| Replacement of Elderly Care Homes and Day Care Centres | 539 |
| Energy Efficient Street Lighting Apparatus | 185 |
| Local Economic Development - Dumbarton TC and Waterfront | 133 |
| Local Economic Development - Mitchell Way | 22 |
| Local Economic Development - Clydebank Town Centre | 123 |
| Local Economic Development - Vale Workshops | 49 |
| | |
| HRA | |
| New Council House Build Programme | 900 |
| Demolitions | 252 |
| CCTV | 60 |
| Energy Efficiency | 307 |

4) Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Notes to the Financial Statements (Cont'd)

Note 18 – Property, Plant and Equipment (Cont'd)

5) PPP Assets Included in Property, Plant and Equipment

| 2015/16 £000 | 2016/17 £000 |
|--------------------------------|-----------------|
| Cost or Valuation | |
| 87,563 At 1 April 2016 | 87,563 |
| <u>Revaluations</u> | |
| 0 To Revaluation Reserve | 0 |
| 0 Additions | 0 |
| 87,563 At 31 March 2016 | 87,563 |

Accumulated Depreciation and Impairment

| | |
|--|-----------------|
| (8,092) At 1 April 2016 | (11,683) |
| (3,591) Depreciation Charge | (3,591) |
| <u>Depreciation written out</u> | |
| 0 To revaluation reserve | 0 |
| 0 Impairment losses/(reversals) recognised | 0 |
| (11,683) At 31 March 2017 | (15,274) |
| 79,471 Opening Net Book value | 75,880 |
| 75,880 Closing Net Book value | 72,289 |

- 6) 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 19 – Intangible Assets

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.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.016m charged to revenue in 2016/17 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 balances during the year is as follows:

Notes to the Financial Statements (Cont'd)

Note 19 – Intangible Assets (cont'd)

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| | Balance at 1 April 2016: | |
| 346 | Gross carrying amount | 346 |
| (293) | Accumulated amortisation | (301) |
| 53 | Net carrying amount at start of year | 45 |
| | Additions: | |
| (8) | Amortisation for period | (16) |
| 45 | Net carrying amount at 31 March 2017 | 29 |
| | Comprising: | |
| 346 | Gross Carrying amounts | 346 |
| (301) | Accumulated amortisation | (317) |
| 45 | | 29 |

Note 20 – Assets Held for Sale

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 2,541 | Balance at 1 April 2016 | 653 |
| 0 | Assets newly classified as held for sale | 0 |
| 15 | Property, Plant and Equipment | 3,488 |
| (390) | Revaluation Losses | 3,407 |
| 263 | Revaluation Gains | 0 |
| | Assets declassified as held for sale*:- | |
| (1,776) | Property, Plant and Equipment | (203) |
| 653 | As at 31 March 2017 | 7,345 |

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

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.

Note 21 - Heritage Assets

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 1,370 | Balance at 1 April 2016 | 1,406 |
| 36 | Additions | 0 |
| 0 | Disposals | 0 |
| 0 | Assets Newly Classified as Heritage Assets | 0 |
| 1,406 | Balance at 31 March 2017 | 1,406 |

Notes to the Financial Statements (Cont'd)

Note 22 – 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.

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 377,806 | Opening Capital Financing Requirement | 412,449 |
| | Capital Investment | |
| 68,511 | Property, Plant and Equipment | 84,370 |
| 68,511 | | 84,370 |
| | Less Sources of Finance | |
| 2,814 | Receipts from sale of assets | 5,451 |
| 15,675 | Government Grants and other Contributions | 8,213 |
| 2,981 | Revenue Contributions | 5,910 |
| 12,398 | Loan Fund Principal Repayments | 12,970 |
| 33,868 | | 32,544 |
| 412,449 | Closing Capital Financing Requirement | 464,275 |
| | | |
| 0 | Increase in Underlying Need to Borrow (Supported) | 0 |
| 34,643 | Increase in Underlying Need to Borrow (Unsupported) | 51,826 |
| 34,643 | Movement in Capital Financing Requirement | 51,826 |

Note 23 – Impairment Losses

During 2016/17, the Council has recognised impairment losses of £90.297m (2015/16 £3.704m) 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 24 – Private Finance Initiatives and Similar Contracts

Schools PPP Scheme

2016/17 was the eighth year of a thirty year public private partnership for provision of three secondary schools and one primary school in Clydebank and Alexandria.

The Council has rights to use the schools for core educational purposes between the hours of 7am and 6pm during term time and 8.30am and 4pm during holiday periods. In addition school facilities are available on request for Community/Other Educational Use at specified times outwith the above. 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.

Notes to the Financial Statements (Cont'd)

Note 24 – Private Finance Initiatives and Similar Contracts (Cont'd)

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.

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 18.

Payments

The Council makes an agreed payment each year (which is increased each year by inflation) with deductions from the fee payable being made if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

| | Repayment of Liability £000 | Interest Charges £000 | Operating Costs £000 | Lifecycle Replacement £000 | Total Unitary Payment £000 |
|---|-----------------------------------|-----------------------------|----------------------------|----------------------------------|----------------------------------|
| Less than 1 year | 2,156 | 6,291 | 2,363 | 560 | 11,370 |
| 2-5 years | 9,924 | 23,501 | 10,098 | 2,757 | 46,280 |
| 6-10 years | 15,664 | 24,760 | 14,099 | 5,126 | 59,649 |
| 11-15 years | 17,784 | 18,303 | 15,951 | 9,612 | 61,650 |
| 16-20 years | 25,011 | 10,593 | 18,048 | 9,908 | 63,560 |
| 21-25 years | 13,777 | 1,512 | 9,116 | 5,119 | 29,524 |
| 26-30 years | 0 | 0 | 0 | 0 | 0 |
| PPP Contractual Liability as at 31.03.17 | 84,316 | 84,960 | 69,675 | 33,082 | 272,033 |

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:

| 2015/16 £000 | 2016/17 £000 |
|-------------------------------|-----------------|
| 88,091 Opening Balance | 86,296 |
| (1,795) Repayments | (1,980) |
| 86,296 Closing Balance | 84,316 |

Note 25 – Inventories

| Consumable Stores 2015/16 £000 | WIP 2015/16 £000 | Total 2015/16 £000 | | Consumable Stores 2016/17 £000 | WIP 2016/17 £000 | Total 2016/17 £000 |
|---|------------------------|--------------------------|--|---|------------------------|--------------------------|
| 824 | 113 | 937 | Balance outstanding at 01/04/16 | 866 | 56 | 922 |
| 149 | 0 | 149 | Purchases | 45 | 0 | 45 |
| (107) | (57) | (164) | Recognised as an expense in the year | (45) | 224 | 179 |
| 866 | 56 | 922 | Balance outstanding at 31/03/17 | 866 | 280 | 1,146 |

