

# Agenda



## Audit Committee

**Date:** Wednesday, 12 December 2018

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**Time:** 10:00

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**Venue:** Civic Space  
Council Offices, 16 Church Street, Dumbarton

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**Contact:** Craig Stewart, Committee Officer  
Tel: 01389 737251 [craig.stewart@west-dunbarton.gov.uk](mailto:craig.stewart@west-dunbarton.gov.uk)

Dear Member

Please attend a meeting of the **Audit Committee** as detailed above. The business is shown on the attached agenda.

Yours faithfully

**JOYCE WHITE**

Chief Executive

**Distribution:**

Councillor John Mooney (Chair)  
Councillor Jim Brown  
Councillor Karen Conaghan  
Councillor Daniel Lennie  
Councillor Jonathan McColl  
Councillor John Millar  
Councillor Martin Rooney (Vice Chair)  
Councillor Brian Walker  
Mr C Johnstone  
Ms E McKerry

All other Councillors for information

Chief Executive  
Strategic Director - Transformation & Public Service Reform  
Strategic Director - Regeneration, Environment & Growth  
Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 29 November 2018

**AUDIT COMMITTEE**  
**WEDNESDAY, 12 DECEMBER 2018**

**AGENDA**

**1 APOLOGIES**

**2 DECLARATIONS OF INTEREST**

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

**3 MINUTES OF PREVIOUS MEETING 5 - 8**

Submit for approval as a correct record, the Minutes of Meeting of the Audit Committee held on 26 September 2018.

**4 OPEN FORUM**

The Committee is asked to note that no open forum questions have been submitted by members of the public.

**5 TREASURY MANAGEMENT ANNUAL REPORT 2017/18 9 - 22**

Submit report by the Strategic Lead – Resources providing an update on treasury management during 2017/18.

**6 AUDITED ANNUAL ACCOUNTS 2017/18 23 – 226**

Submit report by the Strategic Lead – Resources on the above.

**7 AUDIT ACTION PLANS To follow**

Submit report by the Strategic Lead – Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

**8      INTERNAL AUDIT PLAN 2018/19 – HALF YEAR PROGRESS      227 – 232  
REPORT**

Submit report by the Strategic Lead – Resources advising on progress at the half year against the Audit Plan 2018/19..

**9      AUDIT COMMITTEE SELF-ASSESSMENT AND REPORTING      233 - 276  
ON AUDIT ASSIGNMENTS**

Submit report by the Strategic Lead – Resources advising on the results of a self-assessment exercise carried out recently by the Chair of the Audit Committee and the Audit and Risk Manager.

**10     SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS      277 - 296  
REPORT 2017/18**

Submit report by the Strategic Lead – Communications, Culture & Communities presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2017 – 31 March 2018..

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## **AUDIT COMMITTEE**

At a Meeting of the Audit Committee held in the Council Chambers, Clydebank Town Hall, Dumbarton Road, Clydebank on Wednesday, 26 September 2018 at 10.00 a.m.

**Present:** Councillors Jim Brown, Karen Conaghan, Jonathan McColl, John Mooney and Martin Rooney, and Lay Member Ms Eilidh McKerry.

**Attending:** Joyce White, Chief Executive; Angela Wilson, Strategic Director – Transformation & Public Service Reform; Richard Cairns, Strategic Director – Regeneration, Environment & Growth; Stephen West, Strategic Lead – Resources; Malcolm Bennie, Strategic Lead – Communications, Culture & Communities; Colin McDougall, Audit and Risk Manager and Craig Stewart, Committee Officer.

**Also Attending:** Ms Carol Hislop, Senior Audit Manager and Zahrah Mahmood, Senior Auditor, Audit Scotland.

**Apologies:** Apologies for absence were intimated on behalf of Councillors Daniel Lennie, John Millar and Brian Walker.

**Councillor John Mooney in the Chair**

### **CHAIR'S REMARKS**

Prior to commencing with the business of the meeting, Councillor Mooney, Chair, welcomed everyone to the September meeting of the Committee and introduced Chris Johnston, who would be joining the Committee at its next meeting as a new Lay Member.

### **DECLARATIONS OF INTEREST**

It was noted that there were no declarations of interest in any of the items of business on the agenda.

### **MINUTES OF PREVIOUS MEETING**

The Minutes of Meeting of the Audit Committee held on 13 June 2018 were submitted and approved as a correct record.

## **OPEN FORUM**

The Committee noted that no open forum questions had been submitted by members of the public.

## **AUDIT ACTION PLANS**

A report was submitted by the Strategic Lead – Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Strategic Lead – Resources, the Chief Executive and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) with regard to 'Project 136: Central Repairs & Maintenance Budget' contained in Appendix 1 to the report, that a report should be submitted to the next meeting of the Housing and Communities Committee on the current status of the new Integrated Housing Management System; and
- (2) otherwise to note the contents of the report.

## **NATIONAL FRAUD INITIATIVE IN SCOTLAND 2016-17**

A report was submitted by the Strategic Lead – Resources providing Committee with a national audit report, for information and consideration, which had been received from Audit Scotland.

After discussion and having heard the Audit and Risk Manager, Strategic Director – Transformation & Public Service Reform and relevant officers in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report and the terms of the discussion which had taken place in respect of this matter.

## **PUBLIC INTEREST DISCLOSURES AND OTHER INTERNAL AUDIT INVESTIGATIONS – 1 JANUARY TO 30 JUNE 2018**

A report was submitted by the Strategic Lead – Resources advising of the outcome of investigations into allegations and disclosures in line with public interest disclosures and business irregularities policies received by Internal Audit between 1 January and 30 June 2018.

After discussion and having heard the Audit and Risk Manager and relevant officers in further explanation of the report and in answer to Members' questions, the Committee agreed to note the contents of the report.

The meeting closed at 10.45 a.m.

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**West Dunbartonshire Council**  
**Report by the Strategic Lead - Resources**  
**Audit Committee: 12 December 2018**

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**Subject : Treasury Management Annual Report 2017/18**

**1. Purpose**

- 1.1** The purpose of this report is to provide Members with an update on treasury management during 2017/18.

**2. Recommendations**

- 2.1** Members are requested to further consider the information provided within the Annual Report as appended to this report.

**3. Background**

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2017/18, the Strategic Lead - Resources is required to provide an Annual Report to Members regarding the Treasury function.
- 3.2** A key element of the policy is that Members implement effective scrutiny of the treasury management strategy and policies. Council considered the attached Annual Report at its meeting on 27 September 2018 and referred the report to the Audit Committee for further scrutiny.

**4. Main Issues**

**Treasury Management Stewardship Report**

- 4.1** A copy of the report is attached (Appendix 1).
- 4.2** The report gives details of loans borrowed and loans repaid during the course of the year, interest rates and debt rescheduling which was undertaken.
- 4.3** The Council undertook new borrowing of £198.2m for the approved capital plans and the replacement of naturally maturing debt during 2017/18.
- 4.4** Consideration was given to available interest rates, and mainly short term borrowing has been utilised in the short term to finance the current capital programme.
- 4.5** External borrowing has increased from £379.523m at the beginning of the year to £425.291m at the end of the year. This is due to new borrowing required to fund the capital programmes. As stated above maturing debt has been renewed and overall there was a reduction in the average interest rate on long-term debt from 2.99% to 2.56%.

- 4.6** Investments have increased from £11.256m at the beginning of the year to £25.407m at the year-end in line with treasury management planned activity. The average interest rate on these investments as at 31 March 2018 decreased marginally from 0.37% to 0.36% due to market conditions and is in line with that anticipated within the 2017/18 budget.
- 4.7** All year end actual indicators advised within Appendix 1 of this report are within the limits previously agreed by Council.
- 5. Option Appraisal**
- 5.1** No option appraisal was required for this report.
- 6. People Implications**
- 6.1** There are no personnel issues.
- 7. Financial and Procurement Implications**
- 7.1** There are no financial or procurement implications.
- 8. Risk Analysis**
- 8.1** Although this report provides a historic position in relation to treasury management there are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1. These risks are noted below; however the Council has robust monitoring processes in place and provides regular reports to Council and ensures further scrutiny by elected Members at the Audit Committee:
- (a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;
  - (b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the Council has robust controls included within its treasury management and investment strategies that will assist in mitigating this risk; and
  - (c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.
- 9. Equalities Impact Assessment**
- 9.1** No equalities impact assessment was required in relation to this report.

## **10. Environmental Sustainability**

- 10.1** No assessment of environmental sustainability was required in relation to this report

## **11. Consultation**

- 11.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

## **12. Strategic Assessment**

- 12.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.
- 12.2** Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

**Stephen West**  
**Strategic Lead - Resources**  
**Date: 18 October 2018**

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<b>Person to Contact:</b>	Jennifer Ogilvie, Finance Business Partner - Strategic Finance (Treasury & Capital) and Regeneration Services Council Offices, Church Street Telephone (01389) 737453 Email: <a href="mailto:jennifer.ogilvie@west-dunbarton.gov.uk">jennifer.ogilvie@west-dunbarton.gov.uk</a>
<b>Appendices:</b>	Appendix 1 - Annual Report 2017/18 Treasury Management and Actual Prudential Indicators
<b>Background Papers:</b>	Loans register and portfolio; Debt rescheduling schedules; Prudential Indicators 2017/18 to 2025/26 and Treasury Management Strategy 2018/19 to 2025/26 (Council 5 March 2018); and Treasury Management Annual Report 2016/17 (Council 30 August 2017)
<b>Wards Affected:</b>	No wards directly affected.



## **Annual Report 2017/18**

### **Treasury Management and Actual Prudential Indicators**

#### **1. Introduction**

- 1.1** The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:
- The Local Government in Scotland Act 2003 (the Act), provides the powers to borrow and invest as well as providing controls and limits on this activity. The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2017/18);
  - Statutory Instrument (SSI) 29 of 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; and the treasury activity with regard to the CIPFA Code of Practice for Treasury Management in Local Authorities; and
  - Statutory Instrument (SI) 2016 No 123 requires the Council to document its policy on the prudent repayment of loans fund advances.
- 1.2** This Council has adopted both the CIPFA Code of Practice for Treasury Management in the Public Sector and the Prudential Code and operates its treasury management service and capital programme in compliance with these Codes and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. Officers have been considering the implications of this and a mid-year treasury update report will be presented to members in December 2018 which will include a capital strategy for consideration.

Markets in Financial Instruments Directive II (MiFID II) - The EU set the date of 3 January 2018 for the introduction of regulations under MiFID II. These regulations govern the relationship that financial institutions conducting lending

and borrowing transactions will have with local authorities from that date. This has had little effect on this Council apart from having to complete forms sent by each institution dealing with this Authority and for each type of investment instrument used, with the exception of cash deposits with banks and building societies.

**1.3** During 2017/18 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the new financial year (Council 22 February 2017);
- a mid-year treasury update report (25 October 2017); and
- an annual report following the financial year-end describing the activity compared to the strategy (this report).

**1.4** This report sets out:

- A summary of the strategy agreed for 2017/18;
- The Council's treasury position at 31 March 2018;
- The main Prudential Indicators and compliance with limits;
- A summary of the economic factors affecting the strategy over 2017/18;
- The Treasury activity during 2017/18;
- Performance indicators set for 2017/18;
- Disclosure regarding the repayment of loan Fund advances for 2017/18; and
- Risk and Performance.

## **2. A Summary of the Strategy Agreed for 2017/18**

**2.1** The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank of England Base Rate would not start rising from 0.25% until March to June 2019 and then only increase once more before 31 March 2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

## **3. The Council's Treasury Position at 31 March 2018**

**3.1** During 2017/18, the Strategic Lead – Resources, in line with the treasury strategy to postpone borrowing, managed the debt position with the use of internal funds as well as a mix of short term and long term external borrowing, and the treasury position at 31 March 2018 compared with the previous year was:

Table 1

Treasury position	31 March 2018		31 March 2017	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£425.291m	2.56%	£379.523m	2.99%
Variable Interest Rate Debt	£0.000m	0.00%	£0.000m	0.00%
<b>Total Debt</b>	<b>£425.291m</b>	<b>2.56%</b>	<b>£379.523m</b>	<b>2.99%</b>
<b>Total Investments</b>	<b>£25.407m</b>	<b>0.36%</b>	<b>£11.256m</b>	<b>0.37%</b>
<b>Net borrowing position</b>	<b>£399.884m</b>		<b>£368.267m</b>	

- 3.2** From the above table, it can be seen that the average interest rate on debt held on 31 March 2018 has reduced from 2.99% to 2.56%. At the same time the average interest rate has marginally decreased on the investments held on 31 March 2017 to 2018 from 0.37% to 0.36%.
- 3.3** The external debt figures included within Table 1 includes both short term and long term debt. This is due to a strategy of using short term borrowing to fund long term capital investment enabling the Council to take advantage of lower interest rates.
- 3.4** There are four treasury prudential indicators which cover the activity of the treasury function. Complying with these indicators reduces the risk of an adverse movement in interest rates impacting negatively on the Council's overall position:
- Upper limits on variable rate exposure;
  - Upper limits on fixed rate exposure;
  - Maturity structures of borrowing; and
  - Total principal funds invested for greater than 365 days.
- 3.5** Table 2 shows the actual upper limits set per debt type and maturity as at 31 March 2018.

Table 2

	2017/18 Actual	2017/18 Indicator	
<b>Upper limits on variable interest rates</b>	0%	50%	
<b>Upper limits on fixed interest rates</b>	100%	100%	
<b>Maturity structure fixed rate borrowing (%)</b>	<b>Year end</b>	<b>Max</b>	<b>Min</b>
Under 12 months	43.6%	50%	0%
12 months to 2 years	2.3%	50%	0%
2 years to 5 years	6.1%	50%	0%
5 years to 10 years	9.4%	50%	0%
10 years to 20 years	0.7%	50%	0%
20 years to 30 years	8.9%	50%	0%
30 years to 40 years	5.3%	50%	0%
40 years to 50 years	16.2%	100%	0%
50 years to 60 years	7.4%	100%	0%
60 years to 70 years	0.0%	100%	0%
<b>Maximum principal funds invested &gt;365 days</b>	£0.497m	£7m	Nil

#### 4. The Main Prudential Indicators and Compliance with Limits

**4.1** The Council is required by the Prudential Code to report the actual prudential indicators after the year end.

##### 4.1.1 Capital Expenditure and its Financing

This indicator shows total capital expenditure for the year and how this was financed. Actual capital expenditure for 2017/18 includes spend related to the new Our Lady and St Patricks High School (carried out under a design, build, finance and maintain (DBFM) contract), however the revised estimates did not include this spend due to the project not being completed until October 2017. The decrease in traditionally funded capital expenditure between revised estimate and actual as noted below in Table 3 is due to expenditure which slipped from 2017/18 into the 2018/19 capital programme, together with resources. The indicators for 2018/19 will be revised in line with this.

**Table 3**

	<b>2017/18 Actual</b>	<b>2017/18 Revised Estimate</b>
Capital expenditure:		
OLSP – DBFM contract	£24.231m	£0.000m
Traditional capital expenditure	£66.249m	£88.498m
Total	£90.660m	£88.498m
Resourced by:		
Capital receipts and grants	£18.831m	£33.644m
OLSP – DBFM contract	£24.231m	£0.00m
Revenue	£7.586m	£3.256m
<b>Capital expenditure - additional need to borrow</b>	<b>£40.012m</b>	<b>£51.598m</b>

##### 4.1.2 Gross Borrowing and the Capital Financing Requirement (CFR)

In order to ensure that borrowing levels are prudent, over the medium term the Council's gross borrowing must only be used for capital purposes. Gross borrowing should not therefore, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2017/18.

**4.1.3** While the Strategic Lead - Resources reports that the Council has complied with this indicator over the medium term (as can be seen by comparing the gross debt figure at 31 March 2018 with the anticipated CFR at 31 March 2021 as detailed in Table 4 below), though in the short term the adjusted gross borrowing position exceeds the CFR as at 31 March 2018. This is due to: the Council undertaking long term PWLB borrowing at the year end at competitive interest rates and final capital expenditure being less than forecast once accounting adjustments have been taken into account.



**Table 4**

	<b>2017/18 Actual</b>	<b>2017/18 Revised Indicator</b>
Gross borrowing position per Table1	£425.291m	£420.010m
Long term liability	£105.914m	£82.160m
<b>Adjusted gross borrowing position</b>	<b>£531.205m</b>	<b>£502.170m</b>
<b>Capital Financing Requirement</b>	<b>£514.349m</b>	<b>£502.604m</b>

	<b>2017/18 Actual</b>
<b>CFR at 31 March 2018</b>	
2017/18 Actual	<b>£514.349m</b>
<b>Estimated Movement in CFR</b>	
2018/19	£29.253m
2019/20	£61.902m
2020/21	£59.610m
<b>Anticipated CFR at 31 March 2021</b>	<b>£665.114m</b>
<b>Gross Debt at 31 March 2018</b>	<b>£531.205m</b>

**4.1.4 The Authorised Limit**

The Authorised Limit is the “Affordable Borrowing Limit” required by Section 35 of the Local Government in Scotland Act 2003. The Council does not have the power to borrow above this level. The information in Table 5 demonstrates that during 2017/18 the Council has maintained gross borrowing within its Authorised Limit.

**4.1.5 The Operational Boundary**

The Operational Boundary is the borrowing position that the Council expects to work around during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The information in Table 5 demonstrates that during 2017/18 the Council has maintained gross borrowing within its Operational Boundary.

**4.1.6 Actual financing costs as a proportion of net revenue stream**

This indicator shows the actual impact of capital expenditure in 2017/18 compared to the projected impact of the General Services Capital Plan Refresh and the HRA Capital Plan Update as approved by Members in February 2017. The cost of capital is described as loan charges within the revenue budgets. Excluding the impact of the OLSP – DBFM Contract both the GS and HRA indicator is below estimated due to capital slippage.

Table 5

	2017/18	
<b>Revised Indicator - Authorised Limit</b>	£602.605m	
<b>Revised Indicator - Operational Boundary</b>	£552.388m	
<b>Maximum gross borrowing position during 2017/18</b>	£531.205m	
<b>Minimum gross borrowing position during 2017/18</b>	£453.621m	
	Estimated	Actual
<b>Financing costs as a proportion of net revenue stream:</b>		
Non housing (Including OLSP - DBFM contract)	9.36%	9.63%
Non housing (Excluding OLSP - DBFM contract)	9.36%	9.29%
Housing	28.69%	27.54%

## 5. Summary of the Economic Factors affecting Interest Rates over 2017/18

### 5.1 Interest Rates

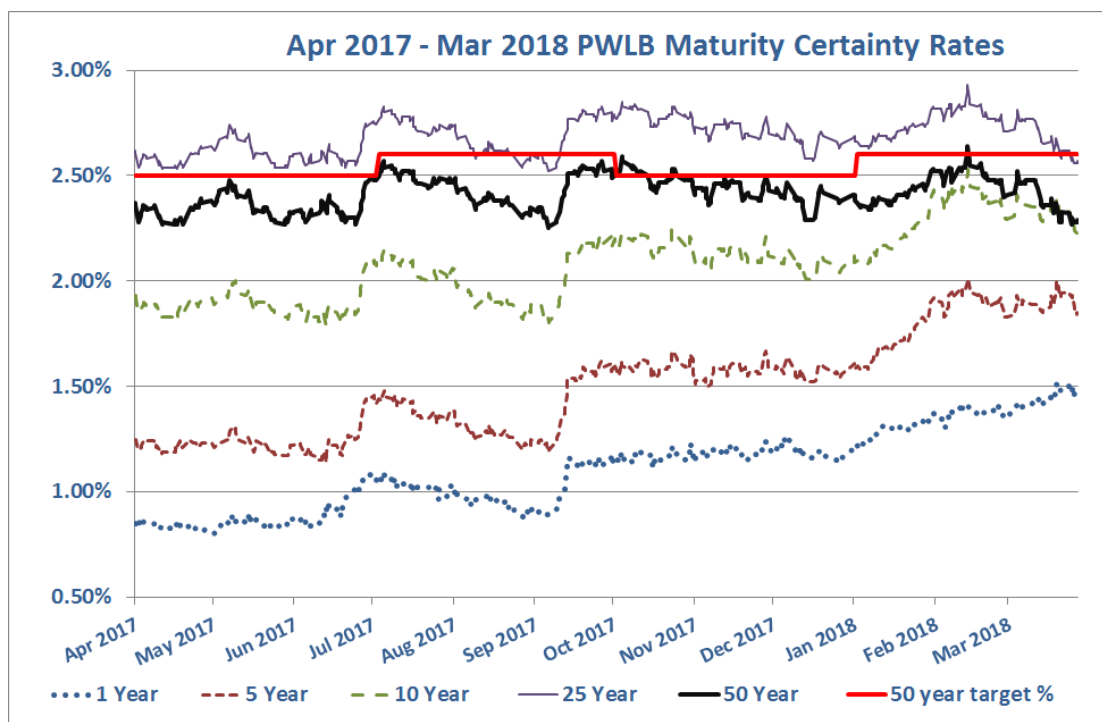
The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate from 0.50% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018.

Both measures were intended to stimulate growth in the economy and while the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year with the main reason being the sharp increase in inflation caused by the devaluation of sterling after the EU referendum. A consequence of this being an increase to the cost of imports into the economy resulting in a reduction in consumer disposable income and spending power as inflation exceeded average wage increases.

Consequently, market expectations during the autumn rose significantly that the Monetary Policy Committee (MPC) would be heading in the direction of imminently raising the Bank Rate. This did happen with the 2 November 2017 meeting withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. PWLB borrowing rates increased correspondingly to the above developments with the shorter rates increasing more sharply than longer term rates.

### 5.2 Borrowing Rates in 2017/18

The graph for PWLB rates below shows, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year. PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March.



## 6. Treasury Activity during 2017/18

- 6.1 Borrowing** – The Council raised new long term loans of £45m and new short term loans of £153.2m during 2017/18 for the replacement of naturally maturing debt and to finance the Council's capital programme.
- 6.2 Rescheduling** – On 17 January 2018 the Council rescheduled a £10m market loan paying interest at 3.99% with a £10m market loan at an interest rate of 3.15% resulting in total savings of £0.980m over the period to 31 March 2030.
- 6.3 Repayment** – The Council repaid naturally maturing debt of £152.432m.
- 6.4 Summary of Debt Transactions** – The overall position of the debt activity resulted in the average interest rate at 31 March year on year falling to 2.56%.
- 6.5 Investment Policy** – The Scottish Government issued The Local Government Investments (Scotland) Regulations 2010 on 1 April 2010.
- 6.6** The regulations applied from 1 April 2010 and the Council's policy was first included in the annual treasury strategy approved by Council on 24 March 2010 with updates being included in the policy as and when required. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 6.7** The Council's short term cash investments increased from £11.256m at the beginning of the year to £25.407m at the end of the year with an average balance of £23.169m and received an average return of 0.36% over the year. In addition to the short term cash investments the Council also had 2 long term investments in Clydebank Property Company and Hub West Scotland with a total value of £0.497m as at 31 March 2018 as detailed in table 2 above.

- 6.8** Economic factors for 2017/18 (see 5.1 above) resulted in low interest rates during this period impacting adversely on investment returns.

## **7. Performance Indicators set for 2017/18**

- 7.1** The treasury strategy defined a set of performance indicators covering the following areas:

**7.1.1 Security** - In the context of benchmarking, assessing security is a very subjective area. Security is currently evidenced by the application of minimum quality criteria to financial institutions that the Council may choose to invest in, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard & Poors). The Council has benchmarked security risk by assessing the historical likelihood of default for investments placed with any institution with a long term credit rating of A- (this is the minimum long term credit rating used in the Council's investment strategy). The Council's maximum security risk is that 0.09% of investments placed with financial institutions could theoretically default based on global historical data. During the year all investments within the Council's portfolio were repaid on their due dates with no defaults of the principal sums recorded.