Notes to the Financial Statements (Cont'd)

Note 26 – Debtors

| 2015/16 | 2015/16 | | 2016/17 | 2016/17 |
|---------------|----------------------|---------------------------------------|---------------|----------------------|
| £000 | £000 | | £000 | £000 |
| | | Central government bodies | | |
| 0 | | Grant Income | 23 | |
| 4,001 | | VAT Recoverable | 4,636 | |
| <u>2,232</u> | 6,233 | Other Debtors | <u>3,881</u> | 8,540 |
| | 44 | Other local authorities | | 674 |
| | 36 | NHS Bodies | | 17 |
| | 433 | Public Corporations and trading funds | | 305 |
| | | Other Entities and individuals | | |
| 10,031 | | Arrears of local taxation | 10,890 | |
| <u>18,636</u> | <u>28,667</u> | Other Debtors | <u>17,219</u> | <u>28,109</u> |
| | <u>35,413</u> | | | <u>37,645</u> |

Note 27 – Net Cash Outflows from Operating, Financing and Investing Activities

| 2015/16 | | 2016/17 |
|-----------------|---|-----------------|
| £000 | | £000 |
| 14,989 | Net deficit on the Provision of Services | 13,958 |
| | Adjustments to net deficit on the provision of services for non-cash movements | |
| (34,303) | Depreciation, amortisation and impairment | (32,301) |
| (861) | Net gain on fixed assets | 1,146 |
| (14,913) | Movement in pension liabilities | (10,146) |
| (15) | Movement in inventories | 224 |
| 2,383 | Movement in debtors | 3,345 |
| (727) | Movement in creditors and provisions | (673) |
| (24) | Other non-cash movements | (597) |
| <u>(48,460)</u> | | <u>(39,002)</u> |
| | Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities | |
| 21 | Financing movements | 17 |
| 15,738 | Investing movements | 8,124 |
| <u>15,759</u> | | <u>8,141</u> |
| <u>(17,712)</u> | Net cash flow from Operating Activities | <u>(16,903)</u> |
| 69,727 | Purchase of property, plant and equipment and intangible assets | 86,112 |
| (2,814) | Proceeds from sale of property, plant and equipment and intangible assets | (5,451) |
| (18,139) | Other receipts from investing activities | (10,063) |
| <u>48,774</u> | Net cash outflows from investing activities | <u>70,598</u> |
| (95,120) | Cash receipts of short-term and long-term borrowing | (144,709) |
| 1,795 | Repayment of PPP liabilities | 1,980 |
| 63,029 | Repayment of short-term and long-term borrowing | 87,291 |
| <u>(30,296)</u> | Net cash inflows from financing activities | <u>(55,438)</u> |

Notes to the Financial Statements (Cont'd)

Note 28 – Net Cash and Cash Equivalents

| Cash and Cash Equivalents | 31-Mar-16 | Movement | 31-Mar-17 |
|--|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| Bank Current Account | (838) | 944 | 106 |
| Short term deposits with UK banks | 8,407 | 799 | 9,206 |
| Total Cash and Cash equivalents | 7,569 | 1,743 | 9,312 |

Note 29 – 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”:

| | Long-term | | Current | |
|--|-----------|-----------|-----------|-----------|
| | 31-Mar-16 | 31-Mar-17 | 31-Mar-16 | 31-Mar-17 |
| | £000 | £000 | £000 | £000 |
| Debtors | | | | |
| Loans and receivables | 58 | 45 | 37,739 | 38,785 |
| Borrowing | | | | |
| Financial liabilities at amortised cost | 241,009 | 228,095 | 89,855 | 158,119 |
| Other long term liabilities | | | | |
| PPP and finance leases | 84,640 | 82,160 | 1,657 | 2,156 |
| Creditors | | | | |
| Financial liabilities at contract amount | 0 | 0 | 36,642 | 36,955 |

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 2016/17:

- 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 2016/17;
- 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.

Notes to the Financial Statements (Cont'd)

Note 29 – Financial Instruments (Cont'd)

1) Types of Financial Instrument

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:

Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2017 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 1.41% 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 0.32% 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-16 | | | 31-Mar-17 | |
|------------------------|-------------------|-----------------------|------------------------|-------------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £000 | £000 | | £000 | £000 |
| Debtors | | | | |
| 37,797 | 37,797 | Loans and Receivables | 38,830 | 38,830 |

Notes to the Financial Statements (Cont'd)

Note 29 – Financial Instruments (Cont'd)

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

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.

| 31-Mar-16 | | | 31-Mar-17 | |
|-----------------|------------|--|-----------------|------------|
| Carrying Amount | Fair Value | | Carrying Amount | Fair Value |
| £000 | £000 | | £000 | £000 |
| | | Borrowing | | |
| 330,864 | 443,633 | Financial liabilities | 386,214 | 535,094 |
| | | Other Long Term Liabilities | | |
| 86,297 | 121,939 | PPP and Finance Lease Liabilities | 84,316 | 156,101 |
| | | Creditors | | |
| 36,642 | 36,642 | Financial liabilities at contract amount | 36,955 | 36,955 |

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 increase in the fair value as at 31 March 2017 compared to 2016 is due to the volatility in the market which has affected the shape of the yield with downward pressure on rates which has had an effect on the cost of prematurely repaying debt.

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:

| | 31-Mar-16 | | | 31-Mar-17 | | |
|--------------------------------------|---------------------------------------|---------------------------------------|-----------------|---------------------------------------|---------------------------------------|-----------------|
| | Financial Assets: Loans & receivables | Financial Liabilities: amortised cost | Total | Financial Assets: Loans & receivables | Financial Liabilities: amortised cost | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest (investment) | 202 | 0 | 202 | 177 | 0 | 177 |
| Interest payable and similar charges | | | | | | |
| Interest/expense* | 0 | (19,750) | (19,750) | 0 | (19,283) | (19,283) |
| Loss on de-recognition | 0 | (50) | (50) | 0 | (17) | (17) |
| Net (Gain)/loss in year | 0 | (19,800) | (19,800) | 0 | (19,300) | (19,300) |

* 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.