**7.1.2 Liquidity** – As required by the CIPFA Treasury Management Code of Practice the Council has stated that it will “ensure that it has adequate, though not excessive, cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives”. In respect to liquidity as defined above the liquidity arrangements during the year were maintained in line with the facilities and benchmarks previously set by the Council as follows:

- Bank overdraft - £1.000m; and
- Liquid short term deposits of at least £5.000m available overnight.

**7.1.3 Return** – For the financial year the investment return averaged 0.36% which is a year on year decrease of 0.01%. Table 6 illustrates that the average return of 0.36% was above both the average return from the Council's investment account and the LIBID rates which are the local measures of return investment benchmarks approved in March 2012. It is also worth noting that the Council investment account attracted interest at 0.25% for the majority of the year before increasing to 0.50% towards the end of the year.

The Council's bankers (and therefore the bank with which the investment account is held) are currently the Clydesdale Bank plc which falls within the Category 3 Investment Category approved in the investment strategy approved in February 2017. Due to the credit rating of this bank this category specified a maximum limit £5million which may be held on an overnight basis only thus limiting the ability to attract interest on this account.

**Table 6**

<b>Benchmark</b>	<b>Benchmark Return</b>	<b>Average Return</b>
Internal returns above the 7 day LIBID rate	0.22%	0.36%
Internal returns above the 1 month LIBID rate	0.23%	0.36%
Internal returns above the average Council investment account rate	0.35%	0.36%

## 8. Disclosure regarding the repayment of loans fund advances for 2017/18

8.1 The policy on the prudent repayment of loans fund advances was detailed in the Mid-Year Monitoring Report 2017/18 - Treasury Management and Prudential Indicators reported to Council on 25 October 2017. The Strategic Lead - Resources can report that the policy has been complied within during 2017/18.

8.2 Table 7 shows the movement in the level of loan fund advances between 1 April 2017 and 31 March 2018.

**Table 7**

	<b>Non Housing</b>	<b>Housing</b>
<b>Opening Balance at 1 April 2017</b>	<b>£199.923m</b>	<b>£175.854m</b>
New Advances in 2017/18	£31.573m	£8.439m
Repayments in 2017/18	£5.195m	£5.960m
<b>Closing Balance at 31 March 2018</b>	<b>£226.301m</b>	<b>£178.333m</b>

8.3 Table 8 details the anticipated repayment profile of the balance on the loans fund advance accounts for both non housing and housing held at 31 March 2018.

**Table 8**

<b>Future Repayment Profile at 31 March 2018</b>	<b>Non Housing</b>	<b>Housing</b>	<b>Total</b>
Under 12 months	£4.925m	£6.312m	£11.237m
2 years to 5 years	£20.550m	£27.355m	£47.905m
5 years to 10 years	£21.772m	£35.616m	£57.388m
11 years to 15 years	£18.981m	£32.945m	£51.926m
16 years to 20 years	£20.610m	£31.396m	£52.006m
21 years to 25 years	£22.809m	£22.454m	£45.263m
26 years to 30 years	£25.349m	£18.177m	£43.526m
31 years to 35 years	£20.686m	£3.842m	£24.528m
36 years to 40 years	£17.569m	£0.222m	£17.791m
41 years to 45 years	£6.840m	£0.003m	£6.843m
46 years to 50 years	£10.524m	£0.004m	£10.528m
51 years to 55 years	£16.192m	£0.007m	£16.199m
56 years to 60 years	£19.494m	£0.000m	£19.494m
<b>Total</b>	<b>£226.301m</b>	<b>£178.333m</b>	<b>£404.634m</b>

## **9. Risk and Performance**

- 9.1** The Council has complied with all relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach. Ongoing consideration of future affordability and sustainability are reported and considered by Members each year when setting the Council's General Fund and HRA capital and revenue budgets.
- 9.2** The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's treasury advisers, has proactively managed its treasury position within the current economic climate taking advantage of lower interest rates where it is deemed appropriate. The Council has complied with its internal and external procedural requirements. There is little risk of volatility of costs in the current debt portfolio as the interest rates are predominantly fixed, with the majority of debt comprised of long-term loans.
- 9.3** Shorter-term rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.

**WEST DUNBARTONSHIRE COUNCIL**

**Report by Strategic Lead - Resources**

**Audit Committee – 12 December 2018**

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**Subject: Audited Annual Accounts 2017/2018**

**1. Purpose**

**1.1** The purpose of this report is to:

- (a) submit to Committee the audited Financial Statements for 2017/2018 and to highlight matters of interest;
- (b) submit to Committee the audited 2017/18 Financial Statements of the Charities administered by the Council and to highlight matters of interest;
- (c) advise Committee of Audit Scotland's findings in relation to the audit of the Council; and
- (d) advise Committee of Audit Scotland's findings in relation to the audit of those charities.

**2. Recommendations**

**2.1** Committee is invited to:

- (a) note the contents of this report;
- (b) consider the audited Annual Accounts 2017/18 of both the Council and the Charities and note that these were presented to, and approved by, Council on 27 September 2018; and
- (c) note the findings of the audits as detailed in Audit Scotland's reports dated 27 September 2018.

**3. Background**

**3.1** The Councils draft, unaudited annual accounts (including Group Accounts) for 2017/18 were reported to Council on 27 June 2018 and passed to the Accounts Commission before the statutory deadline on 30 June 2018.

**3.2** The report submitted to Council identified a draft position of an unearmarked General Service reserve of £4.342m and provided Members with information as to variances for the year. The draft unearmarked position for the Housing Revenue Account reserve was £0.850m.

**3.3** The Charitable Trusts' draft, unaudited accounts for 2017/18 were also reported to Council on 27 June 2018.

- 3.4** As the external auditor of the Council, it is Audit Scotland's responsibility to undertake their audit work in accordance International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
- 3.5** Following the audit of these Statements, a report covering the attached appendices was presented to Council on 28 September 2018, recommending Council approve the audited Financial Statements and note the findings of these audits. The Statements were agreed by Members and the Statements were to be referred onto Audit Committee for further scrutiny.

#### **4. Main Issues**

- 4.1** The audit of the Annual Accounts has now been completed and the audited Annual Accounts for the Council and the Charitable Trusts are appended to this report for consideration and scrutiny (Appendices 1 and 2).

##### **The Council's Accounts**

- 4.2** A number of presentational and monetary adjustments were identified within the draft Annual Accounts during the course of the audit, the effect of which results in a net decrease in the Council's General Fund reserve balance of £0.038m and no change on the reserves position in the Housing Revenue Account (HRA). Further detail of this is noted below:

	<b>Free £000</b>	<b>Earmarked £000</b>	<b>Total £000</b>
<b>Total General Services Reserve - draft accounts</b>	<b>4,342</b>	<b>6,671</b>	<b>11,013</b>
Revision to accrued expenditure	(23)		(23)
Revision to stock	(24)		(24)
Revision to cash/ cash equivalents	8		8
Revision to debtors / prepayments	1		1
Decrease in free reserve	<b>(38)</b>		<b>(38)</b>
<b>Total General Services Reserve - audited accounts</b>	<b>4,304</b>	<b>6,671</b>	<b>10,975</b>

- 4.3** I am pleased to report that a clean audit opinion has been given in relation to these Accounts.
- 4.4** The management commentary on pages 1 to 15 of the Annual Accounts summarises the major matters contained within the document and provides an explanation of the Council's financial position as at 31 March 2018. In particular:
- 4.4.1** In relation to the General Fund:



- The accounts show a General Fund balance of £10.975m as at 31 March 2018. Of this balance, £6.671m is earmarked for ring-fenced purposes, leaving an unearmarked balance of £4.304m;
- The level of unearmarked balance of £4.304m compares with that of £5.063m at 31 March 2017 and confirms that the unearmarked reserve position has decreased by £0.759m during the year.
- The unearmarked balance of £4.304m compares to the targeted prudential level of reserve of £4.122m which is considered necessary to safeguard assets and to protect services against financial risk; and
- In addition to the above reserves a sum of £0.317m has been set aside as a provision for future equal pay claims and £0.153m set aside for the provision of Voluntary Severance/ Voluntary Early Retirals.

**4.4.2** In relation to the Housing Revenue Account, the accounts show an HRA balance of £7.422m as at 31 March 2018. Of this balance £6.572m is earmarked, leaving a free balance of £0.850m which is in line with the recommended prudential level of HRA reserve of £0.850m.

**4.4.3** The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective surplus in the year of £2.759m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

**4.5** On pages 17 to 24 of the accounts is the Annual Governance Statement. This Statement provides assurance that the Council has in place a sound system of governance control. The Governance Statement identifies a number of areas where officers have identified improvements can be made.

#### **Charitable Trusts' Accounts**

**4.6** I am pleased to report that a clean audit opinion has been given in relation to these Accounts.

**4.7** Page 7 of the Accounts details the Statement of Balances and highlights a decrease in the balances held from £0.324m to £0.315m as at 31 March 2018.

#### **West Dunbartonshire Council Audit Report**

**4.8** Audit Scotland, as the Council's external auditors, issued a report dated 27 September 2018 which detailed the main issues arising from the audit of the Council and its Annual Accounts. The full report is appended to this report (Appendix 3).

**4.9** The report identified 11 recommendations for improvement together with management responses and an update on the 5 actions brought forward from 2016/17 (1 of which is noted as ongoing).

- 4.10** The Audit Opinion is detailed on page 8 of the report which advised that Audit Scotland expected to issue an unqualified opinion on the Council's Annual Accounts, which was the case.
- 4.11** The report also appends (see Appendix 4) the proposed independent auditor's report and the draft letter of representation (ISA 580) which the Strategic Lead - Resources was required to sign and submit to Audit Scotland.

**West Dunbartonshire Council Registered Charitable Trusts Audit Report**

- 4.12** Audit Scotland also issued a report dated 27 September 2018 which details the main issues arising from the audit of the financial statements of the Charities. The report is appended to this report (Appendix 5).
- 4.13** This report identifies 2 significant findings, together with management responses.

**5. Option Appraisal**

- 5.1** No option appraisal was required for this report.

**6. People Implications**

- 6.1** There are no people implications.

**7. Financial and Procurement Implications**

- 7.1** Other than as described above there are no financial or procurement implications.

**8. Risk Analysis**

- 8.1** No risk analysis was required.

**9. Equalities Impact Assessment (EIA)**

- 9.1** No equalities impact was required in relation to the preparation of this report.

**10. Consultation**

- 10.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns with the report.

**11. Strategic Assessment**

- 11.1** The report is in relation to a statutory function. As such, it does not directly affect any of the strategic priorities.

.....  
**Stephen West**  
**Strategic Lead - Resources**  
**Date: 19 November 2018**

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**Person to Contact:** Stephen West, Strategic Lead - Resources, Garshake Road, Dumbarton  
Telephone (01389) 737191  
E-mail: stephen.west @west-dunbarton.gov.uk

**Appendices:**

1. Audited Annual Accounts 2017/18 – West Dunbartonshire Council;
2. Audited Annual Accounts 2017/18 – Charitable Trust Funds;
3. Audit Scotland's Annual audit Report to West Dunbartonshire Council and Controller of Audit;
4. West Dunbartonshire Council – Annual Audit Report – covering letter (including ISA 580);
5. Audit Scotland's Annual Audit Report to those charged with governance (Registered Charities)

**Background Papers:**

1. Draft Financial Statements for the year ended 31 March 2018; and
2. Report to Council of 27 June 2018: Draft Annual Accounts 2017/2018;

**Wards Affected:** All



# **ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018**



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## Management Commentary

### 1. Introduction

The purpose of this Management Commentary is to inform all users of these Financial Statements and help them assess how the council has performed its duty to promote the success of the council. It is to provide clear information about the council's performance during the financial year 2017/18 and the financial position as at the financial year end 31 March 2018. 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.

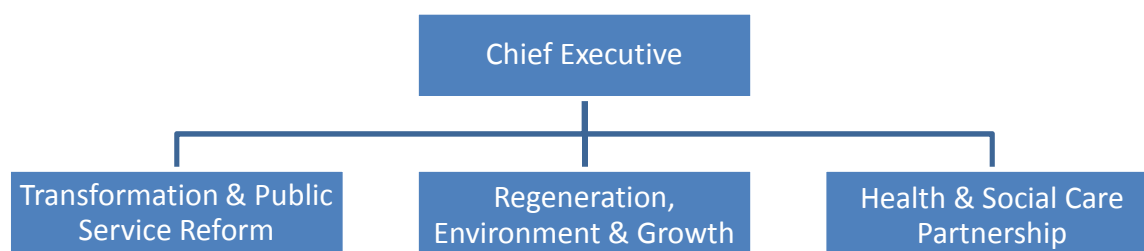
### The council

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, housing, environmental health, environmental services, planning, economic development, employment, highways and transport) to residents within the West Dunbartonshire area.

Excluding casual staff, the council employed (as at 1st April 2018) a headcount of 6,175 employees (or 4,674 full time equivalent employees). These figures comprise a combination of permanent and fixed-term employees as well as apprentices, serving a population of approximately 89,610 (1.7% of overall Scotland population). The council is generally accepted to suffer from economic deprivation, for example, the percentage of total population who are income deprived is 22% (Scotland 16%); the percentage of economically active people at a working age in employment is 71.5% (Scotland 74.3%); and life expectancy at birth is 74.7 years (males) and 78.8 years (females) (Scotland 77.1 years (male) and 81.1 years (female)).

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



### 2. The Strategic Plan

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

## Management Commentary (Cont'd)

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

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

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

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

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

#### Performance Reporting

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

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

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

#### The Council's Budgets in 2017/18

The Council approved the 2017/18 budget on 22 February 2017 based on a band D council tax at £1,163. The revenue budget was set at £212.1m (as detailed in the table below) to be funded by Scottish Government Grant (£167.7m); council tax (including Council Tax Replacement Scheme Funding) (£42.2m) and reserves (£2.2m).

Service Area	Budget (£m)
Corporate Services	19.4
Education	88.6
Infrastructure, Regeneration & Economic Development	25.2
Housing & Employability	4.1
Health & Social Care Partnership	60.7
Loan Charges	11.3
Other	2.8
<b>Total</b>	<b>212.1</b>

The budget was subsequently updated during the year for a number of variables, resulting in an increase in net expenditure to £212.5m. The resulting year end budgetary position is detailed on page 6 of this commentary.



## Management Commentary (Cont'd)

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

The Council also approved the revised capital plan with a planned spend in 2017/18 for General Services of £79.6m, prior to some 2016/17 re-phased capital and in-year additional projects being included. This investment to be funded from a range of sources including: government grants and the council's ongoing revenue support. Major areas of investment included economic regeneration, schools refurbishment and new build, roads and infrastructure and a range of other council assets.

The Council also approved the Housing Revenue Account budget and agreed council house rents at the meeting on 22 February 2017 increasing the rent by 2.25% and a capital investment for 2017/18 of £28.0m, prior to some 2016/17 re-phased capital being included. The resulting year end budgetary position is detailed on page 6 of this commentary.

### 3. Overview of Core Financial Statements

The Statement of Accounts contains the Financial Statements of the council and its group for the year ended 31 March 2018. The council operates two main Funds in running its services:

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

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

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

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

- **the Comprehensive Income and Expenditure Statement** - shows the income and expenditure for all council services. It is shown on page 34;
- **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 35. Further information on each of the reserves held and how it may be used is also detailed within notes 28 and 29 on pages 79 and 80; and
- **the Housing Revenue Account** - shows the income and expenditure for council housing services for the year. It is shown on pages 85 to 87 which also includes the Statement of Movement on the Housing Revenue Account Balance.
- **Capital expenditure** is analysed in note 19 on pages 68 and 69 which details the capital expenditure and the sources of finance that have been used to fund the capital plan investment in 2017/18.
- **the Balance Sheet** on page 36 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.

## Management Commentary (Cont'd)

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

- **the Cash Flow Statement** on page 37 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 38 to 84 which give further information and analysis relevant to each statement, with the main accounting policies detailed on pages 103 to 115.

### Comprehensive Income and Expenditure Statement

#### **General Fund**

This account covers the day to day operational income and expenditure for each service of the council and is now reported in line with the council's committee structure. There have been changes to the council's committee reporting structure during 2017/18 and note 1 on page 38 details the effect of this change to the 2016/17 comparative figures within the Statement.

Income from council tax, non-domestic rates and revenue support grant was £214.106m with a net expenditure on services for the year of £229.622m (as shown on page 34 - Net Cost of Services).

Due to tight financial control over service spending, the council was able to return an in year surplus from services of £0.351m against budget (2016/17 £2.407m). 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 95.21% in 2016/17 to 95.41% in 2017/18. Uncollected council tax is pursued for collection after the end of the financial year.

After taking account of the decrease in general earmarked balances since 31 March 2017 (£1.384m), the commitment to future budgets (£1.110m) and the in-year budgetary position (£0.351m), the overall deficit for the year was £2.143m. This is deducted from the brought forward balance from the previous year (£13.118m), resulting in an accumulated surplus at 31 March 2018 of £10.975m (as shown on page 35). This includes an earmarked amount of £6.671m leaving £4.304m available for future use. Of the earmarked balance £2.038m has been set aside for the council's Change Fund and £1.000m for an Apprenticeship Fund.

This un-earmarked balance compares with that of £5.063m as at 31 March 2017 and shows that the un-earmarked reserve position has decreased by £0.759m 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 £4.122m and the position at financial year end exceeds this level of reserve by £0.182m. 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.

## Management Commentary (Cont'd)

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

	Original Budget £000	Revised Budget £000	Spend Against £000	Variance £000	£000
Total General Services Reserves Held as at 31/3/17					(13,118)
Total Expenditure	212,115	212,538	212,417	(121)	
Total Income (including use of reserves)	(212,115)	(212,538)	(212,768)	(230)	
Net Budgetary Control Position				(351)	
Net commitment to future budgets				1,110	
Net movement in earmarked balances				1,384	
<b>Movement in Reserves from 1/04/17 to 31/03/18</b>					<b>2,143</b>
<b>Total General Services Reserves Held as at 31/3/18</b>					<b>(10,975)</b>
Net decrease in the Movement in Reserves before transfer to Statutory Reserves					2,528
Transfer from statutory reserves					(385)
					<b>2,143</b>

The movement of £2.143m noted above is further detailed within note 14 (Expenditure and Funding Analysis) on page 60. The table below sets out a reconciliation of the deficit on the provision of services within the Comprehensive Income and Expenditure Statement (page 34) of £25.572m to the revenue budgetary outturn of £0.351m.

	£000	£000
<b>Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement</b>		<b>25,572</b>
<u>Removal of statutory adjustments not included in budget outturn (note 4):</u>		
Depreciation	(32,422)	
Impairment	(7,465)	
Capital funding	13,169	
CFCR	7,585	
Pension adjustment	(20,136)	
Statutory repayment of debt	13,790	
Transfer to other statutory reserves	420	
Net gain / loss on sale of non current assets	(595)	
Other adjustments	2,151	(23,503)
<u>Adjust for movements to/from other statutory reserves</u>		
HRA reserve	459	
Other reserves	(385)	74
<b>Movement in General Fund Balance</b>		<b>2,143</b>
<u>Adjustments for earmarked funds:</u>		
Net Commitment to future budget	(1,110)	
Release of earmarked sums	(1,384)	(2,494)
<b>Net General Fund budgetary control position 2017/18</b>		<b>(351)</b>

## Management Commentary (Cont'd)

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

#### Housing Revenue Account (HRA)

By law the council has to maintain a separate account for the running and management of its housing stock. The number of units owned by the council at 31 March 2018 was 10,457 compared to 10,580 at 31 March 2017; the movement is detailed in the table below:

<b>Opening house numbers</b>	<b>10,580</b>
Disposals	(66)
Demolitions	(73)
Buy back	4
New builds	12
<b>Closing house numbers</b>	<b>10,457</b>

Following the impact of earmarked balances, the account shows an overall surplus for the year of £0.459m (see page 85). In line with the prudential reserves policy (2% of expenditure), the target reserves level for the Housing Revenue Account for 2017/18 is £0.850m. Taking account of the in-year surplus (£0.459m) the brought forward balance from the previous year £6.963m and taking account of earmarked amounts (£6.572m) the balance available to the HRA for future use is £0.850m, with total reserves held of £7.422m. The HRA's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use.

	<b>Spend Against</b>			
	<b>Budget</b>	<b>Budget</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total HRA Reserves Held as at 31/3/17				(6,963)
Earmarked Balances as at 31/3/17				6,117
Unearmarked balance as at 31/3/17				(846)
Total Expenditure	42,514	41,633	(881)	
Total Income	(42,514)	(42,092)	422	
Net Budgetary Control Position			(459)	
Net transfer to earmarked balances			455	
<b>Movement in Reserves from 1/04/17 to 31/03/18</b>				<b>(4)</b>
<b>Unearmarked Balances held as at 31/3/18</b>				<b>(850)</b>
<b>Earmarked Balances held as at 31/3/18</b>				<b>(6,572)</b>
<b>Total HRA Reserves Held as at 31/3/18</b>				<b>(7,422)</b>

The net budget position of £0.459m surplus is further detailed within note 14 (Expenditure and Funding Analysis) on page 60.

## Management Commentary (Cont'd)

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

#### Reserves

As at 31 March 2018, the usable reserves currently held by the council are noted below, with further information on the future use of such reserves detailed within notes 28 and 29 on pages 79 and 80.

	<b>General Services £000</b>	<b>HRA £000</b>	<b>Total £000</b>
Unearmarked Reserve	4,304	850	<b>5,154</b>
Earmarked Reserve	6,671	6,572	<b>13,243</b>
<b>Total Revenue Reserve</b>	<b>10,975</b>	<b>7,422</b>	<b>18,397</b>
Capital Receipts Reserve	0	0	<b>0</b>
Capital Grants Unapplied	314	0	<b>314</b>
Capital Reserve	3,269	0	<b>3,269</b>
Other Reserves	478	0	<b>478</b>
<b>Total Usable Reserves</b>	<b>15,036</b>	<b>7,422</b>	<b>22,458</b>
Prudential Target	4,122	850	

#### Provisions

The council has two provisions held on its Balance Sheet, with a total value of £0.470m (see Note 27 on page 79).

#### Cash Flow Statement

The council's cash flow statement shows an increase of cash and cash equivalents of £13.030m during 2017/18 (see page 37) mainly as a result of borrowing for capital spend on non-current assets.

#### Trading Operations

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

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

These two operations returned a total collective surplus of £2.759m. Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Further details are provided in note 6 on page 46.

#### Balance Sheet

The Balance Sheet on page 36 shows that during 2017/18, the net assets have increased by £111.730m (from £135.025m to £246.755m). The main movement is due to the decrease in the pension liability of £114.727m 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 36 shows an assessed pension fund liability of £126.199m based on a snapshot valuation of the fund at 31 March 2018. Further information on the pension fund is provided in note 12 on pages 52 to 58. The valuation states that assets held at the valuation date were sufficient to cover 86.05% of accrued liabilities (75.63% in 2016/17).

The pension scheme liability has decreased by £114.727m 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.

## Management Commentary (Cont'd)

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

#### **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 2017/18 or will be during 2018/19.

The council requires to assess the value of assets held based on current market conditions, while in the current year particular assets have increased in value by £21.499m. At the same time, impairment and downward revaluations have reduced the value of other assets held by the council by £25.151m, resulting in a net reduction in value of £3.652m. 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 2017/18 was agreed by the Council on 22 February 2017. The council raised new long term loans of £45.000m (2016/17 £20.000m) and short term loans of £153.200m (2016/17 £124.709m) and repaid naturally maturing debt of £152.432m (2016/17 £87.144m). The total outstanding long term debt (excluding PPP debt) as at 31 March 2018 was £260.000m (2016/17 £228.095m) including £119.344m (2016/17 £117.252m) for the council's housing stock. The total outstanding short term debt was £169.621m (2016/17 £155.400m), including £77.859m (2016/17 £79.883m) for the housing stock. The interest and expenses rate charged by the council's loans fund was 3.07% (3.62% in 2016/17).