Notes to the Financial Statements (Cont'd)

Note 29 – Financial Instruments (Cont'd)

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 2016/17 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 2016/17 annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 24 February 2016 and is available on the Council website. The key issues within the strategy were:

- the authorised limit for 2016/17 was set at £609.300m. This is the maximum limit of external borrowing;
- the operational boundary was expected to be £588.525m This is the expected level of debt during the year;
- 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.

Notes to the Financial Statements (Cont'd)

Note 29 – Financial Instruments (Cont'd)

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

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 £11.256m 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 2017 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 31.03.17 £000 | Historical experience of non- payment adjusted for market conditions at 31.03.17 % | Estimated maximum exposure to default and uncollectibility £000 |
|----------------------------|----------------------------|---|--|
| Customers and other income | 28,380 | 8 | 1,581 |

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, such that £8.588m is past its due date for payment. The past due amount can be analysed by age as follows:

| | |
|------------------------|---------------------|
| | £000 |
| Less than three months | 1,477 |
| Three to six months | 268 |
| Six months to one year | 1,787 |
| More than one year | <u>5,056</u> |
| | <u>8,588</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 29 – Financial Instruments (Cont'd)

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

Credit Risk (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.

Notes to the Financial Statements (Cont'd)

Note 29 – Financial Instruments (Cont'd)

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

Refinancing and Maturity Risk (Cont'd)

The maturity analysis of financial liabilities is as follows:

| | Creditors | PPP | Borrowing | Total |
|----------------------------|------------------|---------------|------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Less than one year | 36,955 | 2,156 | 158,119 | 197,230 |
| Between one and two years | 0 | 1,946 | 33,060 | 35,006 |
| Between two and five years | 0 | 7,978 | 24,923 | 32,901 |
| More than five years | 0 | 72,236 | 170,112 | 242,348 |
| | 36,955 | 84,316 | 386,214 | 507,485 |

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:

| | £000 | % |
|------------------------|----------------|----------|
| Fixed Interest Debt | 383,386 | 99.3% |
| Variable Interest Debt | 2,828 | 0.7% |
| | 386,214 | |

Notes to the Financial Statements (Cont'd)

Note 29 – Financial Instruments (Cont'd)

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

Market risk (Cont'd)

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 2017, with all other variables held constant:

| | £000 |
|--|--------------|
| Impact on tax payers and rent payers | |
| Increase on interest payable on variable debt borrowings | 5 |
| Increase in interest receivable on variable rate investments | (229) |
| Increase in government grant receivable for 'loan charges' | (53) |
| Impact on Income and Expenditure Account | <u>(277)</u> |
| Share of overall impact due credited to the HRA | <u>(146)</u> |
| Other accounting presentational changes | |
| 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) | (94,095) |

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

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 30 – Creditors

| 2015/16 | 2016/17 |
|--|----------------------|
| £000 | £000 |
| 5,049 Central government bodies | 6,147 |
| 8,889 Other local authorities | 11,150 |
| 158 NHS Bodies | 293 |
| 145 Public Corporations and trading funds | 273 |
| <u>22,401</u> Other Entities and individuals | <u>19,092</u> |
| <u>36,642</u> | <u>36,955</u> |

Note 31 – Provisions

| | Equal Pay | Trawl | Total |
|--------------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 |
| Opening Provision | 2,243 | 2,400 | 4,643 |
| Contributions | 0 | 862 | 862 |
| Released | (900) | 0 | (900) |
| Used in year | (92) | (1,290) | (1,382) |
| Closing Position | <u>1,251</u> | <u>1,972</u> | <u>3,223</u> |

Notes to the Financial Statements (Cont'd)

Note 31 – Provisions (Cont'd)

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.

Early Severance – This provision is held for those staff accepting a severance or early retiral package with a view to leaving in 2017/18.

Note 32 – 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 £10.665m on 31 March 2017, of which £6.083m is earmarked for ringfenced purposes, leaving an unearmarked balance of £4.582m.

The main earmarked income held for future specific purposes:

| | £000 |
|---|--------------|
| Welfare Reform | 101 |
| Community Loans Fund | 101 |
| Private Sector Housing Grants | 300 |
| Budget Setting 2016/17 - 2017/18 | 2,201 |
| Transformational projects | 1,411 |
| Education Development | 110 |
| Developing Young Workforce/Youth Employment | 215 |
| Clydebank Property Company | 227 |
| GIRFEC | 168 |
| Business Gateway | 492 |
| Jobs Growth | 300 |
| Other Committed Spend | 457 |
| | 6,083 |

- (2) The HRA balance is currently £6.963m as at 31 March 2017, of which £6.117m is earmarked for ring fenced purposes, leaving an unearmarked balance of £0.846m.

The earmarked balance held for future specific purposes is:-

| | £000 |
|---------------------------|--------------|
| Regeneration of the stock | 5,617 |
| Welfare Reform | 500 |
| | 6,117 |

Notes to the Financial Statements (Cont'd)

Note 33 – Usable Reserves

Usable reserves are those reserves 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:

| 31-Mar-16 | 31-Mar-17 |
|-------------------------------------|------------------|
| £000 | £000 |
| 11,203 General Services | 10,665 |
| 6,217 Housing Revenue Account | 6,963 |
| 0 Capital Receipts Reserve | 0 |
| 484 Capital Grants Unapplied | 466 |
| 3,824 Capital Reserve | 3,633 |
| 527 Other Reserves | 499 |
| 22,255 Total Usable Reserves | 22,226 |

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 on a specific annual phased amount.

Notes to the Financial Statements (Cont'd)

Note 34 – Unusable Reserves

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

| 31-Mar-16 | 31-Mar-17 |
|---|-----------------------|
| £000 | £000 |
| 227,034 Capital Adjustment Account | 232,656 |
| 122,980 Revaluation Reserve | 151,381 |
| (153,740) Pension Reserve | (240,926) |
| (3,002) Employee Statutory Adjustment Account | (2,727) |
| (16,099) Financial Instruments Adjustment Account | (15,392) |
| <u>177,173</u> Total Unusable Reserves | <u>124,992</u> |

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.

| 2015/2016 | | 2016/2017 |
|-----------------------|--|-----------------------|
| £000 | | £000 |
| 223,691 | Opening Balance | 227,034 |
| (24,284) | Depreciation | (25,473) |
| (5,101) | Impairment | (7,640) |
| 2,229 | Deficit/Surplus on Revaluations | 10,041 |
| 323 | Write off Revaluation Reserve Balance re Disposals | 466 |
| (3,675) | Disposal of Fixed Assets | (4,305) |
| 15,675 | Government Grants Applied | 8,214 |
| 2,981 | Capital Financed by Current Revenue | 5,910 |
| 12,381 | Long Term Debt Payment | 12,958 |
| 2,814 | Capital Receipts Applied | 5,451 |
| <u>227,034</u> | Closing Balance | <u>232,656</u> |

Notes to the Financial Statements (Cont'd)

Note 34 – Unusable Reserves (Cont'd)

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.

| 2015/2016 | | 2016/2017 |
|------------------|--|------------------|
| £000 | | £000 |
| 132,632 | Opening Balance | 122,980 |
| 2,306 | Unrealised Gains on Revaluation of Assets | 126,849 |
| (4,003) | Impairments and Losses on Revaluation of Assets | (88,561) |
| (323) | Write off Revaluation Reserve Balance re Disposals | (466) |
| (7,632) | Depreciation due to Revaluation of Assets | (9,421) |
| <u>122,980</u> | Closing Balance | <u>151,381</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. 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.

| 2015/2016 | | 2016/2017 |
|------------------|---------------------------|------------------|
| £000 | | £000 |
| (216,679) | Opening Balance | (153,740) |
| 77,852 | Actuarial (Loss)/Gain | (77,040) |
| 19,339 | Employer Contributions | 20,341 |
| (34,252) | Reversal of IAS19 Entries | (30,487) |
| <u>(153,740)</u> | Closing Balance | <u>(240,926)</u> |

Notes to the Financial Statements (Cont'd)

Note 34 – Unusable Reserves (Cont'd)

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.

| 2015/2016 £000 | | 2016/2017 £000 |
|-------------------|------------------------|-------------------|
| (3,836) | Opening Balance | (3,002) |
| 834 | Staff Accrual Movement | 275 |
| <u>(3,002)</u> | Closing Balance | <u>(2,727)</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 2017 will be charged to the General Fund over the next forty-four years.

| 2015/2016 £000 | | 2016/2017 £000 |
|-------------------|---|-------------------|
| (16,985) | Opening Balance | (16,099) |
| 836 | Annual Write off of Premiums and Discounts | 846 |
| 0 | New Premiums and Discounts | (122) |
| 50 | Annual EIR Adjustment to Stepped Interest Instruments | (17) |
| <u>(16,099)</u> | Closing Balance | <u>(15,392)</u> |

Note 35 – Contingent Assets or Liabilities

The Council has a potential contingent liability relating to the risk that groups of workers not currently included in the equal pay provision may be successful in claiming compensation under the terms of the equal pay legislation.

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

Note 36 – 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 2015/16 £000 | | 2016/17 £000 |
|---------------------------------------|---|-------------------------|
| (4,570) | Balance on the Housing Revenue Account at the End of the Previous Year | (6,217) |
| 2,113 | Total Comprehensive Income and Expenditure | 1,408 |
| | Adjustments to the revenue resource | |
| (379) | Pension Scheme Adjustments | (198) |
| 12 | Financial Instruments Adjustment | 9 |
| 19 | Holiday Pay Adjustment | 1 |
| (11,439) | Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure | (13,082) |
| <u>(11,787)</u> | | <u>(13,270)</u> |
| | Adjustments between Revenue and Capital Resources | |
| (30) | Net gain or loss on sale of non-current assets | (351) |
| 5,623 | Statutory Repayment of Debt (Loans Fund Advances) | 6,093 |
| 2,434 | CFCR | 5,374 |
| <u>8,027</u> | | <u>11,116</u> |
| <u>(3,760)</u> | Total Statutory Adjustments 2016/17 | <u>(2,154)</u> |
| 0 | Transfers to/from Other Statutory Reserves | 0 |
| <u>(1,647)</u> | (Increase)/Decrease in Year | <u>(746)</u> |
| <u>(6,217)</u> | Balance on the Housing Revenue Account at the end of the Current Year | <u>(6,963)</u> |

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.

| 2015/16 | | 2016/17 |
|-----------------|---|-----------------|
| £000 | | £000 |
| | Income | |
| (37,713) | Dwelling Rents (net of voids) | (38,794) |
| (280) | Other Rents | (277) |
| (2,125) | Other Income | (1,554) |
| (40,118) | | (40,625) |
| | Expenditure | |
| 12,386 | Repairs and Maintenance | 11,836 |
| 8,970 | Supervision and Management | 8,996 |
| 13,973 | Depreciation and Impairment | 15,571 |
| 1,113 | Bad/Doubtful Debts | 999 |
| 984 | Other Expenditure | 349 |
| 37,426 | | 37,751 |
| (2,692) | Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement | (2,874) |
| 25 | HRA Share of Corporate and Democratic Core | 25 |
| (2,667) | Net Cost of HRA Services | (2,849) |
| | HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement | |
| (2,534) | Recognised Capital Income (Grants, Contributions and Donations) | (2,489) |
| 30 | Gain or Loss on the Sale of HRA Non Current Assets | 351 |
| 6,914 | Interest Payable and Similar Charges | 6,053 |
| 463 | Amortisation of Premiums and Discounts | 435 |
| (93) | HRA Interest and Investment Income | (93) |
| 4,780 | | 4,257 |
| 2,113 | (Surplus)/Deficit for the year on HRA Services | 1,408 |

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 10,580 dwellings during 2016/17 (10,748 in 2015/16). The following shows an analysis of these dwellings by type.

| Number at 31.03.16 | 2015/16 Average weekly rent £ | Type of Dwelling | Number at 31.03.17 | 2016/17 Average weekly rent £ |
|-----------------------|--|------------------|-----------------------|--|
| 2,736 | 69.01 | Two-apartment | 2,731 | 71.78 |
| 4,922 | 71.08 | Three-apartment | 4,856 | 73.93 |
| 2,758 | 75.40 | Four-apartment | 2,677 | 78.52 |
| 325 | 80.38 | Five-apartment | 309 | 83.86 |
| 2 | 83.46 | Six-apartment | 2 | 86.80 |
| 1 | 76.01 | Seven-apartment | 1 | 79.05 |
| 3 | 77.56 | Eight-apartment | 2 | 86.80 |
| 1 | 83.46 | Nine-apartment | 2 | 86.80 |
| 10,748 | | Total | 10,580 | |

Note 2 – Dwelling Rents

This is the total rental income less voids chargeable for the year of £0.848m (£1.293m in 2015/16). It excludes irrecoverables and bad debts. Average rents were £74.85 per week in 2016/17 (£70.51 per week in 2015/16).

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 2016/17 were £0.076m (£0.080m in 2015/16).