The 10 year capital plan and the council's Treasury Management Strategy 2017/18 were agreed by Council 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 2017/18 and beyond. Details of the capital expenditure and financing are shown in note 19 on pages 68 and 69. Total gross capital expenditure amounted to £66.431m.

The main capital projects progressed during 2017/18 were:

##### **General Services**

Building upgrades  
ICT modernisation  
Replacement of elderly care home (Dumbarton)  
Queens Quay Regeneration  
Roads infrastructure works  
Office rationalisation  
New build school projects  
Regeneration/Local economic development  
Children and young persons/ early years

##### **HRA**

New build council houses (Second Avenue/  
Singer Street)  
Void housing upgrades  
Heating improvements  
Building external component renewals  
Doors/window component renewals  
Environmental improvement works

## Management Commentary (Cont'd)

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

During 2017/18, the council had budgeted capital expenditure of £125.715m with an actual in year spend of £66.431m. The unspent amount (£59.284m) includes overspends, underspends and slippage, as noted within the table below. The total slippage on planned spend was £59.963m – 47.7% of the overall capital programme which is summarised in the following table:

	Original Budget £000	Actual Spend £000	Overspend £000	Underspend £000	Slippage £000
<b>Service</b>					
Corporate Services	2,094	1,320	116	(107)	(783)
Education	21,021	13,119	340	(291)	(7,951)
Infrastructure, Regeneration and Development	59,018	26,246	1,679	(2,364)	(32,087)
Housing and Communities	1,509	544	0	(70)	(895)
Miscellaneous Services	2,682	2,927	377	(132)	0
Health and Social Care Partnership	7,643	1,042	633	(622)	(6,612)
<b>General Services</b>	<b>93,967</b>	<b>45,198</b>	<b>3,145</b>	<b>(3,586)</b>	<b>(48,328)</b>
HRA	31,748	21,233	1,258	(138)	(11,635)
<b>Total</b>	<b>125,715</b>	<b>66,431</b>	<b>4,403</b>	<b>(3,724)</b>	<b>(59,963)</b>

The majority of the slippage has occurred within a small number of larger capital projects and is mainly due to the timing of starting individual projects, for various reasons, not all within council control, and these projects have now fallen into capital budgets for 2018/19 and those with more significant slippage include:

#### General Services

Clydebank Community Sports Hub

Project was delayed pending confirmation of external funding.

Queens Quay Regeneration

Although the project has shown progress, there remain some delays resulting from complex design solutions.

Replacement of elderly care home (Clydebank)

This project links to the Queens Quay regeneration project and its delay.

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.

Schools estate – improvement plans

Delays due to project redevelopment and approval timescales

Dalmonach CE Centre

Resourcing issues required a reallocation of priorities

#### HRA

New house build (St. Andrews / Creveul Court / Haldane)

Longer than anticipated time for site clearances and re-housing tenants

Regeneration/demolition of surplus stock

Cost of demolitions was lower than budgeted so the balance of budget has been carried forward to create a budget for demolition of Clydebank East properties.

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.

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

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

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

The council entered into a public private partnership for the provision of three new community learning centres and a primary school. The agreement provides the council with replacement buildings for three secondary schools which were handed over in 2009/10 with the primary school handed over during 2011/12. In accordance with statutory accounting guidance, full details of the agreement is provided within note 21 on pages 69 to 70.

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

#### **Group Accounts**

Local authorities are required to prepare group accounts in addition to their own Financial Statements where they have material interest in other organisations. The group accounts on pages 88 to 93 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 £26.555m creating an overall net asset of £273.310m. This includes the combined pension liability of these organisations similar to that of the council. As there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

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

In setting the budget for 2017/18, the council faced a number of significant financial pressures resulting from reducing central government funding, inflationary and service demand increases and the ongoing impact of the economic position and welfare reform.

The council's Financial Strategy published in October 2017 highlights that the pressure on public finances is expected to continue for the next 5 years. Local Government is not one of the Scottish Government's "protected" spend areas within the Scottish Government financial settlements, which means it is likely that ongoing real terms funding reductions will be experienced.

At the same time demand for services is expected to continue to increase driven by demographic change and policy pressures. The Scottish Government settlement for 2018/19 was a further one year settlement though the settlement was better than had been anticipated, particularly as a result of additional funds allocated by the Scottish Government in getting the budget through Parliament. It is not clear, due to single year settlement and lack of clarity around the nature of the 2018/19 settlement how the 2018/19 settlement will translate into 2019/20 onwards.

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 2017 and in setting the council budget for 2018/19 in March 2018. Following the setting of the budget in March 2018, the projections have identified current expected gaps of £7.646m in 2019/20 and a further £6.160m for 2020/21. The strategy will be reviewed by council later in 2018 and in setting the budget for 2019/20.

At the Council meeting on 5 March 2018, the General Fund and HRA capital plans were updated and the HRA budget for 2018/19 was set. The capital plans approved included funding for a number of projects over the next three years and the revenue impact of these investments will be built into future revenue plans.



## Management Commentary (Cont'd)

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

#### **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 to older people); and
- council also plans major investment in a number of significant capital projects which will change the way in which some services are delivered and are partially funded through projected revenue savings – there is a risk that expected savings are not as expected.

The Annual Governance Statement, shown on pages 17 to 24, details the arrangements the council has put in place for the proper governance of the council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvements actions to the governance framework identified from the council's ongoing review of these arrangements.

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

#### **The Future**

In recognition of the projected ongoing financial position, the council continues to identify service redesign and business transformation options and these will be reported to appropriate committees during 2018/19. 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:

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

## Management Commentary (Cont'd)

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

- **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. Many of these projects are complete or near completion and senior management monitors progress on agreed efficiency projects through the Change Board and budgetary control reports provide updates on progress to Members. Where appropriate, business cases will be developed, and where required reports will come to future Council and Committees for consideration; and
- **Council's More Homes Strategy** – plans have been approved for the council to deliver over 1,000 new affordable homes within the area over the period to 2021. This strategy is expected to produce net in-migration and regeneration, as well as provide modern affordable housing.

### 5. Other Information

#### **Asset Management**

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

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

During 2017/18 the council was audited under the revised Best Value audit approach, where the auditors reviewed the council's approach to strategic planning, financial planning, workforce planning, partnership working, performance reporting and continuous improvement. The report by the Accounts Commission was published on 28 June 2018 and was positive and showed that the council had made significant progress since the previous Best Value report in 2006 and follow-up reports to 2010.

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

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

#### **Equality and Diversity**

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

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

#### **Consultation and Communication with Workforce**

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

## Management Commentary (Cont'd)

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

#### Remuneration Report

This report presents information on the remuneration of senior elected members and senior officers within the council (pages 25 to 33).

#### 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.

2016/17 Outturn			2017/18 Target	2017/18 Outturn
	<b>Housing Performance</b>			
£0.063m	Total rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£0.092m
£312.67	Average rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£394.06
10.33%	Percentage of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	9.50%
1,025	number of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	937
7.87%	Current / former / total tenant arrears as a percentage of net rent due in year	Demonstrates the Council's effectiveness in collecting local housing rents	8.14%	8.85%
£3.056m	Amount of current/ former/ total tenant rent arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£3.468m
100%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the HRA has, in comparison to the agreed minimum	n/a	100%
2.00%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2.00%	2.00%
(£0.016m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(£0.004m)
98.16%	Revenue budget compared to actual outturn at year end	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	97.93%
	<b>General Services Performance</b>			
£10.25	Cost of collecting council tax (per dwelling)	Demonstrates the Council's effectiveness in collecting local taxation	£10.10	£8.17
14.68%	Council tax as a percentage of overall funding	Demonstrates the amount of budget raised through council tax	n/a	15.34%
95.21%	In-year council tax collection rate	Demonstrates the Council's effectiveness in collecting local taxation	95.40%	95.41%
£30.653m	Amount of income due from council tax for the year that was received	Demonstrates the Council's effectiveness in collecting local taxation	n/a	£31.985m
123%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the GS has, in comparison to the agreed minimum	100%	104%
2.36%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2%	2.03%
£0.375m	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(£0.759m)
99.83%	Revenue budget compared to actual outturn at year end - including top up of provisions	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	99.83%
	<b>Prudence And Affordability – Capital</b>			
5.06%	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	5.36%	5.34%
31.52%	Ratio of financing costs to net revenue stream – HRA	Demonstrates how much of the HRA revenue budget is used to support previous capital investment	28.69%	27.54%
£464.275m	Capital Financing Requirement	The amount of planned capital expenditure not yet funded	£534.821m	£514.349m
£379.523m	External Debt Levels (excluding PPP)	The amount of external debt held by the Council. Increases due to funding of the capital programme	£447.955m	£425.291m

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

### **6. Where to find more information**

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

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

### **Conclusion**

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

### **Acknowledgement**

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

Councillor Jonathan McColl  
Leader of the Council  
Date: 27 September 2018

Joyce White  
Chief Executive  
Date: 27 September 2018

Stephen West  
Strategic Lead - Resources  
Date: 27 September 2018

## **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 27 September 2018.

Signed on behalf of West Dunbartonshire Council

Councillor Jonathan McColl  
Leader of the Council  
Date: 27 September 2018

### **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 2018.

Stephen West  
Strategic Lead - Resources  
Date: 27 September 2018

## 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 established an arms-length external organisation: West Dunbartonshire Leisure Trust – to deliver leisure services more effectively on the council's behalf, which reports regularly to Elected Members. From 1 July 2015 the West Dunbartonshire Health and Social Care Partnership was established to continue the development of the integration of social care and health services between the council and NHS Greater Glasgow and Clyde.

The Council has 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*". The Local Code evidences the council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. A copy of this Code is available from the council website at:

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

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

### The Purpose of the Governance Framework

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

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

The governance framework has been in place at the council for the year ended 31 March 2018 and up to the date of the approval of the Statement of Accounts.

### The Governance Framework

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

- the overarching strategic vision and objectives of the council are detailed in the Strategic Plan 2017/22, which sets out the key priorities of the council and key outcomes the council is committed to delivering with its partners, as set out in the Local Outcome Improvement Plan;

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

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

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

### **Review of Effectiveness**

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

The council's 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 Committee on 13 June 2018.

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

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

## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

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

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

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

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

Improvement Area	Responsible Officer	Implementation Date
Develop Fraud Risk Assessment process	Audit and Risk Manager	31 December 2018
Create Fraud Integrity Group	Audit and Risk Manager	31 December 2018
Continue to ensure Public Service Network compliance and monitor ICT security whilst reducing manual effort involved	Manager of ICT	Ongoing
Implement the Contract and Supplier Management Policy	Procurement Manager	31 March 2019
Review Officers' Scheme of Delegation	Strategic Lead - Resources	31 December 2018
Develop training and awareness for the General Data Protection Regulation	Manager of Legal Services	31 August 2018
Further develop the Workforce Management System	Business Support Manager	31 March 2019
Continue to deliver against the council's Employee Wellbeing Strategy	Strategic HR Manager	31 March 2019
Continue to embed a culture of strong safety conscious management	Section Head – Risk and Health & Safety	31 March 2019
Implement the School Governance and Regional Collaborative Improvement Structures	Strategic Lead – Education, Learning & Attainment	31 March 2019



## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

Improvement Area	Responsible Officer	Implementation Date
Implement revised processes for prevention of arrears and early intervention for those struggling with their rental payments	Strategic Lead – Resources; Strategic Lead – Housing & Employability	31 March 2019
Review and implement organisational scheme for information management	Manager of Legal Services	31 March 2019
Within Social Care, develop robust commissioning and procurement arrangements with external providers across a range of services	West Dunbartonshire Health and Social Care Partnership (HSCP) – Heads of Service	31 March 2019
Develop plans in response to the ageing population	Head of Health and Community Care	31 March 2019

All of the above areas for improvement have been included within improvement plans to be led and managed by appropriate Strategic Leads which have been approved by relevant service committees in March and May 2018.

In addition, areas for improvement identified in the 2016/17 Annual Governance Statement have either been completed or are areas which continue to have ongoing focus.

Improvement Area	Status	Comments
Review and merge the council's Audit and Fraud policies to ensure an effective joined-up approach	Complete	Audit Committee approved Counter Fraud and Corruption Strategy on 21 <sup>st</sup> March 2018.
Implement Commodity Strategies for procurement activity	In progress	WDC has to date created the Commodity Strategy template and are piloting this on the Maintenance of Fire, CCTV and Intruder Alarms and Accommodation Based Services. It is planned to roll out a minimum of three Commodity Strategies per year.
Enhance performance monitoring and scrutiny across the council	Complete	Performance monitoring and scrutiny across the council has been enhanced: the introduction of Performance and Strategy Business Partner roles, providing consistent information, guidance and advice; Quarterly updates on the Strategic Plan to PMRG for scrutiny - previously six monthly; Upgrade from Covalent to the new Pentana system has improved functionality.
Improve procurement processes and monitoring of contracts across the council	In progress	A number of improvements to procurement processes have been put in place, including more information on the Intranet and the development of a council wide pipeline. Following recent committee approval of the Contract & Supplier Management Policy it is anticipated that after six months all new contracts will follow this Policy.
Roll out the Procurement Request Form and Procurement Awareness Toolkit across the council	Complete	The Procurement Request Form is now in place and Procurement Training has been rolled out across the council.

## Annual Governance Statement (Cont'd)

### Review of Effectiveness (cont'd)

Improvement Area	Status	Comments
Continue to ensure Public Service Network compliance and monitor ICT security	Ongoing	PSN compliance was maintained and the issue has also been identified as a continuing improvement area going forward into 2018/19
Further developments of ICT infrastructure to ensure consistent stability	Complete	ICT infrastructure and staff resourcing developments have significantly improved resilience, through changing the way the service operates...
Ensure appropriate governance arrangements are in place for successful delivery of the Pupil Equity Fund	Complete	Governance arrangements established for Pupil Equity Fund.
Further embed a culture of strong safety conscious management.	Ongoing	Progress has been made on a number of areas during 2017/18, in particular inclusion of health & safety as a standard item at all management team meetings and the delivery of significant improvements on fire safety management. Further ongoing work is planned during 2018/19 on a strategic review of health and safety, introduction of health & safety management system and development of a fire risk management strategy.
Implementation of the approved workforce planning process	Complete	Implemented the Strategic Workforce Planning Framework to develop a five year council Workforce Plan (and corresponding service level plans) to support delivery of the council's strategic priorities.
Introduction across the council of "Be the Best Conversations"	Complete	The rollout of Be the Best Conversations commenced in April 2017. Feedback from managers and employees was very encouraging with the new approach being seen as a positive change. To further embed this change careful monitoring and extended support was part of the implementation and there is an ongoing plan to embed the practice.

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

As stated above a self-evaluation review of the council's revised Code of Good Governance has identified that current practice within the council is mainly compliant although there are some areas for improvement including the following main themes and the report to the Audit Committee provides more detail on these, see link:

<http://wdccmis.west-dunbarton.gov.uk/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8127/Committee/527/Default.aspx>

- Review of Audit Committee;
- Partnership risk management;
- Procurement;
- Information Governance; and
- Budgeting and planning.

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

### **Health and Social Care Integration**

The council, as the funder of the Social Care services within the West Dunbartonshire Health and Social Care Partnership (HSCP) has an interest in the governance arrangements within the HSCP. Internal Audit arrangements for the HSCP is provided jointly by the council's Internal Audit service and the Health Board's Internal Audit Service, with the council's Internal Audit service providing audit arrangements for social care services and the general oversight of the HSCP's governance arrangements. The HSCP has arrangements in place to review its own ongoing compliance with the revised Code of Governance. Due to the council's role as social care service provider Internal Audit's process outcomes on such services are reported to the council's Audit Committee as well as that of the HSCP. The Chief Social Worker provides council with an annual report on the performance of the HSCP.

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

### **External Inspection of the council**

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 2017/18 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 2018/19, was reported to Council on 31 May 2018 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 2017/18 LSP for ongoing oversight and monitoring which are detailed below:

- Housing & Homelessness;
- Staff Absence levels;
- Financial sustainability; and
- Shared Services.

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 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.

### **Best Value Assurance Report**

Audit Scotland has reported a Best Value Assurance Report on West Dunbartonshire Council to the Accounts Commission on 28 June 2018. The key messages from this report are:

- Since the last Best Value report in 2007, the council has made significant improvements in how it works. The council now demonstrates a focus on delivering Best Value and the auditors found evidence of continuous improvement in services;
- Since 2007, changes to the senior officer team, including the appointment of the current Chief Executive in 2011, have played a key role in the improvements the council has made. Officers and councillors from all parties work well together for the benefit of the residents of West Dunbartonshire;
- Overall, service performance is improving and most residents who have provided feedback to the council are satisfied. The council maintains a steady pace of change that has led to improved outcomes in its priority areas including housing services and educational attainment amongst schoolchildren;

## Annual Governance Statement (Cont'd)

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

- The council's latest Strategic Plan 2017-2022 lays out a focused and ambitious vision for the period, which reflects the needs of its community. There is evidence to demonstrate that the views of the community influenced council budget-setting and decision-making. The Strategic Plan is clearly aligned to the Community Planning Partnership's strategic priorities;
- The Strategic Improvement Framework provides a structured and practical approach to help council services to continue to improve. The council has demonstrated a commitment to delivering services differently in West Dunbartonshire and is working well with partners to achieve this;
- The council has a good record of delivering services within budget. It has developed both medium and long-term financial plans. However, it has a projected funding gap of £13.8 million for the three years to 31 March 2021, which will be a challenge to make up. Service reform needs to continue;
- In recent years, the council has significantly expanded its capital budget, which pays for projects such as buildings and roads. But there is a trend of significant slippage in the capital programme, which means that a number of projects are being finished late. The council now needs to strengthen project planning and management;
- The council has a detailed organisation-wide, five-year workforce plan and individual service-specific workforce plans; and
- The 2007 Best Value report highlighted that scrutiny in the council needed to improve. There is evidence of significant improvement in this area, with members working together and demonstrating stronger scrutiny.

The Best Value Assurance Report contains five recommendations relating to:

- Reviewing project management processes;
- Further development of workforce plans;
- Staff absence levels;
- Further developing the role of the community alliance; and
- Cross-party working amongst councillors to address the financial challenges which exist and the important decisions required in the future.

Progress on the implementation of these actions will be reported to Members on an ongoing basis.

### Compliance with Best Practice

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

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

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

The council complies with the requirements of the CIPFA Statement on *"The Role of the Head of Internal Audit in Public Service Organisations 2010"*. The council's Chief Internal Auditor has responsibility for the council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

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

### **Assurance**

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2017/18 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principle objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment with plans in place to address improvement areas.

**Jonathan McColl**  
**Leader of the Council**  
**Date: 27 September 2018**

**Joyce White**  
**Chief Executive**  
**Date: 27 September 2018**

**Stephen West**  
**Strategic Lead – Resources**  
**Date: 27 September 2018**

## Remuneration Report

### Introduction

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

### **a) Remuneration - Councillors**

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017 (SSI No. 2017/66). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), Senior Councillors and Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the council's political management structure. The regulations stipulate that in addition to the Leader of the Council and the Provost, West Dunbartonshire can appoint a maximum of ten Senior Councillors. The level of remuneration paid to the Leader of the Council, Provost and Senior Councillors is detailed in Table 1.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2017/18 the salary for the Leader of West Dunbartonshire Council was £33,857. The Regulations also state that the maximum yearly amount that may be paid to the Provost (£25,392) 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 (£25,392) is 75% of the total yearly amount payable to the Leader of the Council. For 2017/18 the total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £211,600. The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Council policy is to pay Senior Councillors a salary of £21,160, per the decision at Council on 17 May 2017 for 2017/18.

During 2017/18, the Council agreed the appointment of a Council Leader, Provost, Bailie and 10 Senior Councillors and the remuneration due paid to the 10 Senior Councillors totalled £211,600 based upon a full year in post (£211,180 in 2016/17). 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 2018 are shown in Table 5 on pages 31 and 32.

The Scheme of Members Allowances which encompasses the salaries of all elected members including the Leader, Provost, Bailie and Senior Councillors was agreed at a meeting of the full Council on 17 May 2017. The report to Council and the Register of Members' Expenses is available at:

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

## Remuneration Report (Cont'd)

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

**Table 1: Remuneration of Senior Councillors**

Name	Position	Year ended 31 March 2018				2016/17
		Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses, Benefits-in-kind	Total Remuneration	Total Remuneration
		£	£	£	£	£
Jonathan McColl	Leader of Opposition (to 3/5/17) Convener of Audit & Performance Review Committee (to 3/5/17) Leader of Council (from 17/5/17) Convener of Community Planning West Dunbartonshire Management Board (from 17/5/17) Convener of Recruitment & Individual Performance Management Committee (from 17/5/17) Convener of Sub Committee on Scheme of Delegation (from 17/5/17)	32,114	0	0	32,114	21,118
William Hendrie	Provost (from 17/5/17)	20,623	0	0	20,623	N/A
Karen Conaghan	Depute Provost (from 17/5/17) Convener of Appeals Committee (from 17/5/17) Convener of Educational Services Committee (from 17/5/17)	19,045	0	0	19,045	0
Caroline McAllister	Depute Leader (from 17/5/17)	19,045	0	0	19,045	0
Martin Rooney	Leader of Council (to 3/5/17) Convener of Recruitment & Individual Performance Management Committee (to 3/5/17) Convener of Community Alliance Committee (to 3/5/17) Leader of Opposition (from 17/5/17) Convener of Vale of Leven Fund Committee (from 17/5/17)	22,197	0	0	22,197	33,789
Denis Agnew	Bailie (from 17/5/17)	20,623	0	0	20,623	N/A
Jim Brown	Convener of Valuation Joint Board (to 3/5/17) Convener of Licensing Board (from 17/5/17)	21,017	0	0	21,017	21,118
Ian Dickson	Convener of Corporate Services Committee (from 17/5/17)	19,045	0	0	19,045	0
Diane Docherty	Convener of Housing & Communities Committee (from 17/5/17)	19,045	0	0	19,045	0
Jim Finn	Convener of Licensing Committee (from 17/5/17) Convener of Planning Committee (from 17/5/17) Convener of Tendering Committee (from 17/5/17)	20,623	0	0	20,623	N/A
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee (from 17/5/17)	19,045	0	0	19,045	0
Marie McNair	Convener of Integration Joint Board (HSCP) (from 17/5/17)	20,623	0	0	20,623	N/A

## Remuneration Report (Cont'd)

### a) Remuneration - Councillors

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

Name	Position	Year ended 31 March 2018				2016/17
		Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses, Benefits-in-kind	Total Remuneration	Total Remuneration
		£	£	£	£	£
John Mooney	Convener of Licensing Board (to 3/5/17) Convener of Audit Committee (from 17/5/17)	21,017	0	0	21,017	21,118
Douglas McAllister	Provost (Civic Head) (until 3/5/17)	17,711 (2,291 to 3/5/17)	0	0	17,711	25,341
John Millar	Depute Provost (until 3/5/17)	17,317 (1,909 to 3/5/17)	0	0	17,317	21,118
Gail Casey	Convener of Community Health Care Partnership (until 3/5/17) Convener of Argyll, Bute & Dunbartonshire Criminal Justice (until 3/5/17) Convener of Integration Joint Board (HSCP)(until 3/5/17) Depute Leader of the Opposition (From 17/5/17)	17,346 (1,909 to 3/5/17)	0	0	17,346	21,127
Lawrence O'Neill	Convener of Licensing Committee (until 3/5/17) Convener of Planning Committee (until 3/5/17)	17,317 (1,909 to 3/5/17)	0	0	17,317	21,118
David McBride	Convener of Housing and Communities Committee (until 3/5/17) Convener of Tendering Committee (until 3/5/17)	17,317 (1,909 to 3/5/17)	0	0	17,317	21,118
Michelle McGinty	Convener of Education Services Committee Convener of Education, Grievance & Disciplinary Committee (until 3/5/17)	1,967	0	0	1,967	21,118
Patrick McGlinchey	Depute Leader Convener of Infrastructure Regeneration & Economic Dev Community Convener of Joint Consultative Forum (until 3/5/17)	1,967	0	0	1,967	21,118
Thomas Rainey	Convener of Appeals Committee (until 3/5/17)	1,967	0	0	1,967	21,118
Kathleen Ryall	Convener of Corporate Services Committee (until 3/5/17)	1,965	0	0	1,965	21,127

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

During the year 2016/17 elected members who did not hold a senior position have N/A shown in the total remuneration column.