Note 4 - Rent arrears

As at 31 March 2017, total rent arrears amounted to £3.056m (£3.261m 31 March 2016). This is 7.85% of the total value of rents due at 31 March 2017. It should be noted that the total arrears do not all relate to 2016/17 and the year on year movement in value of arrears is a reduction of £0.205m.

Note 5 - Provision for Bad Debts

In the financial year 2016/17, the rental bad debt provision has been decreased by £0.149m (£0.077m decrease of 2015/16). The provision to cover loss of rental income stands at £2.026m as at 31 March 2017 – equivalent of 66.31% (66.73% 2015/16) of the total value of rents due at that date.

Council Tax Account

Council Taxpayers: £31.592m (2015/16 £30.714m)

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. 2016/17 represents the fourth 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.

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 46,613 | Gross council tax | 46,669 |
| | Less: | |
| (8,907) | Council Tax Reduction Scheme Discount* | (8,658) |
| (5,685) | Other discounts and reductions | (5,675) |
| (867) | Provision for bad and doubtful debts | (830) |
| (440) | Adjustments for prior years | 86 |
| 30,714 | Transfer to General Fund | 31,592 |

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 | 24 | 12 | 0 | 21 | 5 | 5/9 | 17 |
| Band A | 7,919 | 483 | 45 | 4,546 | 109 | 6,290 | 3,658 | 2/3 | 6,068 |
| Band B | 16,898 | 547 | (17) | 7,698 | 184 | 14,318 | 5,886 | 7/9 | 14,653 |
| Band C | 7,493 | 180 | (5) | 2,776 | 62 | 6,583 | 1,826 | 8/9 | 7,099 |
| Band D | 5,859 | 96 | 17 | 1,756 | 33 | 5,325 | 650 | 1 | 5,805 |
| Band E | 4,448 | 38 | (44) | 898 | 25 | 4,129 | 213 | 1 2/9 | 5,219 |
| Band F | 1,651 | 11 | (9) | 217 | 13 | 1,570 | 47 | 1 4/9 | 2,316 |
| Band G | 781 | 3 | (10) | 91 | 8 | 741 | 19 | 1 2/3 | 1,260 |
| Band H | 65 | 1 | (1) | 3 | 9 | 58 | 0 | 2 | 116 |
| | | | | | | | | Total | 42,553 |
| | | | | | | | | Provision for bad debt | (714) |
| | | | | | | | | Council Tax Base | 41,839 |

The nature and actual amount of each charge fixed

| Gross Charges | 2015/16 £ per year | 2016/17 £ 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 2016/17 was £1,163. | | |
| | 775 Band A | 775 |
| | 905 Band B | 905 |
| | 1,034 Band C | 1,034 |
| | 1,163 Band D | 1,163 |
| | 1,421 Band E | 1,421 |
| | 1,680 Band F | 1,680 |
| | 1,938 Band G | 1,938 |
| | 2,326 Band H | 2,326 |

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 £82.793m (2015/16 £84.053m)

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 £82.793m (2015/16 £84.053m) 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. 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 targets for 2016/17 were 0.9% and indications suggest the Council is not due any additional income for the year. Local provisional targets for 2017/18 are 1.7%.

The amount deemed to be collected locally was £80.674m (2015/16 £76.871m). The sum actually collected locally and contributed to the pool was £79.258m (2015/16 £76.215m), made up as follows:

| 2015/16 £000 | | 2016/17 £000 |
|----------------------|---|----------------------|
| 84,959 | Gross rates levied | 87,880 |
| | Less: | |
| (7,601) | Reliefs and other deductions | (7,397) |
| (850) | Provision for bad and doubtful debts | (879) |
| <u>76,508</u> | Net non-domestic rate income | <u>79,604</u> |
| (293) | Adjustments for prior years | (346) |
| <u>76,215</u> | Total Non Domestic Rate Income (before retention) | <u>79,258</u> |
| 0 | Non Domestic Rate Income Retained by the Council (BRIS) | 0 |
| <u>76,215</u> | Contribution to National Non Domestic Rate Pool | <u>79,258</u> |

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 1/4/16 | 172,530,915 | 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) | <u>203,065</u> | |
| Rateable value at 31/3/17 | 172,733,980 | The national non-domestic rate poundage set by the First Minister for Scotland for 2016/17 was £0.484. |
| Less: partially exempt | 754,550 | |
| Less: wholly exempt | <u>4,335,500</u> | |
| Net rateable value at 31/3/17 | <u>167,643,930</u> | |

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 2017. The fund does not represent assets of the Council and has not been included within the Balance Sheet on page 29.

Income and Expenditure Account

| 2015/16 £000 | Expenditure | 2016/17 £000 |
|-----------------|---------------------------------------|-----------------|
| 144 | Payments to Other Bodies | 141 |
| 51 | Denny Tank | 50 |
| 25 | General Expenditure | 22 |
| 220 | | 213 |
| | Income | |
| 277 | Rent – Sites and Offices | 283 |
| 157 | Gain on Investments | 0 |
| 1 | Other Income | 1 |
| 435 | | 284 |
| (215) | Net surplus/(deficit) for year | (71) |
| 58 | In Year Usable Gain | 71 |
| 157 | In Year Un-usable Gain | 0 |
| 215 | | 71 |
| 215 | Balance brought forward | 273 |
| 58 | In Year Usable Gain | 71 |
| 273 | Balance carried forward | 344 |

Balance Sheet as at 31 March 2017

| 2015/16 £000 | Fixed Assets | Note | 2016/17 £000 |
|-----------------|---|------|-----------------|
| 2,909 | Investment properties | 1 | 2,909 |
| | Current Assets | | |
| 298 | Investments – West Dunbartonshire Council | | 344 |
| 0 | Debtors | 2 | 3 |
| | Current Liabilities | | |
| (25) | Creditors falling due within one year | 3 | (3) |
| 3,182 | Total assets | | 3,253 |
| | Funds | | |
| 2,909 | Capital Adjustment Account | | 2,909 |
| 273 | General Fund | | 344 |
| 3,182 | | | 3,253 |

Note 1 Tangible fixed assets and depreciation

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 estimated life. The Fund only holds investment assets.