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

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



## Remuneration Report (Cont'd)

### a) Remuneration - Councillors

#### Remuneration paid to all Councillors (Cont'd)

2016/17		2017/18
£		£
443,500	Salaries	438,190
0	Allowances	0
22,125	Expenses	22,355
<b>465,625</b>	<b>Total</b>	<b>460,545</b>

**Note:** The annual return of Councillors' salaries and expenses for 2017/18 is available for any member of the public to view at all council libraries and public offices during normal working hours and is also available on the council website at [www.west-dunbarton.gov.uk](http://www.west-dunbarton.gov.uk).

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

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/149 sets the amount of salary for the Chief Officials of West Dunbartonshire Council for the period 2017 to 2018. The post of Chief Officer Health and Social Care Partnership is a joint post between West Dunbartonshire Council and NHS Greater Glasgow and Clyde.

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

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

Name	Position at 31/03/18	Salary, Fees and Allowances 2017/18 £	Election Duties 2017/18 £	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
<b>Remuneration of Senior Employees</b>					
Joyce White	Chief Executive	123,272	4,426	127,698	132,526
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	106,860	1,881	108,741	109,237
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	106,860	0	106,860	105,889
Jackie Irvine	Head of Children's Healthcare & Criminal Justice	86,466	0	86,466	85,731
Laura Mason	Strategic Lead-Education, Learning & Attainment	81,504	0	81,504	80,697
Stephen West	Strategic Lead - Resources	86,466	390	86,856	86,286
<b>Remuneration of Senior Employees of Subsidiaries</b>					
John Anderson	General Manager of West Dunbartonshire Leisure	69,991	0	69,991	69,354

Total remuneration 2016/17 has been restated to include election payments for senior employees.

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

## Remuneration Report (Cont'd)

### b) Remuneration - Senior Employees (Cont'd)

#### 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 2018 would include any amounts received as the Returning Officer for West Dunbartonshire in elections. There were two elections: For the Local Government Election and the General Election during 2017/18, amounts included are £4,426 (2016/17 equivalent £10,374).
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.

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

Council employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above. The increase in the number of employees receiving more than £50,000 gross salary payment is mainly due to the financial year 2017/18 having 14 salary payments within the tax year for employees paid on a 4 weekly cycle. These staff did not receive any additional pay, but due to the 4 weekly cycle there are very occasionally financial years with 14 pays within a single financial year. The treatment of such and tax on this is managed in line with HMRC regulations on such occurrences.

**Table 3: Remuneration of Employees**

	Number of Employees	
	2017/18	2016/17
£50,000 - £54,999	51	41
£55,000 - £59,999	41	33
£60,000 - £64,999	19	18
£65,000 - £69,999	10	1
£70,000 - £74,999	1	1
£75,000 - £79,999	2	1
£80,000 - £84,999	6	9
£85,000 - £89,999	5	1
£90,000 - £94,999	2	0
£100,000 - £104,999	0	1
£105,000 - £109,999	0	1
£110,000 - £114,999	2	0
£130,000 - £134,999	1	1
<b>Total</b>	<b>140</b>	<b>108</b>

## Remuneration Report (Cont'd)

### 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 2018 are shown in Table 5 on pages 31 and 32. The table details the pension entitlement and contributions made by West Dunbartonshire Council in respect of all senior Councillors and senior officers of the council who have opted to join the LGPS.

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

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

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

**Table 4: Contribution Rate**

	<b>Contribution rate 2017/18</b>	<b>Contribution rate 2016/17</b>
<b>The tiers and members contribution rates for 2017/18 whole time pay:</b>		
<b><u>Local Government employees</u></b>		
On earnings up to and including £20,700 (£20,500)	5.50%	5.50%
On earnings above £20,700 (£20,500) and up to £25,300 (£25,000)	7.25%	7.25%
On earnings above £25,300 (£25,000) and up to £34,700 (£34,400)	8.50%	8.50%
On earnings above £34,700 (£34,400) and up to £46,300 (£45,800)	9.50%	9.50%
On earnings above £46,300 (£45,800)	12.00%	12.00%
<b>The tiers and members contribution rates for 2017/18 actual pay:</b>		
<b><u>Teachers</u></b>		
On earnings up to and including £26,259 (£25,999)	7.20%	7.20%
On earnings above £26,259 (£25,999) and up to £35,349 (£34,999)	8.70%	8.70%
On earnings above £35,349 (£34,999) and up to £41,914 (£41,499)	9.70%	9.70%
On earnings above £41,914 (£41,499) and up to £55,549 (£54,999)	10.40%	10.40%
On earnings above £55,549 (£54,999) and up to £75,749 (£74,999)	11.50%	11.50%
On earnings above £75,749 (£74,999)	11.90%	11.90%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act

2004. The accrual rate guarantees a pension based on 1/49<sup>th</sup> of pay from 1 April 2015. Prior to this the accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of

## Remuneration Report (Cont'd)

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

pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

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

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

		In-year pension contributions		Accrued pension benefits	
		For year to 31 March 2018	For year to 31 March 2017	As at 31 March 2018	As at 31 March 2017
Name	Position at 31/03/18				
<b>Senior Councillors</b>		£	£	£	£
Jonathan McColl	Leader of Opposition (to 3/5/17) Convener of Audit & Performance Review Committee (to 3/5/17) Leader of Council (from 17/5/17) Convener of Community Planning West Dunbartonshire Management Board (from 17/5/17) Convener of Sub Committee on Scheme of Delegation (from 17/5/17) Convener of Recruitment & Individual Performance Management Committee (from 17/5/17)	6,198	4,076	5,752	4,788
Martin Rooney	Leader of Council (to 3/5/17) Convener of Recruitment & Individual Performance Management Committee (to 3/5/17) Convener of Community Alliance Committee (to 3/5/17) Leader of Opposition (from 17/5/17) Convener of Vale of Leven Committee (from 17/5/17)	4,284	6,521	7,490	7,072
Gail Casey	Convener of Community Health Care Partnership (until 3/5/17) Convener of Argyll, Bute & Dunbartonshire Criminal Justice (until 3/5/17) Convener of Integration Joint Board (HSCP)(until 3/5/17) Depute Leader of the Opposition (from 17/5/17)	3,633 (368 to 3/5/17)	4,062	5,314	4,969
Denis Agnew	Bailie (from 17/5/17)	3,980	N/A	5,694	N/A
John Mooney	Convener of Licensing Board (to 3/5/17) Convener of Audit Committee (from 17/5/17)	4,056	4,076	2,362	1,912
Jim Brown	Convener of Valuation Joint Board (to 3/5/17) Convener of Licensing Board (from 17/5/17)	3,403	0	371	0
Karen Conaghan	Depute Provost (from 17/5/17) Convener of Appeals Committee (from 17/5/17) Convener of Educational Services Committee (from 17/5/17)	3,767	0	410	0
Ian Dickson	Convener of Corporate Services Committee (from 17/5/17)	3,767	0	410	0
Diane Docherty	Convener of Housing & Communities Committee (from 17/5/17)	3,767	0	410	0
Jim Finn	Convener of Licensing Committee (from 17/5/17) Convener of Planning Committee (from 17/5/17) Convener of Tendering Committee (from 17/5/17)	3,980	N/A	2,792	N/A
Caroline McAllister	Depute Leader (from 17/5/17)	3,767	0	410	0
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee (from 17/5/17)	3,767	0	410	0
Kathleen Ryall	Convener of Corporate Services Committee (until 3/5/17)	592	4,062	1,981	1,901
Michelle McGinty	Convener of Education Services Committee (until 3/5/17) Education, Grievance & Disciplinary Committee (until 3/5/17)	380	4,076	1,961	1,912
David McBride	Convener of Housing & Communities Committee (until 3/5/17) Convener of Tendering Committee (until 3/5/17)	3,062 (368 to 3/5/17)	4,076	5,220	4,846
Lawrence O'Neill	Convener of Licensing Committee (until 3/5/17) Convener of Planning Committee (until 3/5/17)	3,342 (368 to 3/5/17)	4,076	1,557	1,223

## Remuneration Report (Cont'd)

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

**Table 5: Pension Benefits of Senior Councillors; Senior Employees and Senior Employees of Subsidiaries (cont'd)**

		In-year pension contributions		Accrued pension benefits	
		For year to 31 March 2018	For year to 31 March 2017	As at 31 March 2018	As at 31 March 2017
Name	Position at 31/03/18	£	£	£	£
<b>Senior Employees</b>					
Joyce White	Chief Executive	26,405	25,035	27,580	24,546
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	22,149	20,361	141,575	138,064
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	22,149	20,361	58,774	56,082
Jackie Irvine	Head of Childrens' Healthcare & Criminal Justice	17,922	16,485	53,055	50,850
Laura Mason	Strategic Lead-Education, Learning & Attainment	15,730	15,575	112,836	110,105
Stephen West	Strategic Lead - Resources	17,922	16,485	112,510	109,750
<b>Senior Employees of Subsidiaries</b>					
John Anderson	General Manager of West Dunbartonshire Leisure	14,507	13,336	48,326	46,465

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total public sector service, and not just their current appointment. The pension entitlements for the year to 31 March 2018 for Senior Councillors are shown in Table 5, together with the contribution made by West Dunbartonshire Council to each Senior Councillor's pension during the year. Senior councillors omitted from the table above are not members of the Local Government Pension Scheme.

During the year 2016/17 elected members who did not hold a senior position have N/A shown in the table.

### e) Exit Packages

A number of exit packages were agreed, at a total cost of £0.547m for 2017/18, as shown in the following Table 6. This includes £0.484m for exit packages that have been agreed, accrued for and charged to West Dunbartonshire Council's Comprehensive Income and Expenditure Statement.

**Table 6**

Banding	Number of departures		Total cost	
	2017/18	2016/17	2017/18	2016/17
			£	£
£0 - £20,000	16	23	176,252	178,817
£20,001 - £40,000	3	9	96,611	245,043
£40,001 - £60,000	3	5	140,439	242,978
£60,001 - £80,000	2	0	134,161	0
£80,001 - £100,000	0	5	0	446,209
£100,001 - £150,000	0	4	0	452,451
£150,001 - £600,000	0	0	0	0
<b>Total</b>	<b>24</b>	<b>46</b>	<b>547,463</b>	<b>1,565,498</b>

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

## Remuneration Report (Cont'd)

### f) Trade Union Facility Time

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

Details of the facility time within West Dunbartonshire Council during the year to 31 March 2018 is shown in Table 7 below.

**Table 7**

<b>Education Function Employee Representatives</b>		<b>All Other Function Employee Representatives</b>	
Number of Employees	FTE employee Number	Number of Employees	FTE employee Number
47	38.79	75	68.43
<b>Percentage of Time Spent on Facility</b>		<b>Percentage of Time Spent on Facility</b>	
Percentage	Number of Employees	Percentage	Number of Employees
Less < 1%	33	Less < 1%	38
1-50%	12	1-50%	35
51%-99%	2	51%-99%	0
100%	0	100%	2
<b>Total cost of facility time</b>		<b>Total cost of facility time</b>	
£67,138		£106,842	
<b>Total pay bill</b>		<b>Total pay bill</b>	
£65,825,648		£107,074,666	
<b>Percentage of Pay Bill Spent on Facility Time</b>		<b>Percentage of Pay Bill Spent on facility Time</b>	
0.10%		0.10%	
<b>Paid TU Activities</b>		<b>Paid TU Activities</b>	
5.29%		8.98%	

Further detail can be found at:

<http://www.west-dunbarton.gov.uk/council/performance-and-spending/trade-union-facility-time-report-201718/>

Jonathan McColl  
Leader of the Council  
Date: 27 September 2018

Joyce White  
Chief Executive  
Date: 27 September 2018

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in year, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/17 Re-stated Gross Expenditure £000	2016/17 Re-stated Gross Income £000	2016/17 Re-stated Net Expenditure £000	Note		2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
74,491	(50,738)	23,753		<b>Service</b>	75,922	(49,726)	26,196
95,675	(5,032)	90,643		Corporate Services	104,693	(9,582)	95,111
57,452	(25,235)	32,217		Educational Services	63,401	(23,497)	39,904
				Infrastructure, Regeneration and Economic Development			
9,384	(4,624)	4,760		Housing and Communities	9,771	(4,811)	4,960
37,780	(40,625)	(2,845)		Housing Revenue Account	33,456	(42,283)	(8,827)
4,829	(6,423)	(1,594)		Miscellaneous Services	9,692	(6,916)	2,776
153,377	(87,221)	66,156		Health and Social Care Partnership	154,012	(86,991)	67,021
2,621	0	2,621		Requisitions	2,481	0	2,481
<b>435,609</b>	<b>(219,898)</b>	<b>215,711</b>		Net Cost of Services before removal of Internal Recharges	<b>453,428</b>	<b>(223,806)</b>	<b>229,622</b>
(7,589)	7,589	0		Removal of Internal Recharges	(7,933)	7,933	0
<b>428,020</b>	<b>(212,309)</b>	<b>215,711</b>		<b>Net Cost of Service (1)</b>	<b>445,495</b>	<b>(215,873)</b>	<b>229,622</b>
		(1,146)		(Gain) / loss on Disposal of Fixed Assets			595
		<b>(1,146)</b>		<b>Other Operating Expenditure (2)</b>			<b>595</b>
		(31,592)		Council Tax			(32,607)
		(82,793)	9	Non-Domestic Rates			(77,334)
		(100,799)	9	Revenue Support Grant			(104,165)
		(8,229)	9	Recognised Capital Income (Grants, Contributions & Donations)			(13,169)
		<b>(223,413)</b>		<b>Taxation and Non-specific Grant Income (3)</b>			<b>(227,275)</b>
		(177)	25	Interest Earned			(320)
		18,437	25	External Interest Payable / Similar Charges			18,422
		846	25	(Gain)/Loss early settlement of borrowing			846
		(3,284)	6	Surplus on Trading Undertakings not included in net cost of services			(2,759)
		5,462	12	Pension Interest Cost/Expected Return on Pension Assets			6,441
		<b>21,284</b>		<b>Finance/Investment Income and Expenditure (4)</b>			<b>22,630</b>
		<b>12,436</b>		<b>(Surplus)/Deficit on Provision of Services (5) = (1)+(2)+(3)+(4)</b>			<b>25,572</b>
		(24,382)		(Surplus)/Deficit arising from revaluation of property, plant and equipment			(1,500)
		(691)		(Surplus)/Deficit on revaluation of available for sale assets			(939)
		77,040	12	Actuarial (gains)/losses on pension fund assets and liabilities			(134,863)
		<b>51,967</b>		<b>Other Comprehensive (Income) and Expenditure (6)</b>			<b>(137,302)</b>
		<b>64,403</b>		<b>Total Comprehensive (Income) and Expenditure (5) + (6)</b>			<b>(111,730)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The net increase/decrease before transfer to earmarked reserves line shows the statutory general fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Note	Usable Reserves							
		General Fund balance	HRA Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Capital Reserve	Other Reserves	Total Usable Reserves	Unusable Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>2017/18</b>									
Opening Balance at 1 April 2017		(13,118)	(6,963)	0	(466)	(3,633)	(499)	(24,679)	(110,346)
<b>Movement in reserve 2017/18</b>									
Total Comprehensive Expenditure and Income		32,245	(6,673)	0	0	0	0	25,572	(137,302)
Adjustments between accounting basis and funding basis under regulations	4	(29,717)	6,214	0	152	0	0	(23,351)	23,351
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>		<b>2,528</b>	<b>(459)</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>2,221</b>	<b>(113,951)</b>
Transfers to/from other statutory reserves		(385)	0	0	0	364	21	0	0
<b>Closing Balance at 31 March 2018</b>		<b>(10,975)</b>	<b>(7,422)</b>	<b>0</b>	<b>(314)</b>	<b>(3,269)</b>	<b>(478)</b>	<b>(22,458)</b>	<b>(224,297)</b>
<b>2016/17</b>									
Opening Balance at 1 April 2016		(11,203)	(6,217)	0	(484)	(3,824)	(527)	(22,255)	(177,173)
<b>Movement in reserve 2016/17</b>									
Total Comprehensive Expenditure and Income		11,028	1,408	0	0	0	0	12,436	51,967
Adjustments between accounting basis and funding basis under regulations	4	(12,724)	(2,154)	0	18	0	0	(14,860)	14,860
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>		<b>(1,696)</b>	<b>(746)</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>(2,424)</b>	<b>66,827</b>
Transfers to/from other statutory reserves		(219)	0	0	0	191	28	0	0
<b>Closing Balance at 31 March 2017</b>		<b>(13,118)</b>	<b>(6,963)</b>	<b>0</b>	<b>(466)</b>	<b>(3,633)</b>	<b>(499)</b>	<b>(24,679)</b>	<b>(110,346)</b>



## Balance Sheet

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

1. Usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt); and
2. 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'.

2016/17			2017/18
£000	Notes		£000
825,771	15	Property, Plant and Equipment	872,066
29	16	Intangible Assets	19
44		Long Term Debtors	34
1,406	18	Heritage Assets	1,406
501		Long Term Investments	497
<b>827,751</b>		<b>Long Term Assets</b>	<b>874,022</b>
7,345	17	Asset Held for Sale	9,069
1,146		Inventories	957
36,056	22	Short Term Debtors	37,765
12,030	24	Cash and Cash Equivalents	28,271
<b>56,577</b>		<b>Current Assets</b>	<b>76,062</b>
(750)	27	Provisions	(470)
(36,317)	26	Short Term Creditors	(34,196)
(157,557)		Short Term Borrowing	(172,334)
(2,718)	24	Cash and Cash Equivalents	(5,929)
<b>(197,342)</b>		<b>Current Liabilities</b>	<b>(212,929)</b>
<b>686,986</b>		<b>Net Assets</b>	<b>737,155</b>
(310,255)		Long Term Borrowing	(363,201)
(240,926)	12	Net Pensions Liability	(126,199)
(780)	9	Capital Grants Receipts in Advance	(1,000)
<b>(551,961)</b>		<b>Long Term Liabilities</b>	<b>(490,400)</b>
<b>135,025</b>		<b>Total Assets Less Liabilities</b>	<b>246,755</b>
<b>Represented by:</b>			
24,679	MIR	Usable Reserves	22,458
110,346	MIR	Unusable Reserves	224,297
<b>135,025</b>		<b>Total Reserves</b>	<b>246,755</b>

The unaudited Financial Statements were authorised for issue on 27 June 2018 and the audited Financial Statements were authorised for issue on 27 September 2018.

Stephen West  
Strategic Lead - Resources  
West Dunbartonshire Council  
Date: 27 September 2018

## 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.

2016/17 £000	Notes	2017/18 £000
	<b>Operating Activities</b>	
12,436	Net deficit on the provision of services	25,572
(37,480)	23 Adjustments to net surplus or deficit on the provision of services for non-cash movements	(60,529)
8,141	23 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financial activities	13,111
<b>(16,903)</b>	23 <b>Net cash inflow from Operating Activities</b>	<b>(21,846)</b>
70,598	23 Investing Activities	51,950
(55,438)	23 Financing Activities	(43,134)
<b>(1,743)</b>		<b>(13,030)</b>
7,569	24 Cash and cash equivalents at the beginning of the reporting period	9,312
9,312	24 Cash and cash equivalents at the end of the reporting period	22,342
<b>(1,743)</b>	24 <b>Movement – Increase in Cash</b>	<b>(13,030)</b>

## Notes to the Financial Statements

### Note 1 – 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 in the service responsibilities of the council's committees. The revised Statement also now includes a line highlighting and removing internal recharges from the Net Cost of Service total.

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

	As previously Stated £000	Prior Year Adjustment £000	Restated £000
<b>Comprehensive Income and Expenditure -</b>			
<b>Gross Expenditure</b>			
Corporate Services	72,733	1,758	74,491
Education	99,331	(3,656)	95,675
Infrastructure, Regeneration and Economic Development	57,481	(29)	57,452
Housing and Communities	7,457	1,927	9,384
Removal of Internal Recharges	0	(7,589)	(7,589)
<b>Net Cost of Service</b>	<b>435,609</b>	<b>(7,589)</b>	<b>428,020</b>
<b>Comprehensive Income and Expenditure -</b>			
<b>Gross Income</b>			
Corporate Services	(50,477)	(261)	(50,738)
Education	(5,445)	413	(5,032)
Infrastructure, Regeneration and Economic Development	(24,519)	(716)	(25,235)
Housing and Communities	(5,188)	564	(4,624)
Removal of Internal Recharges	0	7,589	7,589
<b>Net Cost of Service</b>	<b>(219,898)</b>	<b>7,589</b>	<b>(212,309)</b>
<b>Comprehensive Income and Expenditure -</b>			
<b>Net Expenditure</b>			
Corporate Services	22,256	1,497	23,753
Education	93,886	(3,243)	90,643
Infrastructure, Regeneration and Economic Development	32,962	(745)	32,217
Housing and Communities	2,269	2,491	4,760

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

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

The Financial Statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the authority's balance sheet as at 31 March 2018, 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 £1.293m for every year that useful lives had to be reduced.
Provision – severance and early retiral	The council has set aside a provision of £0.153m 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 £0.015m to the provision needed.
Provision – equal pay	The council has set aside a provision of £0.317m 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 £0.032m 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 2017/18 the appointed actuaries advised that the net liability had decreased by £114.727m as a result of estimates being updated and an update to the assumptions.
Arrears and bad debts	As at 31 March 2018, the council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £37.765m with a sliding scale of bad debt provision written against this, depending on the age of the debt.	If collection rates were to deteriorate, the provision for bad debts would require to be reviewed to consider the appropriate level of provision. However, based upon prior experience, the bad debt provision is considered adequate.

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

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

Item	Uncertainty	Potential effect
Fair Value Measurements	<p>When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the council utilises relevant experts to identify the most appropriate valuation techniques (for example for surplus assets and non-current assets held for sale, the council's estates valuer and for financial instruments the council's treasury advisors). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 15, 17 and 25.</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 25. Significant changes to the key inputs for non-financial assets would have a significant impact on the value of the properties. However as the properties are valued annually and form a small proportion in relation to the value of the council's overall portfolio the impact of any changes would be limited.</p>

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

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

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

Item	Nature	£000
Unitary Charge Payment	Public Private Partnership agreement for the provision of 3 secondary schools and one primary school	11,569
Insurances	Insurance premiums for all policies	2,008
Landfill Tax	A tax paid on the disposal of waste. It is payable to Her Majesty's Revenue and Customs (HMRC)	1,959
Housing Benefit paid	Benefit paid to support customers on low incomes with housing rent costs	43,522
Housing Benefit received	Benefit received to support customers on low incomes with housing rent costs	(42,717)
Care Homes	Cost of providing care home services by external providers	8,780
NHS Resource Transfer	Income received from NHS to support care in the community.	(8,549)
Supplementation	Residential Accommodation for adults and children with disabilities	17,375
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Day Support	1,142
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to Clients	3,431

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

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

This note provides further breakdown of the adjustments summarised in the Movement in Reserves Statement on page 35. It is identified under the headings Usable and Unusable Reserves. Further detail of the reserves identified under the classification of usable and unusable is given in notes 28 and 29 on pages 79 and 80.

**2017/18**

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

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

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

2017/18

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



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

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

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
<b>Usable Reserves</b>							
<b>Adjustments to the Revenue Resources</b>							
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)	657	(1)	0	0	0	0	656
Reversal of entries included in the Surplus or Deficit on the Provision of 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
	<b>21,622</b>	<b>13,270</b>	<b>0</b>	<b>70</b>	<b>0</b>	<b>0</b>	<b>34,962</b>
<b>Adjustments between Capital and Revenue Resources</b>							
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)
	<b>(8,898)</b>	<b>(11,116)</b>	<b>1,146</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18,868)</b>
<b>Adjustments to the Capital Resources</b>							
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)
	<b>0</b>	<b>0</b>	<b>(1,146)</b>	<b>(88)</b>	<b>0</b>	<b>0</b>	<b>(1,234)</b>
<b>Total Adjustments</b>	<b>12,724</b>	<b>2,154</b>	<b>0</b>	<b>(18)</b>	<b>0</b>	<b>0</b>	<b>14,860</b>

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

### Note 4 – 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
<b>Unusable Reserves</b>						
<b>Adjustments to the Revenue Resources</b>						
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	(656)	0	(656)
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)
	<b>(24,177)</b>	<b>0</b>	<b>(10,146)</b>	<b>(656)</b>	<b>17</b>	<b>(34,962)</b>
<b>Adjustments between Capital and Revenue Resources</b>						
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
	<b>18,868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,868</b>
<b>Adjustments to the Capital Resources</b>						
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
	<b>11,121</b>	<b>(9,887)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,234</b>
<b>Total Adjustments</b>	<b>5,812</b>	<b>(9,887)</b>	<b>(10,146)</b>	<b>(656)</b>	<b>17</b>	<b>(14,860)</b>

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

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

The Financial Statements were authorised for issue by the Strategic Lead - Resources on 27 September 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 6 – Trading Operations

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

The council has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations. Details of those units are detailed below and these figures include an interest charge for the assets as noted within the accounting policies. It is the duty of a local council to conduct each of its significant trading operations so that, taking every year with the two previous years, total revenue is not less than expenditure. The analysis for 2015/16 to 2017/18 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.

	2015/16	2016/17	2017/18	Cumulative
	£000	£000	£000	£000
Turnover	18,551	20,156	20,826	59,533
Expenditure	17,880	19,023	20,439	57,342
<b>Surplus</b>	<b>671</b>	<b>1,133</b>	<b>387</b>	<b>2,191</b>

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

	2015/16	2016/17	2017/18	Cumulative
	£000	£000	£000	£000
Turnover	9,959	9,856	10,608	30,423
Expenditure	7,909	7,705	8,236	23,850
<b>Surplus</b>	<b>2,050</b>	<b>2,151</b>	<b>2,372</b>	<b>6,573</b>
<b>Surplus as noted in Comprehensive Income and Expenditure Statement</b>	<b>2,721</b>	<b>3,284</b>	<b>2,759</b>	<b>8,764</b>

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.

The Trading Operations require to budget for estimated IAS19 pension expenditure. In 2017/18 the actual IAS19 pension charge resulted in an increase to expenditure within the services, creating a reduced surplus. This adjustment does not bring cash into or take cash from the trading operation, but is a technical adjustment required for accounting regulations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

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

### Note 7 – Related Parties

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

#### Central and Scottish Government

The council received £181.499m (2016/17 £183.592m) of revenue government grants and £12.390m (2016/17 £6.641m) of capital grants from the Scottish Government (with £0.417m due to the council at the year end); £43.270m (2016/17 £44.039m) from the Department of Works and Pensions (with £1.960m owed to the council at the year end); and other grants of £8.947m (2016/17 £2.968m) as shown in Note 9 Grant Income (with £0.157m due to the council at the year end).

#### Strathclyde Pension Fund

The council is an admitted body to the local government pension scheme and has made payments as shown in Note 12 Defined Benefit Pension Schemes. The balance owed to the pension fund at the year end was £1.641m.

#### Joint Boards

The council is a member of the Joint Boards for Valuation and Strathclyde Partnership for Transport and the council's contributions are disclosed within the Group Accounts. The council is also a member of the West Dunbartonshire Health and Social Care Partnership and provided funding in year of £60.547m (£61.535m 2016/17).

#### Voluntary Sector

The following voluntary organisations received over £0.050m in grant funding from West Dunbartonshire Council during 2017/18:

	<b>£000</b>
West Dunbartonshire Citizens Advice Bureau	399
Independent Resource Centre	109
Y-Sort It Youth Information Project	194
The Environment Trust	186
Dumbarton Women's Aid	158
Clydebank Women's Aid	166
Clyde Shopmobility	50

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

#### Key Management Personnel

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

#### Elected Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in the remuneration statement on pages 25 to 33. 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 2018, the council has not had any material transactions for anybody in which Members have an interest.

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

### Note 7 – Related Parties (Cont'd)

#### Senior Officers

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

### Note 8 – Agency Services

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

2016/17 Net Payment/ (receipt) £000	Organisation	Description	2017/18 Receipts £000	2017/18 Payment £000	(Debtor)/ Creditor at 31.03.18 £000
13,563	Scottish Water	Water and sewerage charges collected by Council and paid over		13,790	302
(80,253)	Scottish Government	Non Domestic Rates	82,419	0	(5,048)

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

### Note 9 – Grant Income

The council credited the following grants and other contributions to Taxation and Non-specific Grant Income within the Comprehensive Income and Expenditure Statement in 2017/18:

<b>31 March 2017</b>	<b>31 March 2018</b>
<b>£000</b>	<b>£000</b>
183,592 Revenue Support Grant/ Non-Domestic Rates	181,499
3,683 General Services Capital Grant	7,766
2,463 New House Build	3,171
0 Regeneration Capital Grant	1,000
397 City Deal	379
0 Energy Works	340
(7) Levensgrove	110
250 New Dumbarton Office	100
55 Sustrans	89
110 Strathclyde Passenger Transport	75
98 Cycle/Walk/Safer Streets grant	38
0 Gruggies Burn	36
0 Owner Occupier contributions/ roofing contributions	23
2 John Muir Trail	22
38 Balloch Library Upgrade	20
62 Scottish Futures Trust	0
8 Clydebank A814	0
16 War Memorial Trust	0
11 Dumbarton Castle Walkway	0
3 Glasgow Airpath Flightpath Fund	0
125 Heritage Lottery	0
25 Scottish Water	0
20 Information and Computer Technology Modernisation Fund	0
156 Overton Estate Restoration	0
592 Balloch School Campus	0
24 West Thompson St Playpark	0
98 Insurance Receipts	0
<b>191,821</b>	<b>194,668</b>

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

### Note 9 – Grant Income (Cont'd)

The council credited the following grants to Services within the Comprehensive Income and Expenditure Statement in 2017/18.

31 March 2017	31 March 2018
£000	£000
0 Pupil Equity Fund	3,380
0 Criminal Justice	1,865
352 Scottish Attainment Secondary	1,190
1,322 Scottish Attainment Challenge Scotland Fund	823
364 Private Sector Housing	446
0 Early Learning	370
365 Education Maintenance Allowance	298
0 Asylum seekers	83
0 Opportunities for all	77
53 Violence against women	63
35 Smarter Choices Smarter Places - Sustainability	60
0 Improving Primary Science Grant	56
0 Tobacco Trading Standards	40
13 Youth Employment Grant	38
25 Education Maintenance Allowance Admin	25
12 English for Speakers of Other Languages	22
15 School Milk	22
0 Winning Foundation Grant	19
0 WW Battlefield grant	15
0 Gaelic Language	13
23 Scottish Government - Innovation Fund	11
47 Gaelic	10
4 Vehicle Emission testing	8
5 Numeracy Hub Champions Grant	6
0 Life Changes Trust	4
3 Food Standards	3
135 STEM	0
86 Scottish Government - Transition Planning & Supp	0
75 Business Gateway	0
14 Learning and Teaching	0
12 Food For Thought	0
8 School Improvement Partnership grant	0
<b>2,968</b>	<b>8,947</b>

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

31 March 2017	31 March 2018
£000	£000
7 Turnberry Homes	7
0 Gruggies Burn	445
395 New Build Haldane	395
38 New Build Second Avenue	0
340 HEEPS	153
<b>780</b>	<b>1,000</b>

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

### Note 10 – Operating Leases

#### Council as Lessee

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

31 March 2017	31 March 2018
£000	£000
713 Not later than one year	745
2,790 Later than one year and not later than five years	2,873
4,151 Later than five years	3,517
7,654	7,135

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 (2016/17 - £0.697m).

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

31 March 2017	31 March 2018
£000	£000
215 Not later than one year	253
468 Later than one year and not later than five years	563
271 Later than five years	203
954	1,019

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.209m (2016/17 - £0.258m).

#### Council as Lessor

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

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

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

31 March 2017	31 March 2018
£000	£000
3,803 Not later than one year	3,831
12,092 Later than one year and not later than five years	10,802
141,537 Later than five years	140,356
157,432	154,989



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

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £2.569m contingent rents were receivable by the council (2016/17 £2.567m, restated due to WD Leisure Trust information previously being included).

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

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

The council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £0.484m (£1.296m in 2016/17). These terminations were made as part of the redesign of services within the council under voluntary severance and early retirement. There will be ongoing annual costs incurred by the council for those staff leaving under early retirement due to ongoing pension costs.

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

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

The council participates in the following pension schemes:

**The Local Government Pension Scheme**, which is a defined benefit statutory scheme, operated as Strathclyde Pension Fund, and administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contribution rate is set by the Fund actuaries following valuation. The employer contribution rate for 2017/18 was 19.3%, and 2018/19 is set at 19.3%. In 2017/18, the council paid an employer's contribution of £16.668m (2016/17 £17.278m).

**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 £6.461m (2016/17 £6.236m) in respect of expenditure for teachers added years, £0.031m payments were made (2016/17 £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 2017/18, the council's own contribution equates to 1.58%.

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

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

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

#### 1) Local Government Pension Scheme

Councils are also required to disclose the capital cost of discretionary increases in pension payments agreed by the Council. In 2017/18 the capitalised costs that would have arisen from the early retiral of West Dunbartonshire Council employees and from predecessor authorities were as follows:

	<b>£000</b>
2017/2018	(1,307)
In earlier years	<u>63,161</u>
<b>Total</b>	<b><u>61,854</u></b>

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

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

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

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

#### 1) Local Government Pension Scheme

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

2016/17 £000		2017/18 £000
	<b>Net cost of services</b>	
22,986	Current service cost	32,619
2,039	Past service cost	636
<b>25,025</b>		<b>33,255</b>
	<b>Financing and investment Income and Expenditure</b>	
5,462	Net interest expense	6,441
<b>30,487</b>	<b>Total post employment benefit charged to the Surplus or Deficit on the provision of Services</b>	<b>39,696</b>
(119,376)	Expected return on assets	(9,079)
0	Actuarial gains and losses arising from changes in demographic assumptions	(929)
194,636	Actuarial gains and losses arising from changes in financial assumptions	(43,105)
1,780	Actuarial gains and losses arising from experience assumptions	(81,750)
<b>107,527</b>	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>	<b>(95,167)</b>
	<b>Movement in Reserves Statement</b>	
(30,487)	Reversal of net charges made to surplus of deficit for post employment benefits	(39,696)
	<b>Actual amount charged against the General Fund balance in the year</b>	
20,341	Employer contributions payable to Scheme	19,560

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

2016/17 £000		2017/18 £000
747,597	Fair value of plan assets	778,397
(925,362)	Present value of defined benefit obligations	(842,742)
<b>(177,765)</b>	<b>Net assets in the Strathclyde Pension Fund</b>	<b>(64,345)</b>
	<u>Present Value of Unfunded Liabilities</u>	
(28,355)	LGPS Unfunded	(28,226)
(26,324)	Teachers' pensions	(25,679)
(8,482)	Pre Local Government Reorganisation	(7,949)
<b>(240,926)</b>	<b>Net pension asset/(liability)</b>	<b>(126,199)</b>

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

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

#### 1) Local Government Pension Scheme

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £126.199m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in an overall balance of £246.755m. 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 £30.800m. This is due to asset returns being more favourable than anticipated.

The estimated liabilities have decreased by £83.927m, due to financial assumptions as at 31 March 2018 being more favourable than they were at 31 March 2017, mainly due to the discount rate increasing to 2.7% (2016/17 2.6%).

#### 2) Pension Assets and Liabilities

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

	%	Years
Active Members	55.6%	24.0
Deferred Members	9.0%	24.3
Pensioner Members	29.1%	13.2
Pre-Local Government Re-organisation Members	6.3%	10.4
	<b>100%</b>	<b>18.2</b>

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
757,542	Opening balance	988,523
22,986	Current service cost	32,619
26,651	Interest cost	25,908
4,995	Contributions by Members	5,117
0	Actuarial gains/losses – change in demographic assumptions	(929)
194,636	Actuarial gains/losses – change in financial assumptions	(43,105)
1,780	Actuarial gains/losses – other experience	(81,750)
2,039	Past service costs/(gains)	636
(3,063)	Estimated unfunded benefits paid	(2,892)
(19,043)	Estimated benefits paid	(19,531)
<b>988,523</b>	<b>Closing Balance as at 31 March</b>	<b>904,596</b>

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

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

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

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

2016/17 £000		2017/18 £000
603,802	Opening balance	747,597
119,376	Expected return on assets	9,079
21,189	Interest Income	19,467
4,995	Contributions by Members	5,117
17,278	Contributions by employer	16,668
3,063	Contributions in respect of unfunded benefits	2,892
(3,063)	Estimated unfunded benefits paid	(2,892)
(19,043)	Estimated benefit paid	(19,531)
<b>747,597</b>	<b>Closing Balance as at 31 March</b>	<b>778,397</b>

WDC Share of the pension fund asset at 31 March 2018 comprised:

2016/17			Asset Category	2017/18		
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
274,339	142	274,481	Equity Securities	179,560	471	180,031
0	7	7	Debt Securities	24,423	1	24,424
0	61,638	61,638	Private Equity	0	93,015	93,015
0	90,174	90,174	Real Estate	0	70,476	70,476
8,681	284,295	292,976	Investment funds and unit trusts	255,505	76,241	331,746
63	100	163	Derivatives	16	0	16
26,916	1,242	28,158	Cash and Cash Equivalent	40,071	38,618	78,689
<b>309,999</b>	<b>437,598</b>	<b>747,597</b>	<b>Totals</b>	<b>499,575</b>	<b>278,822</b>	<b>778,397</b>

As at 31 March 2018 assets are now held at bid value and the historic figures are at mid-market value.

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

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

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

The actuarial valuation states that assets held on the valuation date were sufficient to cover 86.05% (2016/17 75.63%) of accrued liabilities at that date.

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

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

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

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

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

31/03/2017	31/03/2018
<b>Long term expected return on assets</b>	
2.40% Pension increase rate	2.40%
4.40% Salary Increase rate	3.60%
2.60% Discount rate	2.70%
 <u>Mortality</u>	
Based on these assumptions, the average future life expectancies at the age of 65 are:	
22.1 Current pensioners –Men	21.4
23.6 Current pensioners -Women	23.7
24.8 Future pensioners –Men	23.4
26.2 Future pensioners -Women	25.8

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

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

#### Sensitivity Analysis

In order to quantify the impact of a change in the financial assumptions used, the actuaries have calculated and compared the value of the scheme liabilities as at 31 March 2018 on varying bases. The approach taken is consistent with that adopted to derive at the IAS19 figures provided. To quantify the uncertainty around life expectancy, the actuaries have calculated the difference in cost to the employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3% to 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

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

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

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

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

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

	Approximate % increase to Employer Liability	Approximate monetary Amount £000
Member life expectancy ( 1 year increase)	0%	0
Rate for discounting fund liabilities (0.5% decrease )	9%	84,350
Rate of pension increase (0.5% increase)	7%	67,002
Rate of increase in salaries (0.5% increase)	2%	15,837

The total contribution expected to be made to the Local Government pension scheme for 2018/19 is £16.524m.

### Note 13 – External Audit Costs

In 2017/18 the council incurred £0.257m (2016/17 £0.257m) in respect of its external audit services undertaken in accordance with the Code of Audit Practice.

### Note 14 – Expenditure and Funding Analysis

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

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

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

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

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

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

Re-stated 2016/17 £000		2017/18 £000
	<b>Expenditure</b>	
160,927	Employee benefits expenses	170,604
231,130	Other service expenses	231,134
3,179	Support service recharges	3,766
32,302	Depreciation, amortisation, impairment	37,678
24,745	Interest payments	25,532
2,554	Precepts and levies	2,481
(1,146)	Gain on the disposal of assets	595
<b>453,691</b>	<b>Total Expenditure</b>	<b>471,790</b>
	<b>Income</b>	
(210,865)	Fees, charges and other service income	(215,864)
(3,467)	Interest and investment income	(3,079)
(114,385)	Income from council tax and non-domestic rates	(109,941)
(112,538)	Government grants and contributions	(117,334)
<b>(441,255)</b>	<b>Total Income</b>	<b>(446,218)</b>
<b>12,436</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>25,572</b>

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

2016/17 £000		2017/18 £000
(50,738)	Corporate Services	(49,726)
(5,032)	Education	(9,582)
(17,684)	Infrastructure, Regeneration and Economic Development	(15,602)
(4,586)	Housing and Communities	(4,773)
(40,625)	Housing Revenue Account	(42,283)
(4,979)	Miscellaneous Services	(6,907)
(87,221)	Health and Social Care Partnership	(86,991)
0	Requisitions	0
<b>(210,865)</b>	<b>Total Fees, Charges and other service income</b>	<b>(215,864)</b>



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

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

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

<u>2016/17 (Re-stated)</u>				<u>2017/18</u>			
Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	
19,853	3,900	23,753	Corporate Services	21,041	5,155	26,196	
79,519	11,124	90,643	Education	76,604	18,507	95,111	
29,717	2,500	32,217	Infrastructure, Regeneration and Economic Development	29,102	10,802	39,904	
4,084	676	4,760	Housing and Communities	3,104	1,856	4,960	
(18,617)	15,772	(2,845)	Housing Revenue Account	(18,857)	10,030	(8,827)	
(3,687)	2,093	(1,594)	Miscellaneous Services	1,754	1,022	2,776	
61,515	4,641	66,156	Health and Social Care Partnership	60,547	6,474	67,021	
2,621	0	2,621	Requisitions	2,481	0	2,481	
<b>175,005</b>	<b>40,706</b>	<b>215,711</b>	<b>Net Cost of Services</b>	<b>175,776</b>	<b>53,846</b>	<b>229,622</b>	
0	(1,146)	(1,146)	(Gain)/Loss on disposal of Fixed Assets	0	595	595	
(215,219)	(8,194)	(223,413)	Taxation and Non-specific Grant Income	(214,106)	(13,169)	(227,275)	
37,772	(16,488)	21,284	Finance / Investment Income and Expenditure	40,399	(17,769)	22,630	
<b>(2,442)</b>	<b>14,878</b>	<b>12,436</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>2,069</b>	<b>23,503</b>	<b>25,572</b>	
(17,420)			MIR Opening General Fund and HRA Balance as at 31 March 2017	(20,081)			
(1,696)			MIR (Surplus) or Deficit on Provision of Service (General Fund)	2,528			
(746)			MIR (Surplus) or Deficit on Provision of Service (HRA)	(459)			
(219)			MIR Transfer to/from other statutory reserves	(385)			
			<b>Closing General Fund and HRA Balance as at 31</b>				
<b>(20,081)</b>			<b>March 2018</b>	<b>(18,397)</b>			

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

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

<u>2016/17 (Re-stated)</u>				<u>2017/18</u>			
Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000
2,853	1,047	0	<b>3,900</b>	2,588	2,567	0	<b>5,155</b>
9,622	735	767	<b>11,124</b>	16,408	2,643	(544)	<b>18,507</b>
1,413	1,087	0	<b>2,500</b>	7,806	2,996	0	<b>10,802</b>
0	676	0	<b>676</b>	0	1,856	0	<b>1,856</b>
15,571	202	(1)	<b>15,772</b>	9,428	589	13	<b>10,030</b>
3	2,200	(110)	<b>2,093</b>	2	909	111	<b>1,022</b>
2,841	1,800	0	<b>4,641</b>	1,447	5,027	0	<b>6,474</b>
0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>32,303</b>	<b>7,747</b>	<b>656</b>	<b>40,706</b>	<b>37,679</b>	<b>16,587</b>	<b>(420)</b>	<b>53,846</b>
(1,146)	0	0	<b>(1,146)</b>	595	0	0	<b>595</b>
(18,869)	2,399	(18)	<b>(16,488)</b>	(21,375)	3,549	57	<b>(17,769)</b>
(8,194)	0	0	<b>(8,194)</b>	(13,169)	0	0	<b>(13,169)</b>
<b>4,094</b>	<b>10,146</b>	<b>638</b>	<b>14,878</b>	<b>3,730</b>	<b>20,136</b>	<b>(363)</b>	<b>23,503</b>

Both the Movement in Reserves (page 35) and note 4 (page 42) total the adjustments between funding accounting basis and funding basis under regulations relating to the General Fund balance (£29.717m net deductions) and HRA balance (£6.214m net additions) and this matches the total adjustments above of £23.503m.