Common Good Fund (Cont'd)

Note 2 Analysis of Sundry Debtors

| 2015/16 | | 2016/17 |
|----------------|---------------|----------------|
| £000 | | £000 |
| 0 | Prepaid grant | 3 |
| <u>0</u> | | <u>3</u> |

Note 3 Analysis of Sundry Creditors

| 2015/16 | | 2016/17 |
|----------------|--------------------|----------------|
| £000 | | £000 |
| 18 | Grant | 0 |
| 7 | Prepayment of rent | 3 |
| <u>25</u> | | <u>3</u> |

Sundry 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 29. 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

| 2015/16 | | | 2016/17 | | |
|----------|----------|-----------------------|----------|-----------|-----------------------|
| Receipts | Payments | Surplus/ (Deficit) | Receipts | Payments | Surplus/ (Deficit) |
| £000 | £000 | £000 | £000 | £000 | £000 |
| 1 | 0 | 1 | 0 | 0 | 0 |
| | | | | | |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 1 | 0 | 1 | 1 | 0 | 1 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 0 | 0 | 0 | 15 | (15) |
| | | | | | |
| 0 | 0 | 0 | 0 | 3 | (3) |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| 2 | 0 | 2 | 1 | 18 | (17) |

Statement of Balances as at 31 March 2017

| | Surplus/ (deficit) for year | | |
|--|--------------------------------|-------------------------------|-------------------------------|
| | Balance as at 1/4/16 £000 | Balance as at 31/3/17 £000 | Balance as at 31/3/17 £000 |
| Bank and Cash | | | |
| Dunbartonshire Educational Trust Scheme 1962 | 86 | 0 | 86 |
| McAuley Prize for Mathematics | 21 | 0 | 21 |
| Alexander Cameron Bequest | 155 | 1 | 156 |
| Dr A K Glen Fund | 26 | 0 | 26 |
| War Memorial Dumbarton | 15 | (15) | 0 |
| Halkett Memorial Trust | 3 | (3) | 0 |
| Vale of Leven Fund | 8 | 0 | 8 |
| UIE Award | 24 | 0 | 24 |
| Total | 338 | (17) | 321 |
| Investments | | | |
| Dunbartonshire Educational Trust Scheme 1962 | 5 | 0 | 5 |
| Total | 5 | 0 | 5 |
| Overall Total | 343 | (17) | 326 |

The Trust Funds hold no liabilities.

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.

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 2017.

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 and the CPC 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 £15.322m – representing the Council's share of net assets in these entities.

The Code requires Council 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 Boards 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 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 1 on pages 31 to 50 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 weighted average cost. 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.

Group Accounts (Cont'd)

Group Comprehensive Income and Expenditure Statement

| Restated 2015/16 Gross Expenditure £000 | Restated 2015/16 Gross Income £000 | Restated 2015/16 Net Expenditure £000 | | 2016/17 Gross Expenditure £000 | 2016/17 Gross Income £000 | 2016/17 Net Expenditure £000 |
|---|--|---|--|---|------------------------------------|---|
| | | | Service | | | |
| 75,009 | 52,460 | 22,549 | Corporate Services | 72,732 | 50,353 | 22,379 |
| 95,830 | 4,760 | 91,070 | Educational Services | 97,041 | 5,437 | 91,604 |
| 62,901 | 26,411 | 36,490 | Infrastructure, Regeneration and Economic Development | 54,270 | 23,939 | 30,331 |
| 9,025 | 6,227 | 2,798 | Housing and Communities | 7,457 | 5,188 | 2,269 |
| 37,451 | 40,118 | (2,667) | Housing Revenue Account | 39,848 | 42,698 | (2,850) |
| 8,401 | 2,992 | 5,409 | Miscellaneous Services | 7,229 | 6,422 | 807 |
| 133,082 | 68,654 | 64,428 | Health and Social Care Partnership | 149,690 | 83,549 | 66,141 |
| 2,586 | 0 | 2,586 | Requisitions | 2,575 | 0 | 2,575 |
| 6,855 | 2,559 | 4,296 | Subsidiaries | 6,884 | 3,221 | 3,663 |
| 73,867 | 75,083 | (1,216) | Associates Accounted for on an Equity Basis | 95,674 | 98,529 | (2,855) |
| 505,007 | 279,264 | 225,743 | Net Cost of Service (1) | 533,400 | 319,336 | 214,064 |
| | | | | | | 861 (Gain) / loss on Disposal of Fixed Assets |
| | | | | | | 861 Other Operating Expenditure (2) |
| | | | | | | (30,714) Council Tax |
| | | | | | | (84,053) Non-Domestic Rates |
| | | | | | | (106,095) Revenue Support Grant |
| | | | | | | (15,738) Recognised Capital Income (Grants, Contributions & Donations) |
| | | | | | | (236,600) Taxation and Non-specific Grant Income (3) |
| | | | | | | (203) Interest Earned |
| | | | | | | 18,909 External Interest Payable / Similar Charges |
| | | | | | | 836 (Gain)/Loss early settlement of borrowing |
| | | | | | | (2,721) Surplus on Trading Undertakings not included in net cost of services |
| | | | | | | 7,562 Pension Interest Cost/Expected Return on Pension Assets |
| | | | | | | 24,383 Finance/Investment Income and Expenditure (4) |
| | | | | | | 14,387 (Surplus)/Deficit on Provision of Services |
| | | | | | | (5) = (1)+(2)+(3)+(4) |
| | | | | | | 2,180 (Surplus)/Deficit arising from revaluation of property, plant and equipment |
| | | | | | | (863) (Surplus)/Deficit on revaluation of available for sale assets |
| | | | | | | (80,772) Actuarial (gains)/losses on pension fund assets and liabilities |
| | | | | | | (1,264) Share of other Comprehensive Income and Expenditure of Associates |
| | | | | | | (80,719) Other Comprehensive (Income) and Expenditure (6) |
| | | | | | | (66,332) Total Comprehensive (Income) and Expenditure (5)+(6) |

Group Accounts (Cont'd)