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

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

#### Adjustment for Capital Purposes

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

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

#### Net Change for the Pension Adjustments

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

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

#### Other Differences

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

- For *services* an adjustment is made for the accrual of holiday pay and other similar entitlements, this is required under generally accepted accounting principles but the impact on the General Fund and the HRA is mitigated by statute which allows the impact to be reversed out through the Movement in Reserves; and
- For *Financing and investment income and expenditure*, the 'other differences' column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

### Note 15 – Property, Plant and Equipment

#### 1) Movements in 2017/18

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

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

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

#### 2) 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
<b>Cost/Valuation at 1 April 2016</b>	<b>450,362</b>	<b>359,611</b>	<b>48,653</b>	<b>47,642</b>	<b>97,947</b>	<b>1,563</b>	<b>9,112</b>	<b>36,829</b>	<b>1,051,719</b>
Additions	16,639	38,865	35	2,732	4,905	31	1,898	19,265	84,370
Revaluations:									
- To Revaluation Reserve	(59,555)	3,641	286	0	0	2	(33)	0	(55,659)
- To Net cost of Service	0	(526)	(16)	0	0	(1)	2,469	(22)	1,904
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	53	0	0	745	179	(27,401)	60
<b>As at 31 March 2017</b>	<b>403,535</b>	<b>427,482</b>	<b>48,770</b>	<b>50,374</b>	<b>102,852</b>	<b>2,340</b>	<b>10,780</b>	<b>28,671</b>	<b>1,074,804</b>
<b>Depreciation/Impairment at 1 April 2016</b>	<b>(79,171)</b>	<b>(139,539)</b>	<b>(3,313)</b>	<b>(34,543)</b>	<b>(34,499)</b>	<b>0</b>	<b>(303)</b>	<b>(49)</b>	<b>(291,417)</b>
Depreciation charge	(15,524)	(10,513)	(415)	(3,404)	(4,848)	0	0	0	(34,704)
Depreciation:									
- To Revaluation Reserve	60,729	1,394	0	0	0	0	(4)	0	62,119
Impairments:									
- To Revaluation Reserve	17,813	0	0	0	0	0	0	0	17,813
- To Net Cost of Service	0	(1,274)	0	0	0	(1,566)	(4)	0	(2,844)
<b>As At 31 March 2017</b>	<b>(16,153)</b>	<b>(149,932)</b>	<b>(3,728)</b>	<b>(37,947)</b>	<b>(39,347)</b>	<b>(1,566)</b>	<b>(311)</b>	<b>(49)</b>	<b>(249,033)</b>
<b>Net Book Value at 31 March 2016</b>	<b>371,191</b>	<b>220,072</b>	<b>45,340</b>	<b>13,099</b>	<b>63,448</b>	<b>1,563</b>	<b>8,809</b>	<b>36,780</b>	<b>760,302</b>
<b>Net Book Value at 31 March 2017</b>	<b>387,382</b>	<b>277,550</b>	<b>45,042</b>	<b>12,427</b>	<b>63,505</b>	<b>774</b>	<b>10,469</b>	<b>28,622</b>	<b>825,771</b>

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

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

#### 3) Capital Commitments

As at 31 March 2018, the council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for non housing and housing projects in 2017/18 budgeted to cost £14.313m (2016/17 £25.931m) and £0.839m (2016/17 £1.519m) respectively. The main commitments are:

<b>General Services</b>	<b>£000</b>
Bellsmyre Primary School Campus	445
Our Lady and St Patrick's High School	220
Balloch Schools Campus	426
Kilpatrick ASN Secondary School	200
Replacement of Elderly Care Homes and Day Care Centres	295
Clydebank Leisure Centre	377
Office Rationalisation - New Dumbarton Office	651
Clydebank Community Sports Hub	2,446
Exxon Infrastructure Project - alternative A82 route	1,350
Queens Quay District Heating	1,450
Integrated Housing Management System	475
Levensgrove Park Restoration	2,600
Building Upgrades - Glencairn House - Wind & Watertight	250
Building Upgrades - Lomond Trade Centre - New Roof	260
Clydebank Library Upgrade	450
Ferryfield Early Education & Child Care - provision of family room	256
Local Economic Development - Mitchell Way Redevelopment	321
ICT Modernisation and Security	359
Community Capital Fund - various playparks	560
<b>HRA</b>	
External Render, New Roof, Risk Street, Dumbarton	223
New Council House Build Programme	375

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

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

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

2016/17 £000	2017/18 £000
<b>Cost or Valuation</b>	
87,563 At 1 April 2017	87,563
<u>Revaluations</u>	
0 To Revaluation Reserve	0
0 Additions	0
<b>87,563 At 31 March 2018</b>	<b>87,563</b>
 <b>Accumulated Depreciation and Impairment</b>	
(11,683) At 1 April 2017	(15,274)
(3,591) Depreciation Charge	(4,230)
<u>Depreciation written out</u>	
0 To revaluation reserve	0
0 Impairment losses/(reversals) recognised	0
<b>(15,274) At 31 March 2018</b>	<b>(19,504)</b>
<b>75,880 Opening Net Book value</b>	<b>72,289</b>
<b>72,289 Closing Net Book value</b>	<b>68,059</b>

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

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

### Note 16 – Intangible Assets

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

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

Where appropriate, the carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.010m charged to revenue in 2017/18 was charged to Information Services. The charge to Information Services is then absorbed as an overhead across all the service headings in the Net Cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

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

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

2016/17 £000		2017/18 £000
	<b>Balance at 1 April 2017</b>	
346	Gross carrying amount	346
(301)	Accumulated amortisation	(317)
<u>45</u>	<b>Net carrying amount at start of year</b>	<u>29</u>
(16)	Amortisation for period	(10)
<u>29</u>	<b>Net carrying amount at 31 March 2018</b>	<u>19</u>
	<b>Comprising:</b>	
346	Gross Carrying amounts	346
(317)	Accumulated amortisation	(327)
<u>29</u>		<u>19</u>

### Note 17 – Assets Held for Sale

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

- the asset must be available for immediate sale in its present condition;
- the sale must be highly probable and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

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

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

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

2016/17 £000		2017/18 £000
<b>653</b>	<b>Balance at 1 April 2017</b>	<b>7,345</b>
0	Assets newly classified as held for sale	
3,488	Property, Plant and Equipment	244
0	Revaluation Losses	(695)
3,407	Revaluation Gains	2,175
	Assets declassified as held for sale*:-	
(203)	Property, Plant and Equipment	0
<u><b>7,345</b></u>	<b>As at 31 March 2018</b>	<u><b>9,069</b></u>

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



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

### Note 18 - Heritage Assets

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

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

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

2016/17		2017/18
£000		£000
1,406	<b>Balance at 1 April 2017</b>	1,406
0	Additions/ Disposals / Newly Classified	0
<u>1,406</u>	<b>Balance at 31 March 2018</b>	<u>1,406</u>

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

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

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

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

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

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

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

### Note 19 – Capital Expenditure and Capital Financing

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

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

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

31-Mar-17 £000	31-Mar-18 £000
<b>412,449 Opening Capital Financing Requirement</b>	<b>464,275</b>
<b>Capital Investment</b>	
84,370 Property, Plant and Equipment	88,594
<b>84,370</b>	<b>88,594</b>
<b>Less Sources of Finance</b>	
5,451 Receipts from sale of assets	3,810
8,213 Government Grants and other Contributions	13,322
5,910 Revenue Contributions	7,588
12,970 Loan Fund Principal Repayments	13,800
<b>32,544</b>	<b>38,520</b>
<b>464,275 Closing Capital Financing Requirement</b>	<b>514,349</b>
0 Increase in Underlying Need to Borrow (Supported)	0
51,826 Increase in Underlying Need to Borrow (Unsupported)	50,074
<b>51,826 Movement in Capital Financing Requirement</b>	<b>50,074</b>

### Note 20 – Impairment Losses

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

During 2017/18, the council has recognised impairment losses of £15.976m (2016/17 £2.844m) relating to non-value adding enhancement of various assets. These impairment losses have been charged as appropriate within the Comprehensive Income and Expenditure Statement and the Revaluation Reserve.

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

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

2017/18 was the ninth year of a thirty year public private partnership for provision of three secondary schools and one primary school in Clydebank and Alexandria. 2017/18 was the first year of a twenty-five year DBFM partnership for the provision of one secondary school in Dumbarton.

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

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

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

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

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

#### Property, Plant and Equipment

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

#### Payments

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

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

Payments remaining to be made under the PPP and DBFM contracts at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Repayment of Liability	Interest Charges	Operating Costs	Lifecycle Replacement	Total Unitary Payment
	£000	£000	£000	£000	£000
Less than 1 year	2,713	7,598	2,715	933	13,959
2-5 years	13,790	28,108	12,015	3,411	57,324
6-10 years	20,488	29,244	18,238	7,240	75,210
11-15 years	21,944	21,495	22,250	13,710	79,399
16-20 years	32,005	12,231	27,419	13,641	85,296
21-25 years	14,974	1,379	8,429	4,413	29,195
26-30 years	0	0	0	0	0
<b>PPP Contractual Liability as at 31.03.18</b>	<b>105,914</b>	<b>100,055</b>	<b>91,066</b>	<b>43,348</b>	<b>340,383</b>

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

2016/17	2017/18
£000	£000
86,296 Opening Balance	84,316
0 New Liabilities	24,231
(1,980) Repayments	(2,633)
<b>84,316</b> Closing Balance	<b>105,914</b>

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

### Note 22 – Debtors

2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
		<b>Central government bodies</b>		
23		Grant Income	50	
4,636		VAT Recoverable	3,409	
<u>3,881</u>	8,540	Other Debtors	<u>4,145</u>	7,604
		674 Other local authorities		613
		17 NHS Bodies		10
		305 Public Corporations and trading funds		25
		<b>Other Entities and individuals</b>		
10,890		Arrears of local taxation	11,422	
<u>15,630</u>	26,520	Other Debtors	<u>18,091</u>	29,513
	<u><b>36,056</b></u>			<u><b>37,765</b></u>

### Note 23 – Net Cash Outflows from Operating, Financing and Investing Activities

2016/17 £000		2017/18 £000
<b>12,436</b>	<b>Net deficit on the Provision of Services</b>	<b>25,572</b>
	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	
(32,301)	Depreciation, amortisation and impairment	(37,678)
1,146	Net gain on fixed assets	(4,405)
(10,146)	Movement in pension liabilities	(20,136)
224	Movement in inventories	(189)
1,756	Movement in debtors	2,916
2,438	Movement in creditors and provisions	(567)
(597)	Other non-cash movements	(470)
<u><b>(37,480)</b></u>		<u><b>(60,529)</b></u>
	<b>Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities</b>	
17	Financing movements	(58)
8,124	Investing movements	13,169
<u><b>8,141</b></u>		<u><b>13,111</b></u>
<u><b>(16,903)</b></u>	<b>Net cash flow from Operating Activities</b>	<u><b>(21,846)</b></u>
86,112	Purchase of property, plant and equipment and intangible assets	66,554
(5,451)	Proceeds from sale of property, plant and equipment and intangible assets	(3,813)
(10,063)	Other receipts from investing activities	(10,791)
<u><b>70,598</b></u>	<b>Net cash outflows from investing activities</b>	<u><b>51,950</b></u>
(144,709)	Cash receipts of short-term and long-term borrowing	(198,200)
1,980	Repayment of PPP liabilities	2,633
87,291	Repayment of short-term and long-term borrowing	152,433
<u><b>(55,438)</b></u>	<b>Net cash inflows from financing activities</b>	<u><b>(43,134)</b></u>

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

### Note 24 – Net Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

<b>Cash and Cash Equivalents</b>	<b>31-Mar-17</b>	<b>Movement</b>	<b>31-Mar-18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank Current Account	106	(1,770)	(1,664)
Short term deposits with UK banks	9,206	14,800	24,006
<b>Total Cash and Cash equivalents</b>	<b>9,312</b>	<b>13,030</b>	<b>22,342</b>

### Note 25 – 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”:

	<b>Long-term</b>		<b>Current</b>	
	<b>31-Mar-17</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>	<b>31-Mar-18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Debtors</b>				
Loans and receivables	45	34	37,196	54,614
<b>Borrowing</b>				
Financial liabilities at amortised cost	228,095	260,000	158,119	175,550
<b>Other long term liabilities</b>				
PPP and finance leases	82,160	103,201	2,156	2,713
<b>Creditors</b>				
Financial liabilities at contract amount	0	0	36,317	34,196

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 2017/18:

- 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 2017/18;
- breaches of long term loan agreements resulting in the liability being classed as current; or

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

### Note 25 – Financial Instruments (Cont'd)

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

- offsetting of financial assets and liabilities where a legally enforceable right exists and intent to settle is on net basis.

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

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

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

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

##### Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2018 have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- Non-PWLB loans (Level 2) - For non-PWLB loans payable, the fair value of market loans are calculated using estimated interest rates of 1.41% 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-17		31-Mar-18	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000 Debtors	£000	£000
37,241	37,241 Loans and Receivables	54,648	54,648

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

### Note 25 – 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-17		31-Mar-18	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000	£000	£000
<b>Borrowing</b>			
386,214	532,346	Financial liabilities	435,550 606,412
<b>Other Long Term Liabilities</b>			
84,316	156,101	PPP and Finance Lease Liabilities	105,914 185,010
<b>Creditors</b>			
36,317	36,317	Financial liabilities at contract amount	34,196 34,196

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 2018 compared to 2017 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-17			31-Mar-18		
	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)	177	0	177	320	0	320
Interest payable and similar charges						
Interest/expense*	0	(19,283)	(19,283)	0	(19,268)	(19,268)
Loss on de-recognition	0	(17)	(17)	0	(58)	(58)
<b>Net (Gain)/loss in year</b>	<b>0</b>	<b>(19,300)</b>	<b>(19,300)</b>	<b>0</b>	<b>(19,326)</b>	<b>(19,326)</b>

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

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

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

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

### Note 25 – 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 2017/18 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 2017/18 annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 22 February 2017 and is available on the council website. The key issues within the strategy were:

- the authorised limit for 2017/18 was set at £636.138m. This is the maximum limit of external borrowing;
- the operational boundary was expected to be £538.127m. 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.

#### 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.



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

### Note 25 – Financial Instruments (Cont'd)

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

##### Credit Risk (Cont'd)

The council's maximum exposure to credit risk in relation to investments in banks and building societies of £25.412m 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 2018 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 31.03.18 £000	Historical experience of non- payment adjusted for market conditions at 31.03.18 %	Estimated maximum exposure to default and uncollectibility £000
Customers and other income	27,767	5.27	1,391

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

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

The council does not generally allow credit for customers, however currently £10.173m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	2,299
Three to six months	346
Six months to one year	1,343
More than one year	6,185
	<b><u>10,173</u></b>

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.

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.

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

### Note 25 – Financial Instruments (Cont'd)

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

##### Liquidity risk (Cont'd)

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

##### Refinancing and Maturity Risk

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

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this risk and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile as appropriate through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the council's day to day cash flow needs.

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

The maturity analysis of financial liabilities is as follows:

	<b>Creditors</b>	<b>PPP</b>	<b>Borrowing</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Less than one year	34,196	2,713	175,550	212,459
Between one and two years	0	3,611	195,499	199,110
Between two and five years	0	10,978	34,824	45,802
More than five years	0	88,612	29,677	118,289
	<b>34,196</b>	<b>105,914</b>	<b>435,550</b>	<b>575,660</b>

##### 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.

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

### Note 25 – Financial Instruments (Cont'd)

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

##### Market Risk (Cont'd)

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	429,621	98.6%
Variable Interest Debt	5,929	1.4%
	<b><u>435,550</u></b>	

To illustrate the impact of changes in interest rates upon the council, the following table shows the financial effect if rates had been 1% higher at 31 March 2018, with all other variables held constant:

	£000
<b>Impact on tax payers and rent payers</b>	
Increase on interest payable on variable debt borrowings	0
Increase in interest receivable on variable rate investments	(178)
Increase in government grant receivable for 'loan charges'	(53)
Impact on Income and Expenditure Account	<u>(231)</u>
Share of overall impact due credited to the HRA	<u>(106)</u>
<b>Other accounting presentational changes</b>	
Decrease in fair value of fixed rate investments:	
Decrease in fair value of fixed rate debt borrowings (disclosure confined to notes to the core financial statements)	(139,582)

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.

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

### Note 26 – Creditors

2016/17	2017/18
£000	£000
6,147 Central government bodies	4,797
11,150 Other local authorities	9,080
293 NHS Bodies	1,627
384 Public Corporations and trading funds	12
18,343 Other Entities and individuals	18,680
<b>36,317</b>	<b>34,196</b>

### Note 27 – Provisions

	Equal Pay	VER/VS	Total
	£000	£000	£000
Opening Provision	750	0	750
Contributions	0	153	153
Used in year	(433)	0	(433)
<b>Closing Position</b>	<b>317</b>	<b>153</b>	<b>470</b>

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

**VER/VS (Voluntary Early Retirement / Voluntary Severance)** – This provision is held for those staff accepting a severance or early retiral package with a view to leaving in 2018/19.

### Note 28 – 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 £10.975m on 31 March 2018, of which £6.671m is earmarked for ringfenced purposes, leaving an unearmarked balance of £4.304m (prudential target £4.122m).

The main earmarked income held for future specific purposes:

	£000
Change Fund	2,038
Apprenticeship fund	1,000
PEF	912
RSG received early	610
Business Gateway	396
Private Sector Housing Grants	300
Jobs Growth	156
Clydebank Property Company	154
Developing Young Workforce/Youth Employment	124
Early years expansion	121
Education Development	110
Community Loans Fund	101
Other Committed Spend (> £0.100m)	649
	<b>6,671</b>

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

### Note 28 – Reserves and Earmarked Balances (Cont'd)

- (2) The HRA balance is currently £7.422m as at 31 March 2018, of which £6.572m is earmarked for ring fenced purposes, leaving an unearmarked balance of £0.850m.

The earmarked balance held for future specific purposes is:-

	<b>£000</b>
Regeneration of the stock	6,072
Welfare Reform	500
	<u><b>6,572</b></u>

### Note 29 – 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.

#### Useable reserves

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

<b>31-Mar-17</b>	<b>31-Mar-18</b>
<b>£000</b>	<b>£000</b>
13,118 General Services	10,975
6,963 Housing Revenue Account	7,422
0 Capital Receipts Reserve	0
466 Capital Grants Unapplied	314
3,633 Capital Reserve	3,269
499 Other Reserves	478
<u><b>24,679 Total Usable Reserves</b></u>	<u><b>22,458</b></u>

#### 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.

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

### Note 29 – Reserves (Cont'd)

#### 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.

#### Unusable reserves

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

<b>31-Mar-17</b>		<b>31-Mar-18</b>
<b>£000</b>		<b>£000</b>
232,656	Capital Adjustment Account	239,753
137,666	Revaluation Reserve	128,492
(240,926)	Pension Reserve	(126,199)
(3,658)	Employee Statutory Adjustment Account	(3,239)
	Financial Instruments Adjustment	
(15,392)	Account	(14,510)
<b>110,346</b>	<b>Total Unusable Reserves</b>	<b>224,297</b>

#### Capital Adjustment Account

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

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

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

### Note 29 – Reserves (Cont'd)

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

2016/2017 £000		2017/2018 £000
227,034	Opening Balance	232,656
(25,473)	Depreciation	(32,422)
(7,640)	Impairment	(7,465)
0	Increase in Depreciation Caused by Revaluation	9,712
10,041	Deficit/Surplus on Revaluations	2,208
0	Assets That Should Have been Deleted	(107)
466	Write off Revaluation Reserve Balance re Disposals	1,069
(4,305)	Disposal of Fixed Assets	(4,405)
8,214	Government Grants Applied	13,322
5,910	Capital Financed by Current Revenue	7,585
12,958	Long Term Debt Payment	13,790
5,451	Capital Receipts Applied	3,810
<b>232,656</b>	<b>Closing Balance</b>	<b>239,753</b>

#### 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.

2016/2017 £000		2017/2018 £000
122,980	Opening Balance	137,666
126,849	Unrealised Gains on Revaluation of Assets	19,291
(102,276)	Impairments and Losses on Revaluation of Assets	(17,684)
	Write off Revaluation Reserve Balance re	
(466)	Disposals	(1,069)
(9,421)	Depreciation due to Revaluation of Assets	(9,712)
<b>137,666</b>	<b>Closing Balance</b>	<b>128,492</b>

#### Pension Reserve

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

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

### Note 29 – Reserves (Cont'd)

#### Pension Reserve (Cont'd)

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

2016/2017 £000	2017/2018 £000
(153,740) Opening Balance	(240,926)
(77,040) Actuarial (Loss)/Gain	134,863
20,341 Employer Contributions	19,560
(30,487) Reversal of IAS19 Entries	(39,696)
<b><u>(240,926) Closing Balance</u></b>	<b><u>(126,199)</u></b>

#### 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.

2016/2017 £000	2017/2018 £000
(3,002) Opening Balance	(3,658)
(656) Staff Accrual Movement	419
<b><u>(3,658) Closing Balance</u></b>	<b><u>(3,239)</u></b>

#### 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 2018 will be charged to the General Fund over the next thirty-nine years.

2016/2017 £000	2017/2018 £000
(16,099) Opening Balance	(15,392)
846 Annual Write off of Premiums and Discounts	846
(122) New Premiums and Discounts	0
(17) Annual EIR Adjustment to Stepped Interest Instruments	36
<b><u>(15,392) Closing Balance</u></b>	<b><u>(14,510)</u></b>



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

### **Note 30 – Contingent Assets or Liabilities**

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed as a note to the accounts, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

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

### **Note 31 – 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.

2016/17 £000		2017/18 £000
(6,217)	<b>Balance on the Housing Revenue Account at the End of the Previous Year</b>	(6,963)
1,412	<b>Total Comprehensive Income and Expenditure</b>	(6,673)
	<b>Adjustments to the revenue resource</b>	
(198)	Pension Scheme Adjustments	(588)
9	Financial Instruments Adjustment	(26)
(3)	Holiday Pay Adjustment	(13)
(13,082)	Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure	(5,885)
<b>(13,274)</b>		<b>(6,512)</b>
	<b>Adjustments between Revenue and Capital Resources</b>	
(351)	Net gain or loss on sale of non-current assets	(203)
6,093	Statutory Repayment of Debt (Loans Fund Advances)	5,960
5,374	CFCR	6,969
<b>11,116</b>		<b>12,726</b>
<b>(2,158)</b>	<b>Total Statutory Adjustments 2016/17</b>	<b>6,214</b>
0	Transfers to/from Other Statutory Reserves	0
<b>(746)</b>	<b>(Increase)/Decrease in Year</b>	<b>(459)</b>
<b>(6,963)</b>	<b>Balance on the Housing Revenue Account at the end of the Current Year</b>	<b>(7,422)</b>

## Housing Revenue Account Income and Expenditure Statement

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

2016/17 £000		2017/18 £000
	<b>Income</b>	
(38,794)	Dwelling Rents (net of voids)	(39,123)
(277)	Other Rents	(286)
(1,554)	Other Income	(2,874)
<u>(40,625)</u>		<u>(42,283)</u>
	<b>Expenditure</b>	
11,836	Repairs and Maintenance	11,968
9,025	Supervision and Management	10,790
15,571	Depreciation and Impairment	9,428
999	Bad/Doubtful Debts	883
349	Other Expenditure	387
<u>37,780</u>		<u>33,456</u>
	<b>Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement</b>	
<u>(2,845)</u>		<u>(8,827)</u>
	<b>HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement</b>	
(2,489)	Recognised Capital Income (Grants, Contributions and Donations)	(3,543)
351	Gain or Loss on the Sale of HRA Non Current Assets	203
6,053	Interest Payable and Similar Charges	5,194
435	Amortisation of Premiums and Discounts	388
(93)	HRA Interest and Investment Income	(88)
<u>4,257</u>		<u>2,154</u>
<u>1,412</u>	<b>(Surplus)/Deficit for the year on HRA Services</b>	<u>(6,673)</u>

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

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

The council was responsible for managing 10,457 dwellings during 2017/18 (10,580 in 2016/17). The following shows an analysis of these dwellings by type.

2016/17		2017/18	
Number at 31.03.17	Average weekly rent £	Number at 31.03.18	Average weekly rent £
Type of Dwelling			
2,731	71.78 Two-apartment	2,719	71.84
4,856	73.93 Three-apartment	4,792	74.34
2,677	78.52 Four-apartment	2,628	79.84
309	83.86 Five-apartment	311	86.02
2	86.80 Six-apartment	2	88.75
1	79.05 Seven-apartment	1	80.83
2	86.80 Eight-apartment	2	88.75
2	86.80 Nine-apartment	2	88.75
<b>10,580</b>	<b>Total</b>	<b>10,457</b>	

### Note 2 – Dwelling Rents

This is the total rental income less voids chargeable for the year of £0.693m (£0.848m in 2016/17). It excludes irrecoverables and bad debts. Average rents were £75.35 per week in 2017/18 (£74.85 per week in 2016/17).

### 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 2017/18 were £0.076m (£0.076m in 2016/17).

### Note 4 - Rent arrears

As at 31 March 2018, total rent arrears amounted to £3.468m (£3.056m as at 31 March 2017). This is 8.83% of the total value of rents due at 31 March 2018. It should be noted that the total arrears do not all relate to 2017/18 and the year on year movement in value of arrears is an increase of £0.412m.

### Note 5 - Provision for Bad Debts

In the financial year 2017/18, the rental bad debt provision has been increased by £0.443m (£0.149m decrease 2016/17). The provision to cover loss of rental income stands at £2.469m as at 31 March 2018 – equivalent of 71.18% (66.31% 2016/17) of the total value of rents due at that date.

## Council Tax Account

### Council Taxpayers: £32.607m (2016/17 £31.592m)

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. 2017/18 represents the fifth 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.