Group Movement in Reserves Statement

| | General Fund balance £000 | HRA Balance £000 | Capital Receipts Reserve £000 | Usable Reserves | | | Unusable Reserves | | | | | |
|---|------------------------------|---------------------|----------------------------------|--|-------------------------|------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------------|---------------------------------|------------------------|
| | | | | Capital Grants Unapplied Account £000 | Capital Reserve £000 | Other Reserves £000 | Group Usable Reserves £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Group Unusable Reserves £000 | Total Unusable Reserves £000 | Total Reserves £000 |
| 2016/17 | | | | | | | | | | | | |
| Opening Balance at 1 April 2016 | (11,203) | (6,217) | 0 | (484) | (3,824) | (527) | (6,226) | (28,481) | (177,173) | (10,863) | (188,036) | (216,517) |
| Movement in reserve 2016/17 | | | | | | | | | | | | |
| (Surplus) or deficit on provision of services | 12,550 | 1,408 | 0 | 0 | 0 | 0 | (2,210) | 11,748 | 38,252 | 2,665 | 40,917 | 52,665 |
| Other Comprehensive Expenditure and Income | (11,793) | (2,154) | 0 | 18 | 0 | 0 | 0 | (13,929) | 13,929 | 1,311 | 15,240 | 1,311 |
| Net Increase/(Decrease) before Transfers to Other Statutory Reserves | 757 | (746) | 0 | 18 | 0 | 0 | (2,210) | (2,181) | 52,181 | 3,976 | 56,157 | 53,976 |
| Transfers to/from other statutory reserves | (219) | 0 | 0 | 0 | 191 | 28 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Balance at 31 March 2017 | (10,665) | (6,963) | 0 | (466) | (3,633) | (499) | (8,436) | (30,662) | (124,992) | (6,887) | (131,879) | (162,541) |
| 2015/16 | | | | | | | | | | | | |
| Opening Balance at 1 April 2015 | (9,623) | (4,570) | 0 | (421) | (4,012) | (433) | (5,407) | (24,466) | (118,823) | (6,896) | (125,719) | (150,185) |
| Movement in reserve 2015/16 | | | | | | | | | | | | |
| (Surplus) or deficit on provision of services | 12,876 | 2,113 | 0 | 0 | 0 | 0 | (819) | 14,170 | (76,535) | (3,967) | (80,502) | (66,332) |
| Adjustments between accounting basis and funding basis under regulations | (14,362) | (3,760) | 0 | (63) | 0 | 0 | 0 | (18,185) | 18,185 | 0 | 18,185 | 0 |
| Net Increase/(Decrease) before Transfers to Other Statutory Reserves | (1,486) | (1,647) | 0 | (63) | 0 | 0 | (819) | (4,015) | (58,350) | (3,967) | (62,317) | (66,332) |
| Transfers to/from other statutory reserves | (94) | 0 | 0 | 0 | 188 | (94) | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing Balance at 31 March 2016 | (11,203) | (6,217) | 0 | (484) | (3,824) | (527) | (6,226) | (28,481) | (177,173) | (10,863) | (188,036) | (216,517) |

Group Accounts (Cont'd)

Group Balance Sheet

| 2015/16 £000 | | 2016/17 £000 |
|------------------|---|------------------|
| 765,166 | Property, Plant and Equipment | 843,793 |
| 45 | Intangible Assets | 29 |
| 11,461 | Investment in associates | 11,890 |
| 58 | Long Term Debtors | 44 |
| 501 | Long term Investments | 501 |
| 1,406 | Heritage Assets | 1,406 |
| 778,637 | Total Long Term Assets | 857,663 |
| 653 | Asset Held for Sale | 7,345 |
| 933 | Inventories | 1,158 |
| 35,009 | Short Term Debtors | 39,245 |
| 15,032 | Cash and Cash Equivalents | 14,925 |
| 51,627 | Current Assets | 62,673 |
| (4,643) | Provisions | (3,223) |
| (4,788) | Cash and Cash Equivalents | (2,718) |
| (37,779) | Short Term Creditors | (39,859) |
| (86,724) | Short Term Borrowing | (157,557) |
| (133,934) | Current Liabilities | (203,357) |
| 696,330 | Total Assets less Current Liabilities | 716,979 |
| 30 | Liabilities in Associates | 1,142 |
| (325,649) | Long Term Borrowing | (310,254) |
| (154,151) | Net Pensions Liability | (244,546) |
| (43) | Capital Grants Receipts in Advance (conditions) | (780) |
| (479,813) | Long Term Liabilities | (554,438) |
| 216,517 | Total Assets Less Liabilities | 162,541 |
| | Represented by: | |
| 28,481 | Usable Reserves | 30,663 |
| 188,036 | Unusable Reserves | 131,878 |
| 216,517 | Total Reserves | 162,541 |

The unaudited Financial Statements were issued on 28 June 2017.

Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
28 June 2017

Group Accounts (Cont'd)

Group Cashflow Statement

There is no impact of the incorporation of the associates within the group cash flow statement, therefore, no cash flow statement is noted within the Group Accounts. The cash flow of the group is equal to the cash flow of the Council, as shown on page 30.

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.

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 2016/17, the Council contributed £1.642m (2015/16 £1.642m) or 4.39% (2015/16 4.39%) of the Board's estimated running costs and its share of the year end net asset of £8.240m (2015/16 £7.866m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, Consort House, West George Street, Glasgow G2 1HN.

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 2016/17, the Council contributed £0.178m (2015/16 £0.178m) 4.19% (2015/16 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.071m (2015/16 £0.070m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, Consort House, West George Street, Glasgow G2 1HN.

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 2016/17, the Council contributed £0.708m (2015/16 £0.718m) or 26.95% (2015/16 26.95%) of the Board's estimated running costs and its share of the year end net liability of £1.642m (2015/16 £0.775m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, Garshake Road, Dumbarton G82 3PU.

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 2016/17, the Council contributed £61.515m or 50% of the Board's estimated running costs and its share of the year end net liability of £2.784m is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Chief Financial Officer to the Integrated Joint Board, Garshake Road, Dumbarton G82 3PU.

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

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

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 liabilities at 31 March 2017 was £1.878m (2015/16 £1.115m net asset) and its surplus for the year was £0.125m (2015/16 £0.051m deficit). 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 2017 was £4.168m and its surplus for the year was £0.212m (2015/16 £0.004m). 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.

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

| | Strathclyde Partnership for Transport £000 | Strathclyde Concessionary and Travel Scheme Joint Board £000 | Dunbartonshires and Argyll and Bute Valuation Joint Board £000 | West Dunbartonshire Health & Social Care £000 | Total £000 |
|-------------------------|---|--|--|---|----------------|
| 2016/17 | | | | | |
| Surplus/ (Deficit) on | | | | | |
| Operating Activities | 947 | 1 | 124 | 1,978 | 3,050 |
| Non Current Assets | 8,239 | 0 | 179 | 0 | 8,418 |
| Current Assets | 4,181 | 114 | 161 | 2,784 | 7,240 |
| Non Current Liabilities | (1,918) | 0 | (1,955) | 0 | (3,873) |
| Current Liabilities | (2,262) | (43) | (27) | 0 | (2,332) |
| 2015/16 | | | | | |
| Surplus/ (Deficit) on | | | | | |
| Operating Activities | 461 | 1 | (112) | 806 | 1,156 |
| Non Current Assets | 6,740 | 0 | 203 | 0 | 6,943 |
| Current Assets | 4,639 | 90 | 196 | 815 | 5,740 |
| Non Current Liabilities | (1,813) | 0 | (1,142) | 0 | (2,955) |
| Current Liabilities | (1,700) | (20) | (33) | (9) | (1,762) |

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

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

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

| | West Dunbartonshire Leisure Trust £000 | Clydebank Property Company £000 | Total £000 |
|--|---|---------------------------------------|----------------|
| <u>2016/17</u> | | | |
| Surplus/ (Deficit) on Operating Activities | 125 | 212 | 337 |
| Non Current Assets | 130 | 4,177 | 4,307 |
| Current Assets | 3,097 | 485 | 3,582 |
| Non Current Liabilities | (1,486) | 0 | (1,486) |
| Current Liabilities | (3,620) | (493) | (4,113) |
| <u>2015/16</u> | | | |
| Surplus/ (Deficit) on Operating Activities | 51 | 4 | 55 |
| Non Current Assets | 195 | 4,669 | 4,864 |
| Current Assets | 2,800 | 249 | 3,049 |
| Non Current Liabilities | (411) | 0 | (411) |
| Current Liabilities | (1,469) | (435) | (1,904) |

Dumbarton Common Good and 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. Net income in 2016/17 was £0.070m (2015/16 £0.058m) for the Common Good and net decrease in funds of £0.017m (2015/16 £0.002m) for the Trust Funds. Copies of the accounts may be obtained from West Dunbartonshire Council, Garshake Road, Dumbarton G82 3PU.

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.

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

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

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 2017, 2,451 accounts were held with the bank (2015/16 2,443), with a total amount on deposit of £1.127m (2015/16 £0.925m), with £0.661m being invested with the Council (2015/16 £0.511m). Interest paid by the Council to the bank in the year was £0.020m (2015/16 £0.018m).

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.

West of Scotland Loans Fund is a consortium of 12 local authorities incorporated as a company limited by guarantee in June 1996. In this respect, each member local Council provides a level of loan finance for companies in their area and this is augmented by 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 £15.322m (2015/16 £17.089mm) 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 £162.541m (2015/16 £216.517m).

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:

| 2015/16 £000 | 2016/17 £000 |
|--|----------------------|
| 7,866 Passenger Transport Authority | 8,240 |
| 70 Concessionary Travel Board | 71 |
| (776) Valuation Joint Board | (1,642) |
| 806 West Dunbartonshire Health & Social Care | 2,784 |
| 1,115 West Dunbartonshire Leisure Trust | (1,878) |
| 4,483 Clydebank Property Company | 4,168 |
| 3,525 Common Good and Trust Funds | 3,579 |
| <u>17,089 Total</u> | <u>15,322</u> |

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 Costs

This includes salaries, wages, overtime, bonus, enhancements, pensions, employer's national insurance, travelling and subsistence expenses and other staff allowances.

2. Property Costs

This includes rent and rates, property insurance, repair and maintenance of property, upkeep of grounds, heating and lighting, furnishings and fittings.

3. Supplies and Services

This includes food, materials, books, uniforms and protective clothing, the purchase and maintenance of equipment and tools and various services carried out by external contractors.

4. Transport and Plant Costs

This includes the costs of operating vehicles and plant such as fuel, repairs and maintenance, tyres, licences, insurance and procurement of transport for school children.

5. Administration Costs

This includes printing and stationery, advertising, postages, telephone costs and central support services allocations for administration.

6. Payments to Other Bodies

This includes grants to individuals and organisations, bursaries and payments to other local authorities, health boards, organisations and agencies providing services complementing or supplementing the Council's work.

7. Other Expenditure

This heading covers items of expenditure which cannot be accommodated in any of the above categories.

8. Loan Charges

This represents the annual costs of financing the sums borrowed by the Council to finance its capital repayment of loans, finance leasing charges, interest charges and debt management expenses.

9. 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.

Glossary of Terms (Cont'd)

10. General Income

This includes the charges to persons and bodies for the direct use of the Council's services.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. Expected Return of Pension Assets

The average rate of return expected over the remaining life of the related obligation on the actual assets held.

17. CIPFA

Chartered Institute of Public Finance and Accountancy

18. LASAAC

Local Council (Scotland) Accounts Advisory Committee

19. Budget

The original revenue budget as set by Members at an appropriate Council meeting.

Glossary of Terms (Cont'd)

20. Precepts

Annual payments made to other government bodies for public services given in the local area (e.g. Police, Transport).

21. Intangible Assets

Expenditure on assets such as software licences that do not have physical substance but are identifiable and controlled by the Council.

22. Corporate and Demographic Core

This includes costs relating to policy making and other councillor based activities. Also includes costs relating to the general running of the Council.

23. Non Distributing Costs

These costs represent costs which cannot be easily allocated to services and under Service Reporting Code of Practice are excluded from total cost relating to service activity.

24. 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.

25. Capital Adjustment Account

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.

26. Financial Instrument Adjustment Account

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.

29. Associate Body

An entity other than a subsidiary or a joint venture in which the Council has an interest and over whose operating and financial policies the Council is able to exercise significant influence.

30. 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.

31. Statutory Additions

Additional charges levied for late payment of council tax and non domestic rates.

Glossary of Terms (Cont'd)

32. Capital Items Replacement Fund

Reserve earmarked for specific purposes within Education.

33. Available for Sale Reserve

Assets that have a quoted market price and/or do not have fixed or determinable payments.

34. Current Service Costs (Pension)

This relates to the real cost of benefit entitlement earned by employees.

35. 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 2016/17 this relates to the capitalised cost of early retirements on efficiency grounds.

36. Curtailments (Pension)

Used to reduce the number of expected years of future service for employees. In 2016/17 this relates to the capitalised cost of early retirements on efficiency grounds.

37. Interest Cost (Pensions)

The amount needed to unwind the discount applied in calculating current service cost.

38. Expected Return on Assets (Pensions)

A measure of the return on the investment assets held by the scheme for the year.

39. 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.

40. Available for Sale Assets

These assets are in relation to Financial Instruments and include:

- Equity investments; and
- Other investments traded in an active market.

41. Heritage Assets

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities which is held for its contribution to knowledge and culture.

42. PPE

Property, Plant and Equipment.

Glossary of Terms (Cont'd)

43. CAA

Capital Adjustment Account.

44. IAS19

International Accounting Standard 19 (employee benefits).

45. FRS17

Financial Reporting Standard 17 (retirement benefits).

46. SHQS

Scottish Housing Quality Standards