2016/17 £000		2017/18 £000
46,669	Gross council tax	47,828
	Less:	
(8,658)	Council Tax Reduction Scheme Discount*	(8,429)
(5,675)	Other discounts and reductions	(5,702)
(830)	Provision for bad and doubtful debts	(840)
86	Adjustments for prior years	(250)
<b>31,592</b>	<b>Transfer to General Fund</b>	<b>32,607</b>

#### 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	25	14	0	17	31	200/360	17
Band A	7,898	532	40	4,489	126	5,410	9,365	240/360	6,243
Band B	16,853	507	(13)	7,735	177	8,548	19,380	280/360	15,074
Band C	7,483	152	(4)	2,860	52	2,586	8,218	320/360	7,305
Band D	5,877	92	19	1,762	30	948	5,920	360/360	5,920
Band E	4,477	45	(47)	927	14	317	4,315	473/360	5,274
Band F	1,659	14	(10)	212	8	71	1,616	585/360	2,334
Band G	787	6	(9)	93	5	29	762	705/360	1,270
Band H	65	1	(1)	3	7	2	61	882/360	121
<b>Total</b>									<b>43,558</b>
<b>Provision for bad debt</b>									<b>(722)</b>
<b>Council Tax Base</b>									<b>42,836</b>

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

##### Gross Charges

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 2017/18 was £1,163.

	2016/17 £ per year	2017/18 £ per year
775 Band A		775
905 Band B		905
1,034 Band C		1,034
1,163 Band D		1,163
1,421 Band E		1,528
1,680 Band F		1,890
1,938 Band G		2,278
2,326 Band H		2,849

##### 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 £77.334m (2016/17 £82.793m)

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 £77.334m (2016/17 £82.793m) 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 2017/18 were 1.7% and indications suggest the council is not due any additional income for the year. Local provisional targets for 2018/19 are 1.8%.

The amount deemed to be collected locally was £82.419m (2016/17 £80.674m). The sum actually collected locally and contributed to the pool was £81.268m (2016/17 £79.258m), made up as follows:

2016/17 £000		2017/18 £000
87,880	Gross rates levied	91,604
	<u>Less:</u>	
(7,397)	Reliefs and other deductions	(8,438)
(879)	Provision for bad and doubtful debts	(916)
79,604	Net non-domestic rate income	82,250
(346)	Adjustments for prior years	(982)
79,258	Total Non Domestic Rate Income (before retention)	81,268
0	Non Domestic Rate Income Retained by the Council (BRIS)	0
<b>79,258</b>	<b>Contribution to National Non Domestic Rate Pool</b>	<b>81,268</b>
82,793	Distribution from National Non Domestic Rate Pool	77,334
<b>(3,535)</b>	<b>Net contribution to/(from) National Non Domestic Rate Pool</b>	<b>3,934</b>

<b>82,793</b>	<b>Net Non Domestic Rate Income to Comprehensive Income &amp; Expenditure Statement</b>	<b>77,334</b>
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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 1/4/17	185,703,215	The amount paid for non-domestic rates is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ announced each year by the government.
Running roll (full year RV)	1,914,290	
Rateable value at 31/3/18	187,617,505	The national non-domestic rate poundage set by the First Minister for Scotland for 2017/18 was £0.466.
Less: partially exempt	734,150	
Less: wholly exempt	4,513,775	
<b>Net rateable value at 31/3/18</b>	<b>182,369,580</b>	

## 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 2018. The fund does not represent assets of the council and has not been included within the Balance Sheet on page 36.

### Income and Expenditure Account

2016/17	2017/18
£000 Expenditure	£000
141 Payments to Other Bodies	141
50 Denny Tank	50
22 General Expenditure	26
<b>213</b>	<b>217</b>
Income	
(283) Rent – Sites and Offices	(280)
0 Gain on Investments	(7)
(1) Other Income	(2)
<b>(284)</b>	<b>(289)</b>
<b>(71) Net (surplus)/deficit for year</b>	<b>(72)</b>
(71) In Year Usable Gain	(65)
0 In Year Un-usable Gain	(7)
<b>(71)</b>	<b>(72)</b>
(273) Balance brought forward	(344)
(71) In Year Usable Gain	(65)
<b>(344) Balance carried forward</b>	<b>(409)</b>

### Balance Sheet as at 31 March 2018

2016/17	Note	2017/18
£000 Fixed Assets		£000
3,187 Investment properties	1	3,194
Current Assets		
344 Investments – West Dunbartonshire Council		414
3 Debtors	2	0
Current Liabilities		
(3) Creditors falling due within one year	3	(5)
<b>3,531 Total assets</b>		<b>3,603</b>
Funds		
3,187 Capital Adjustment Account		3,194
344 General Fund		409
<b>3,531</b>		<b>3,603</b>

### 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

2016/17 £000	2017/18 £000
3 Prepaid grant	0
<u>3</u>	<u>0</u>

### Note 3 Analysis of Sundry Creditors

2016/17 £000	2017/18 £000
0 Grant	2
3 Prepayment of rent	3
<u>3</u>	<u>5</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 36. 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

2016/17			2017/18		
Receipts	Payments	(Surplus)/ Deficit	Receipts	Payments	(Surplus)/ Deficit
£000	£000	£000	£000	£000	£000
0	0	0	(3)	0	(3)
0	0	0	0	0	0
(1)	0	(1)	(1)	7	6
0	0	0	0	1	1
0	15	15	0	0	0
0	3	3	0	0	0
0	0	0	0	2	2
0	0	0	0	0	0
(1)	18	17	(4)	10	6

### Statement of Balances as at 31 March 2018

	Balance as at 1/4/17	(Surplus)/ deficit for year	Balance as at 31/3/18
	£000	£000	£000
<b>Bank and Cash</b>			
Dunbartonshire Educational Trust Scheme 1962	(86)	(3)	(89)
McAuley Prize for Mathematics	(21)	0	(21)
Alexander Cameron Bequest	(156)	6	(150)
Dr A K Glen Fund	(26)	1	(25)
War Memorial Dumbarton	0	0	0
Halkett Memorial Trust	0	0	0
Vale of Leven Fund	(8)	2	(6)
UIE Award	(24)	0	(24)
<b>Total</b>	<b>(321)</b>	<b>6</b>	<b>(315)</b>
<b>Investments</b>			
Dunbartonshire Educational Trust Scheme 1962	(3)	3	0
<b>Total</b>	<b>(3)</b>	<b>3</b>	<b>0</b>
<b>Overall Total</b>	<b>(324)</b>	<b>9</b>	<b>(315)</b>

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. West Dunbartonshire Council has accounted for its interests in each associate and joint venture using the equity method of accounting.

### **Combining Entities**

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

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

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

The accounting period for all entities is 31 March 2018.

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 £26.555m – representing the council's share of net assets in these entities.

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

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

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

## Group Accounts (Cont'd)

### Group Comprehensive Income and Expenditure Statement

Restated 2016/17 Gross Expenditure £000	Restated 2016/17 Gross Income £000	Restated 2016/17 Net Expenditure £000		2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
			<b>Service</b>			
74,490	(50,614)	23,876	Corporate Services	75,922	(49,579)	26,343
94,304	(5,024)	89,280	Educational Services	103,693	(9,465)	94,228
54,150	(24,655)	29,495	Infrastructure, Regeneration and Economic Development	59,551	(23,371)	36,180
9,384	(4,624)	4,760	Housing and Communities	9,771	(4,811)	4,960
37,780	(40,625)	(2,845)	Housing Revenue Account	33,456	(42,283)	(8,827)
4,829	(6,423)	(1,594)	Miscellaneous Services	9,692	(6,916)	2,776
153,362	(87,221)	66,141	Health and Social Care Partnership	154,010	(86,828)	67,182
2,621	0	2,621	Requisitions	2,481	0	2,481
6,428	(2,597)	3,831	Subsidiaries	7,107	(3,127)	3,980
<b>437,348</b>	<b>(221,783)</b>	<b>215,565</b>	<b>Net Cost of Service before removal of Internal Recharges</b>	<b>455,683</b>	<b>(226,380)</b>	<b>229,303</b>
(7,589)	7,589	0	Removal of Internal Recharges	(7,933)	7,933	0
<b>429,759</b>	<b>(214,194)</b>	<b>215,565</b>	<b>Net Cost of Service (1)</b>	<b>447,750</b>	<b>(218,447)</b>	<b>229,303</b>
			(1,146) (Gain) / loss on Disposal of Fixed Assets			595
			<b>(1,146) Other Operating Expenditure (2)</b>			<b>595</b>
			(31,592) Council Tax			(32,607)
			(82,793) Non-Domestic Rates			(77,334)
			(100,799) Revenue Support Grant			(104,165)
			(8,229) Recognised Capital Income (Grants, Contributions & Donations)			(13,169)
			<b>(223,413) Taxation and Non-specific Grant Income (3)</b>			<b>(227,275)</b>
			(177) Interest Earned			(156)
			18,437 External Interest Payable / Similar Charges			18,422
			846 (Gain)/Loss early settlement of borrowing			846
			(3,284) Surplus on Trading Undertakings not included in net cost of services			(2,759)
			5,984 Pension Interest Cost/Expected Return on Pension Assets			6,545
			<b>21,806 Finance/Investment Income and Expenditure (4)</b>			<b>22,898</b>
			<b>12,812 (Surplus)/Deficit on Provision of Services</b>			<b>25,521</b>
			<b>(5) = (1)+(2)+(3)+(4)</b>			
			(1,589) Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(3,433)
			(24,382) (Surplus)/Deficit arising from revaluation of property, plant and equipment			(1,500)
			(691) (Surplus)/Deficit on revaluation of available for sale assets			(939)
			79,726 Actuarial (gains)/losses on pension fund assets and liabilities			(143,033)
			<b>53,064 Other Comprehensive (Income) and Expenditure (6)</b>			<b>(148,905)</b>
			<b>65,876 Total Comprehensive (Income) and Expenditure (5)+(6)</b>			<b>(123,384)</b>

## Group Accounts (Cont'd)

### Group Movement in Reserves Statement

	Usable Reserves			Unusable Reserves			
	WDC Usable Reserves £000	Group Usable Reserves £000	Total Usable Reserves £000	WDC Unusable Reserves £000	Group Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>2017/18</b>							
Opening Balance at 1 April 2017	(24,679)	(8,356)	(33,035)	(110,346)	(6,545)	(116,891)	(149,926)
<b>Movement in reserve 2017/18</b>							
(Surplus) or deficit on provision of services	25,736	(215)	25,521	(137,302)	(411)	(137,713)	(112,192)
Other Comprehensive Expenditure and Income	(23,351)	(3,537)	(26,888)	23,351	(7,655)	15,696	(11,192)
<b>Net Increase/(Decrease) before Transfers to Other Statutory Reserves</b>	<b>2,385</b>	<b>(3,752)</b>	<b>(1,367)</b>	<b>(113,951)</b>	<b>(8,066)</b>	<b>(122,017)</b>	<b>(123,384)</b>
Transfers to/from other statutory reserves *	(164)	164	0	0	0	0	0
<b>Closing Balance at 31 March 2018</b>	<b>(22,458)</b>	<b>(11,944)</b>	<b>(34,402)</b>	<b>(224,297)</b>	<b>(14,611)</b>	<b>(238,908)</b>	<b>(273,310)</b>
<b>2016/17</b>							
Opening Balance at 1 April 2016	(22,255)	(6,222)	(28,477)	(177,173)	(10,152)	(187,325)	(215,802)
<b>Movement in reserve 2016/17</b>							
(Surplus) or deficit on provision of services	12,436	376	12,812	51,967	5,234	57,201	70,013
Adjustments between accounting basis and funding basis under regulations	(14,860)	(2,510)	(17,370)	14,860	(1,627)	13,233	(4,137)
<b>Net Increase/(Decrease) before Transfers to Other Statutory Reserves</b>	<b>(2,424)</b>	<b>(2,134)</b>	<b>(4,558)</b>	<b>66,827</b>	<b>3,607</b>	<b>70,434</b>	<b>65,876</b>
Transfers to/from other statutory reserves	0	0	0	0	0	0	0
<b>Closing Balance at 31 March 2017</b>	<b>(24,679)</b>	<b>(8,356)</b>	<b>(33,035)</b>	<b>(110,346)</b>	<b>(6,545)</b>	<b>(116,891)</b>	<b>(149,926)</b>

\*The transfer of statutory reserves is in relation to a dividend paid to the council by Clydebank Property Company during 2017/18.

## Group Accounts (Cont'd)

### Group Balance Sheet

2016/17 £000		2017/18 £000
833,933	Property, Plant and Equipment	876,346
29	Intangible Assets	38
11,095	Investment in associates	21,484
44	Long Term Debtors	34
501	Long term Investments	497
1,406	Heritage Assets	1,406
<b>847,008</b>	<b>Total Long Term Assets</b>	<b>899,805</b>
7,345	Asset Held for Sale	9,069
1,158	Inventories	988
37,643	Short Term Debtors	37,416
14,925	Cash and Cash Equivalents	30,807
<b>61,071</b>	<b>Current Assets</b>	<b>78,280</b>
(750)	Provisions	(470)
(2,718)	Cash and Cash Equivalents	(5,929)
(39,277)	Short Term Creditors	(35,220)
(157,557)	Short Term Borrowing	(171,834)
<b>(200,302)</b>	<b>Current Liabilities</b>	<b>(213,453)</b>
<b>707,777</b>	<b>Total Assets less Current Liabilities</b>	<b>764,632</b>
(1,644)	Liabilities in Associates	(521)
(310,254)	Long Term Borrowing	(363,201)
(627)	Provision for liability	(625)
(244,546)	Net Pensions Liability	(125,975)
(780)	Capital Grants Receipts in Advance (conditions)	(1,000)
<b>(557,851)</b>	<b>Long Term Liabilities</b>	<b>(491,322)</b>
<b>149,926</b>	<b>Total Assets Less Liabilities</b>	<b>273,310</b>
	<b>Represented by:</b>	
33,035	Usable Reserves	34,402
116,891	Unusable Reserves	238,908
<b>149,926</b>	<b>Total Reserves</b>	<b>273,310</b>

The unaudited Financial Statements were authorised for issue on 27 June 2018 and the audited Financial Statements were authorised for issue on 27 September 2018.

Stephen West  
Strategic Lead - Resources  
West Dunbartonshire Council  
27 September 2018

## **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 37.

## 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 2017/18, the council contributed £1.609m (2016/17 £1.642m) or 4.39% (2016/17 4.39%) of the Board's estimated running costs and its share of the year end net asset of £14.429m (2016/17 £8.240m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

**Strathclyde Concessionary Travel Scheme Joint Board** oversees the operation of the concessionary fares scheme for public transport on behalf of the 12 local authorities in the West of Scotland. The costs of the scheme are funded through requisitions from the 12 councils and by the Scottish Executive via a 'section 70' grant. In 2017/18, the council contributed £0.175m (2016/17 £0.178m), 4.19% (2016/17 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.065m (2016/17 £0.071m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

**Dunbartonshire and Argyll and Bute Valuation Joint Board** was formed in 1996 at local government re-organisation by an Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of West Dunbartonshire, East Dunbartonshire and Argyll and Bute. The Board's running costs are met by the three authorities, with surpluses and deficits on the Board's operations also shared between the councils. In 2017/18, the council contributed £0.694m (2016/17 £0.708m) or 26.95% (2016/17 26.95%) of the Board's estimated running costs and its share of the year end net liability of £0.521m (2016/17 £1.643m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, 16 Church Street, Dumbarton G82 1QL.

**The West Dunbartonshire Health & Social Care Partnership** - the Public Bodies (Joint Working) Act (Scotland) 2014 sets out the arrangements for the integration of health and social care across the country. The Scottish Government-approved the Integration Scheme for West Dunbartonshire which details the 'body corporate' arrangement by which NHS Greater Glasgow & Clyde Health Board and West Dunbartonshire Council agreed to formally delegate health and social care services for adults and children (including criminal justice, social work services) to a third body, which is described in the Act as an Integration Joint Board. The Integration Joint Board for West Dunbartonshire is known as the West Dunbartonshire Health & Social Care Partnership Board (HSCP Board) and started operations on 1 July 2015. The Board's running costs are met by the two bodies mentioned above, with surpluses and deficits on the Boards operations also shared between them. In 2017/18, the council contributed £60.547m towards estimated running costs and its share of the year end net asset of £3.071m is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Chief Financial Officer to the Integration Joint Board, 16 Church Street, Dumbarton G82 1QL.



## Group Accounts (Cont'd)

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

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

**West Dunbartonshire Leisure Trust** was formed in December 2011 and started trading on 5 April 2012. The Trust is a charitable company registered in Scotland and provides leisure facilities within the West Dunbartonshire area to the general public and operates sports centres, leisure centres, swimming pools, halls and community education centres owned by the council. The Trust is paid a management fee by the council for the provision of these services. The Trust's net asset at 31 March 2018 was £2.228m (2016/17 £1.888m net liability) and its surplus for the year was £0.272m (2016/17 £0.205m surplus). The accounts of the Trust are published separately and can be obtained from the Manager, Leisure Trust Headquarters, Alexandria CE Centre, Alexandria, G83 0NU which is also the company's principal place of business.

**Clydebank Property Company** was part of a group organisation previously known as Clydebank Rebuilt which was a pathfinder urban regeneration organisation, limited by guarantee and included a commercial letting company (industrial units) and a registered charity (the Titan Trust). On 11 August 2014, following the transfer of the Titan Crane to the Property Company, the council bought the commercial letting company with a view to continuing its regeneration objective. The Company's net asset at 31 March 2018 was £3.365m and its surplus for the year before payment of a dividend was £0.047m (2016/17 £0.289m deficit). 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
<b>2017/18</b>					
Surplus/ (Deficit) on					
Operating Activities	4,008	(5)	(148)	287	<b>4,142</b>
Non Current Assets	9,313	0	173	0	<b>9,486</b>
Current Assets	7,713	103	185	3,071	<b>11,072</b>
Non Current Liabilities	(1,681)	0	(846)	0	<b>(2,527)</b>
Current Liabilities	(915)	(38)	(33)	0	<b>(986)</b>
<b>2016/17</b>					
Surplus/ (Deficit) on					
Operating Activities	925	(1)	125	1,978	<b>3,027</b>
Non Current Assets	8,239	0	179	0	<b>8,418</b>
Current Assets	4,181	114	160	2,784	<b>7,239</b>
Non Current Liabilities	(2,262)	0	(1,955)	0	<b>(4,217)</b>
Current Liabilities	(1,918)	(43)	(27)	0	<b>(1,988)</b>

## 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
<b><u>2017/18</u></b>			
Surplus/ (Deficit) on Operating Activities	272	47	319
Non Current Assets	634	4,165	4,799
Current Assets	2,995	269	3,264
Non Current Liabilities	224	(625)	(401)
Current Liabilities	(1,625)	(444)	(2,069)
<b><u>2016/17</u></b>			
Surplus/ (Deficit) on Operating Activities	205	59	264
Non Current Assets	130	4,177	4,307
Current Assets	3,097	472	3,569
Non Current Liabilities	(3,620)	(627)	(4,247)
Current Liabilities	(1,495)	(540)	(2,035)

**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 usable income in 2017/18 was £0.065m (2016/17 £0.071m) for the Common Good and net decrease in funds of £0.009m (2016/17 £0.017m decrease) for the Trust Funds. Copies of the accounts may be obtained from West Dunbartonshire Council, 16 Church Street, Dumbarton G82 1QL.

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

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

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

**Clydebank Municipal Bank** is a company limited by shares set up based upon the Companies Act 1908 and 1913. It acts as banker for a number of private individuals/organisations. The council provides services to the bank and funds any annual losses incurred. The bank's year end is 5 April. The principal business of the Municipal Bank is to accept deposits from private account holders and to invest funds with West Dunbartonshire Council. The chairman and directors of the bank are Elected Members of the Council. As per the bank's unaudited financial statements at 31 March 2018, 2,463 accounts were held with the bank (2016/17 2,451), with a total amount on deposit of £1.234m (2016/17 £1.127m), with £0.861m being invested with the council (2016/17 £0.661m). Interest paid by the council to the bank in the year was £0.021m (2016/17 £0.020m).

## Group Accounts (Cont'd)

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

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

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

**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 £26.555m (2016/17 £14.901m) 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 £273.310m (2016/17 £149.926m).

#### 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:

2016/17	2017/18
£000	£000
8,240 Partnership for Transport	14,429
71 Concessionary Travel Board	65
(1,643) Valuation Joint Board	(521)
2,784 West Dunbartonshire Health & Social Care	3,071
(1,888) West Dunbartonshire Leisure Trust	2,228
3,482 Clydebank Property Company	3,365
3,855 Common Good and Trust Funds	3,918
<b><u>14,901 Total</u></b>	<b><u>26,555</u></b>

## **General Accounting Policies**

### **Note 32 - Accounting Policies**

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

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

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

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

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

- revenue from sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and when it is probable that the economic benefits associated with the transaction will flow to the council;
- revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and when it is probable that the economic benefits associated with the transaction will flow to the council;
- expenses in relation to services received are recorded as expenditure when the services are received, rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption their value is carried as inventories on the Balance Sheet;
- interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than on cash flows fixed or determined by the contract; 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.

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

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

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

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

## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

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

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

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

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

#### 5. Intangible assets

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

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

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

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

#### 6. Property, Plant and Equipment

Assets that have physical substance and are held for the supply of goods and services, either directly or indirectly, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the asset can be measured reliably. Expenditure that maintains, but does not add to the asset's potential to deliver future economic benefits or service potential, is charged as an expense when it is incurred.

## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

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

##### Measurement

Initially measured at cost, comprising of:

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

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

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

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

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

##### Revaluation

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years. The programme of revaluation for 2017/18 and planned each of the following four years is as follows:

## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

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

2017/18	All council non-operational properties;
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; and
2021/22	Offices / depots/ cemeteries/ crematorium lodges.

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

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

All valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted by:

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

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

#### Impairment

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

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

## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

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

##### Disposals

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

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

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

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is 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).

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.

#### 7. Assets Held for Sale

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



## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

#### 7. Assets Held for Sale (Cont'd)

subsequent decrease to fair value less costs to sell following reclassification in the Surplus or Deficit on the Provision of Service even where there is a balance on the assets Revaluation Reserve.

#### 8. Heritage assets

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

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

Purchased assets are initially recognised at cost and donations are recognised at valuation where that value is estimated to be greater than the threshold of £10,000 as specified above.

The carrying amounts are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

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

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

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

### **Note 32 - Accounting Policies (Cont'd)**

#### **9. 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.

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

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

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

##### **Termination Benefits**

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

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

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

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

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

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.

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

### **Note 32 - Accounting Policies (Cont'd)**

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

##### **Discretionary Benefits**

The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) arising from the use of these discretionary powers are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the local government pension scheme.

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

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

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

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

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

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

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

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

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.

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

### **Note 32 - Accounting Policies (Cont'd)**

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

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

##### **Modified Loans**

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

##### **Unmodified Loans**

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

##### **Straight Repayment**

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

#### **14. Financial Assets**

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.

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

## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

#### 14. Financial Assets (Cont'd)

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.

#### Instruments entered into since 1 April 2006

Any financial guarantees the council has committed to since 1 April 2006 have been recognised at fair value and assessed for probability of the guarantee being called and the likely amount payable under the guarantee. Any material provision for this has been recognised in the Financial Statements to the extent that provisions might be required or a contingent liability note is needed.

#### 15. Fair Value Measurement

The council measures some 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.

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

### **Note 32 - Accounting Policies (Cont'd)**

#### **16. Government grants and contributions**

Government grants and other contributions are recognised as due by the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified for future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

#### **17. Inventories**

Inventories are held by a number of council services, such as asset maintenance services, roads, services, school technician services, hospitality services, etc., and include consumable stock and work in progress, where appropriate.

Consumable stock is included in the Balance Sheet on a cost price basis, with inventory quantities based on physical stock at the end of the year.

#### **18. Leases**

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operational. Where the lease covers both land and buildings, the elements are considered separately for classification.

#### **Council as Lessee**

##### Finance Leases

Assets held under finance lease are recognised in the Balance Sheet at the start of the lease at its fair value at the lease's inception, or, if lower the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay. Initial direct costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to revenue in the years they incur. Lease payments are apportioned between:

## General Accounting Policies (Cont'd)

### Note 32 - Accounting Policies (Cont'd)

#### 18. Leases (Cont'd)

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

Assets recognised under the finance lease are accounted for using the policies applied generally to council owned assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight line basis over the life of the lease, even if it does not match the pattern of payment.

#### **Council as Lessor**

#### Finance Leases

When the council grants a finance lease over an asset, the asset is written out of the Balance Sheet as a disposal. At the start of the lease the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement, matched by a lease asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a receipt for the acquisition of the interest in the asset – applied to write down the lease asset (together with any premiums received); and
- finance income (credited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amounts due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element of the charge for the acquisition 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.

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

### **Note 32 - Accounting Policies (Cont'd)**

#### **19. Overhead and support services**

The costs of overheads and support services are charged to non General Fund services that benefit from the supply in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18. The total absorption costing principle is used – the full cost of overheads and support services are shared between those users in proportion to the benefits received. General Fund Services have not been charged for these support service costs, in line with the council's budgetary reporting structure.

#### **20. Public private partnership (PPP) and similar contracts**

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the private contractor. As the council is deemed to control the services that are provided under the PPP scheme and as ownership of the property, plant and equipment will pass to the council at the end of the contract for no additional charge, the council carries the asset on its Balance Sheet.

#### **21. Provisions**

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

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

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

#### **22. Interest in Companies and Other Entities**

The council has material interests in companies and other entities that have the nature of associates/ subsidiaries and require it to prepare group accounts. In the council's own single entity accounts, the interests of one company is recorded as an investment in the Balance Sheet, as the council has shares and full ownership of the Clydebank Property Company (purchased during 2014/15). No other interests are recorded in the council's single entity accounts of any of other organisation.

#### **23. VAT**

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

### **Note 33 – 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 2018/19 Code:

- IFRS 9 – Financial Instruments – this introduces changes to the classification and measurement of financial assets and for impairing these assets;
- IFRS 15 – Revenue from Contracts with Customers – this provides new requirements for the recognition of revenue;



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

### **Note 33 – Accounting Standards that have been issued but have not yet been adopted (con'd)**

- Amendments to IAS 12 - Income Taxes – this applies to deferred tax assets related to debt instruments measured at fair value; and
- Amendments to IAS 7 – Statement of Cashflows: Disclosure Initiative – this will result in further disclosures of cashflows from financing activities.

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 2018 and therefore there is no impact on the 2017/18 Statement of Accounts.

### **Note 34 – Critical Judgement in Applying Accounting Policies**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 32. Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect are detailed below:

**Holiday Entitlement** - Unused holiday entitlement earned at 31 March 2018 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.

**Public Sector Funding** – There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets held might be impaired as a result of a need to close facilities and reduce levels of service provision.

### **Note 35 - 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 32 on pages 103 to 115 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.

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

### **Note 35 - Group Accounting Policies: Disclosure of differences with main Statement of Accounting Policies (cont'd)**

#### **Group Balance Sheet**

Inventories – valuation methods vary slightly across the Group. The council uses cost price basis. The difference in valuation methods does not have a material impact on the results of the group given the levels of stock held within the organisations; and

Pensions – West Dunbartonshire Leisure Trust complies with the Financial Reporting Standard FRS102 concerning the disclosure of information on pensions. There is no difference in the Profit and Loss Account by using this method in comparison with IAS19 (which is used by other group entities) therefore there is no impact on the results of the group.

## Glossary of Terms

While much of the terminology used in this report is self explanatory, the following additional definitions and interpretation of the terms used are provided for assistance. The Glossary of Terms does not comprise part of the audited financial statements.

1. **Employee benefit expenses**  
This includes salaries, wages, overtime, bonus, enhancements, pensions, employer's national insurance, travelling and subsistence expenses and other staff allowances.
2. **Other service expenses**  
This includes:
  - property costs (e.g. rent, rates, insurance, repairs and maintenance, upkeep of grounds, heating and lighting);
  - supplies and services (e.g food, materials, books, uniforms and protective clothing, purchase/ maintenance of equipment);
  - transport costs (e.g. fuel, repairs and maintenance, tyres, licences, insurance and procurement of transport for school children);
  - administration costs (e.g. printing and stationery, advertising, postages, telephone costs);
  - Payments to Other Bodies (e.g. grants and payments to individuals, organisations and agencies providing services complementing or supplementing the Council's work.
3. **Specific Government Grants**  
This includes grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred e.g. National Priority Action Fund, Benefits Administration.
4. **General Income**  
This includes the charges to persons and bodies for the direct use of council services.
5. **Capital Expenditure**  
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, finance leases, or utilising the income from the sale of existing assets.
6. **Capital Financed from Current Revenue**  
This is expenditure incurred in creating, acquiring or improving assets where that expenditure is charged directly to the revenue account.
7. **Deferred Asset**  
The deferred asset represents the net value of the premium paid/discounts received by the Council on the early repayment of external long term loans.
8. **Useable Capital Receipts Reserve**  
The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
9. **Pension Interest Cost**  
The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement
10. **Expected Return of Pension Assets**  
The average rate of return expected over the remaining life of the related obligation on the actual assets held.
11. **CIPFA**  
Chartered Institute of Public Finance and Accountancy
12. **LASAAC**  
Local Council (Scotland) Accounts Advisory Committee
13. **Budget**  
The original revenue budget as set by Members at an appropriate Council meeting.
14. **Intangible Assets**  
Expenditure on assets such as software licences that do not have physical substance but are identifiable and controlled by the Council.
15. **Revaluation Reserve**  
This fund is a store of gains on the revaluations of fixed assets. It is a reserve held for technical accounting purposes and is not available for distribution.

## Glossary of Terms (Cont'd)

- 16. Capital Adjustment Account (CAA)**  
This fund is a store of capital resources set aside to meet past expenditure. It is an account held for technical accounting purposes and is not available for distribution.
- 17. Financial Instrument Adjustment Account (FIAA)**  
This account is used to balance for differences in statutory requirements and proper accounting practices for borrowing and lending. It is an account held for technical accounting purposes and is not available for distribution.
- 18. Associate Body**  
An entity other than a subsidiary or a joint venture in which the council has an interest and over who's operating and financial policies the council is able to exercise significant influence.
- 19. Entity**  
A body that is delivering a service or carrying on a business. It should have a separate legal personality and is legally obliged to prepare its own financial statements.
- 20. Statutory Additions**  
Additional charges levied for late payment of council tax and non domestic rates.
- 21. Capital Items Replacement Fund**  
Reserve earmarked for specific purposes within Education
- 22. Available for Sale Reserve**  
Assets that have a quoted market price and/or do not have fixed or determinable payments.
- 23. Current Service Costs (Pension)**  
This relates to the real cost of benefit entitlement earned by employees.
- 24. Past Service Costs/Gains (Pension)**  
This relates to posts/gains from years prior to the current year and arise from decisions made in year. In 2017/18 this relates to the capitalised cost of early retirements on efficiency grounds.
- 25. Curtailments (Pension)**  
Used to reduce the number of expected years of future service for employees. In 2017/18 this relates to the capitalised cost of early retirements on efficiency grounds.
- 26. Interest Cost (Pensions)**  
The amount needed to unwind the discount applied in calculating current service cost.
- 27. Expected Return on Assets (Pensions)**  
A measure of the return on the investment assets held by the scheme for the year.
- 28. Public Private Partnership (PPP)/Public Finance Initiative (PFI)**  
A contract between the council and a private organisation for the provision of new Educational buildings maintenance and related facilities.
- 29. Available for Sale Assets**  
These assets are in relation to Financial Instruments and include:
  - Equity investments; and
  - Other investments traded in an active market.
- 30. Heritage Assets**  
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities which is held for its contribution to knowledge and culture.
- 31. PPE**  
Property, Plant and Equipment.

## **Independent auditor's report to the members of West Dunbartonshire Council and the Accounts Commission**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

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

I certify that I have audited the financial statements in the annual accounts of West Dunbartonshire Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non-domestic Rates Account, the Common Good Fund and the Sundry Trust Funds and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead - Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at

least twelve months from the date when the financial statements are authorised for issue.

### **Responsibilities of the Strategic Lead – Resources and West Dunbartonshire Council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Strategic Lead – Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Strategic Lead - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead – Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

West Dunbartonshire Council is responsible for overseeing the financial reporting process.

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

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

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

### **Other information in the annual accounts**

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

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

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

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

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2018

**DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**



## **DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**

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## Trustees' Annual Report

### Introduction

The Trustees present the annual report together with the Financial Statements for the year ended 31 March 2018.

### Administration Information

West Dunbartonshire Council is sole Trustee for all Trust Funds with the exception of Dunbartonshire Educational Trust Scheme 1962 and McAuley Prize for Mathematics. The table below identifies the Trustees pre and post-election for 2017/18. The pre-election Trustees were in place as at the start of the year (1 April 2017). However, during 2017/18, following a Local Government election there were changes to the Trustees. The post-election column identifies the current Trustees.

Trust Funds	Charity Number	Pre-Election Trustees	Post-Election Trustees	Local Authority	Contact Address
Alexander Cameron Bequest	SC025070	Provost Douglas McAllister Councillor John Mooney Councillor Lawrence O'Neill Councillor Gail Casey	Provost William Hendrie Bailie Denis Agnew Councillor Jim Brown Councillor Gail Casey  Councillor Diane Docherty Councillor Jim Finn Councillor Daniel Lennie Councillor Douglas McAllister Councillor Marie McNair Councillor John Mooney Councillor Lawrence O'Neill	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU
Dr AK Glen	SC018701	Councillor George Black Councillor David McBride Councillor Tommy Rainey Councillor Ian Murray	Councillor Karen Conaghan Councillor David McBride Councillor Ian McLaren Councillor Brian Walker	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU

## Trustees' Annual Report (continued)

Trust Funds	Charity Number	Pre-Election Trustees	Post-Election Trustees	Local Authority	Contact Address
UIE Award	SC025070	Councillor George Black Councillor Gail Casey  Councillor Jim Finn  Councillor David McBride Councillor Jonathan McColl Councillor Patrick McGlinchey Councillor John Mooney Councillor Lawrence O'Neill Councillor Tommy Rainey Councillor Gail Robertson Councillor Martin Rooney Councillor Kath Ryall	Councillor Jim Brown Councillor Ian Dickson Councillor Diane Docherty Councillor Jim Finn  Councillor Daniel Lennie Councillor Caroline McAllister Councillor David McBride Councillor Jonathon McColl Councillor Iain McLaren Councillor John Mooney Councillor Martin Rooney	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU
Vale of Leven Trust	SC025070	Councillor Jonathan McColl Councillor Martin Rooney Councillor Hazel Sorrell Councillor James Bollan Councillor Michelle McGinty Councillor John Millar  Councillor Gail Robertson	Councillor Jonathon McColl Councillor Martin Rooney Councillor Sally Page  Councillor James Bollan Councillor Ian Dickson Councillor Caroline McAllister Councillor John Millar	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU
Dunbartonshire Education Trust Scheme 1962 McAuley Prize for Mathematics	SC025070  SC025070	Provost Douglas McAllister  Councillor John Mooney Councillor Michelle McGinty Councillor David Kinniburgh Councillor Maureen Henry Councillor Eric Gotts  Councillor John Jamieson Councillor Barry McCulloch Councillor Jean Jones	Councillor Karen Conaghan  Councillor John Mooney  Councillor Graham Archibald Hardie Councillor John Jamieson  Councillor Gillian Fannan Councillor Thomas Johnston	West Dunbartonshire Council  West Dunbartonshire Council West Dunbartonshire Council Argyll & Bute Council  East Dunbartonshire Council East Dunbartonshire Council East Dunbartonshire Council North Lanarkshire Council North Lanarkshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU

## **Trustees' Annual Report (continued)**

### **Objectives and in-year activity**

The activities of each of the Trusts are detailed below:

#### **SC018701 – Dr AK Glen**

- This fund is for the benefit of the people of Dumbarton, to assist and relieve those in need by reason of age.

#### **SC025070 – West Dunbartonshire Trusts**

- Alexander Cross Cameron Bequest - for the benefit of the people of Clydebank to assist those in need by reason of age, ill health, disability, financial hardship or other disadvantage;
- Vale of Leven Fund - for the benefit of the people of the Vale of Leven to assist those in need by reason of age, ill health, disability, financial hardship or other disadvantage;
- UIE Award - for students studying apprenticeships or training in industry;
- Dunbartonshire Educational Trust Scheme 1962- awards educational prizes and bursaries; and
- McAuley Prize for Mathematics - provides prizes for those studying maths and computing.

All trusts are advertised on West Dunbartonshire Council's website and details have been passed to West Dunbartonshire Community and Volunteering Service (WDCVS) to publicise them.

#### **Dr A K Glen Fund**

The Trust seeks to disburse available funds arising from investment income attained, with two grants being awarded during 2017/18, totalling £1,000.

#### **Alexander Cross Cameron Bequest**

The Alexander Cross Cameron Bequest seeks to disburse available funds arising from investment income attained, with five grants being awarded during 2017/18, totalling £6,820.

#### **Vale of Leven Fund**

It was agreed by Trustees during 2016/17 that the funds should be disbursed in full. The publicising of the availability of the Trust has been undertaken during 2017/18. However, the funds have not yet been disbursed in full, with only one grant being awarded in 2017/18, totalling £2,000.

#### **Trusts with no in-year activity**

The UIE Award Trust did not meet during 2017/18, with no funding applications received and no grant funding awarded. Work is currently underway to review and modernise the Trust's governance arrangements to encourage funding applications in the future.

The Trustees for the Dunbartonshire Educational Trust Scheme 1962 and the McAuley Prize for Mathematics did not meet during 2017/18. The Trustees have been seeking clarification as to amendments to the governance arrangements. As these Trusts are governed by statute, discussions are ongoing between the Council (as Administrator) and Scottish Ministers and Office of the Scottish Charity Regulator (OSCR) regarding these arrangements.

#### **Winding-up of Trusts: War Memorial Dumbarton and Halkett Memorial Trust**

During 2016/17, the Trustees agreed that funds in relation to War Memorial Dumbarton and Halkett Memorial Trust should be disbursed in full. As a result of this, prior to the 31 March 2017, the full value of each Trust was disbursed as agreed, with steps taken to wind up the Trusts prior to 31 March 2017.

## Trustees' Annual Report (continued)

### Structure and Governance

Dr AK Glen and West Dunbartonshire Trust Funds are registered with the OSCR. The governance arrangements are under the control of West Dunbartonshire Council (the Council), which appoints trustees as required. Trustees are elected members of West Dunbartonshire Council with the exception of the Dunbartonshire Education Trust Scheme 1962 and McAuley Prize for Mathematics. The trustees of both the Dunbartonshire Educational Trust and the McAuley Prize for Mathematics are elected members from West Dunbartonshire Council, Argyll & Bute Council, East Dunbartonshire Council and North Lanarkshire Council.

Following a review of the governance documents, it was agreed at Council on 31 August 2016 that the remaining Trust Funds would be delegated to sub-committees as follows:

Trust	Delegation
Alexander Cross Cameron Bequest	Alexander Cross Cameron Committee
Vale of Leven Fund	Vale of Leven Sub-Committee
Dr A K Glen Fund	Dumbarton Trust Sub-Committee

The trustees have overall responsibility for ensuring that there are appropriate systems of control, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trusts and enable them to ensure that the Financial Statements comply with Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charity and hence responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurances that:

- The trusts are operating efficiently and effectively;
- Assets are safeguarded against unauthorised use and disposition;
- Proper records are maintained and financial information used by the charities is reliable; and
- The trusts comply with relevant laws and regulations.

The systems of internal controls are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems of internal control follow those of the West Dunbartonshire Council itself and, as such, much of this is delegated to the Council's Strategic Lead - Resources. The Council continually seeks to improve the effectiveness of its systems of internal control so that any irregularities are either prevented or quickly detected. The systems of internal control are based on a framework of regular management information, financial regulations, financial and administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Financial Statements and Trustees Report are prepared by the Finance Service within West Dunbartonshire Council.

The appointed external auditors are Audit Scotland. The Council has agreed to meet the cost of this audit and not pass this on to the trusts. This is to provide additional financial support to the trusts, ensuring that core funds are not eroded, and objectives can continue to be achieved.

The Trustees only meet as and when required during the year and will ensure that the required accounting arrangements are adhered to.

## **Trustees' Annual Report (continued)**

### **Management of Funds and Investment Policy**

Decisions regarding the management of the trusts are made by the Trustees. Trustees rely on the expertise of Council staff to manage the investments to ensure the maximum return at the least risk to the Trusts. In this way, the income stream for the future benefit of the Trusts is protected.

Funds available are invested each year with interest earned. Investments are made both internally and externally, with the majority invested in the Council's Loans Fund and externally managed by West Dunbartonshire Council.

### **Performance**

Income for Dr AK Glen & West Dunbartonshire Trusts comes from investment returns. The average interest rate for any internal investments with the Council's loans fund was 0.35%.

In 2015, 2 1/2% Consolidated Stock and 3 1/2% Conversion Stock were redeemed by HM Treasury which reduced the level of investment held. These were previously valued at £2,587 but due to market conditions, the value of the actual funds received during 2017/18 was £2,551, resulting in a small loss of £36.

Dunbartonshire Educational Trust Scheme 1962 continues to receive income from external investments i.e. 3% Clydeport and 4% Clydeport Consolidated Stock. These investments are managed by West Dunbartonshire Council and achieved investment income of £10 in 2017/18.

### **Financial Review**

The total balance on the Trusts as at 31 March 2018 (including stocks) is £315,296.

On 8<sup>th</sup> July 2016 Clydeport Operations Ltd delisted 3% and 4% stocks from the London Stock Exchange. These are stocks held by Dumbarton Educational Trust. Until further information is available it has been assumed that the balance of this stock has remained the same as the previous year (£218).

The trusts held cash and bank balances at 31 March 2018 of £315,078. Reserves are held by the Council on behalf of the trusts and revenue income, generated from investment interest that has not been disbursed at 31 March every year, is invested in line with the investment policy outlined above.

### **Declaration**

This report was signed on behalf of the Trustees on 27 June 2018 by:

Councillor Jonathon McColl  
West Dunbartonshire Council  
27 September 2018

# Statement of Receipts & Payments Account for the Year Ended 31 March 2018

<b>Receipts 2016/17 £</b>	<b>Payment 2016/17 £</b>	<b>(Surplus) / Deficit 2016/17 £</b>		<b>Receipts 2017/18 £</b>	<b>Payment 2017/18 £</b>	<b>(Surplus) / Deficit 2017/18 £</b>
(330)	0	(330)	Dunbartonshire Educational Trust Scheme 1962	(2,875)	0	(2,875)
(80)	0	(80)	McAuley Prize for Mathematics	(74)	0	(74)
(570)	0	(570)	Alexander Cross Cameron Bequest	(522)	6,820	6,298
(55)	15,352	15,297	War Memorial Dumbarton	0	0	0
(9)	2,653	2,644	Halkett Memorial Trust	0	0	0
(44)	0	(44)	Vale of Leven Fund	(29)	2,000	1,971
(86)	0	(86)	UIE Award	(84)	0	(84)
(93)	0	(93)	Dr AK Glen	(88)	1,000	912
<b>(1,267)</b>	<b>18,005</b>	<b>16,738</b>	<b>Total</b>	<b>(3,672)</b>	<b>9,820</b>	<b>6,148</b>

# Statement of Balances as at 31 March 2018

Opening Balance 2016/17 £	(Surplus) / Deficit 2016/17 £	Closing Balance 2016/17 £	Note		Opening Balance 2017/18 £	(Surplus) / Deficit 2017/18 £	Closing Balance 2017/18 £
				<b>Cash and Bank</b>			
(85,746)	(330)	(86,076)		Dunbartonshire Educational Trust Scheme 1962	(86,076)	(2,875)	(88,951)
(21,376)	(80)	(21,456)		McAuley Prize for Mathematics	(21,456)	(74)	(21,530)
(154,394)	(570)	(154,964)		Alexander Cross Cameron Bequest	(154,964)	6,298	(148,666)
(15,297)	15,297	0		War Memorial Dumbarton	0	0	0
(2,644)	2,644	0		Halkett Memorial Trust	0	0	0
(8,325)	(44)	(8,369)		Vale of Leven Fund	(8,369)	1,971	(6,398)
(24,172)	(86)	(24,258)		UIE Award	(24,258)	(84)	(24,342)
(26,010)	(93)	(26,103)		Dr AK Glen	(26,103)	912	(25,191)
<b>(337,964)</b>	<b>16,738</b>	<b>(321,226)</b>		<b>Total Cash and Bank</b>	<b>(321,226)</b>	<b>6,148</b>	<b>(315,078)</b>
				<b>Investment</b>			
(2,805)	0	(2,805)	5	Dunbartonshire Educational Trust Scheme 1962	(2,805)	2,587	(218)
<b>(2,805)</b>	<b>0</b>	<b>(2,805)</b>		<b>Total Investment</b>	<b>(2,805)</b>	<b>2,587</b>	<b>(218)</b>
<b>(340,769)</b>	<b>16,738</b>	<b>(324,031)</b>		<b>Overall Total</b>	<b>(324,031)</b>	<b>8,735</b>	<b>(315,296)</b>

All funds are unrestricted which means they may be used for any purpose relevant to the Trust Fund.

The unaudited Financial Statements were issued on 27 June 2018 and the audited accounts were authorised for issue on 27 September 2018.

Signed on behalf of the Trustees by:-

Councillor Jonathon McColl  
West Dunbartonshire Council  
27 September 2018



## **Notes to the Financial Statements**

### **Note 1 - Basis of Accounting**

The Financial Statements have been prepared on a receipts and payments basis and in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

### **Note 2 – Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to the Trustees or any connected persons during the 2017/18;
- The Trusts received interest of £1,111 from the Council at 31 March 2018, and all transactions incoming and outgoing are made via the Council's bank accounts; and
- The Council has not charged the charity any fees for legal, financial or administrative services provided during the year.

### **Note 3 – Grants**

In 2017/18 the following grants were awarded:

#### Alexander Cross Cameron Bequest

- £ 410 to Faifley Art Group as a contribution towards a member day trip to the Stirling Smith Gallery and Museum;
- £3,000 to Faifley Community Council to fund community gala day;
- £2,160 to 130 Club as a contribution to a 4 day holiday to Dunoon for 36 people;
- £500 to Radnor Park Church as a contribution towards a Christmas Tree Festival; and
- £750 to Central Radnor Park Tenants & Residents Association as a contribution towards a Christmas Fayre.

#### Vale of Leven Fund

- £2,000 to Oakbank Tenants Social Club as a contribution towards a gardening project.

#### DR A.K. Glen Fund

- £500 to Healthy Heart Lifestyle Club to purchase a defibrillator; and
- £500 to Manage Your Pain Group as a contribution towards members' trip to Edinburgh.

### **Note 4 – Cash and Bank Balances**

During the year the trusts balances were held by the Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the trusts for this administration. The Council also acts as the banker for the trusts and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is paid on balances.

## Notes to the Financial Statements (continued)

### Note 5 – Investment

The investment valuation of £218 (shown in the table below) is the market value as at 31 March 2016, as valued by West Dunbartonshire Council. There has been notification that the stocks have been delisted in July 2016. There has been no further update on this and therefore the assumption is that the market price remains the same.

<b>Purchase Price as at 31 March 2017</b>	<b>£</b>	<b>Market Price as at 31 March 2017</b>	<b>£</b>	<b>Investment</b>	<b>Purchase Price as at 31 March 2018</b>	<b>£</b>	<b>Market Price as at 31 March 2018</b>	<b>£</b>
	(289)		(199)	4% Clydeport authority		(289)		(199)
	(35)		(19)	3% Clydeport Authority		(35)		(19)
	<b>(324)</b>		<b>(218)</b>	<b>Total</b>		<b>(324)</b>		<b>(218)</b>

### Note 6 – Audit Fee

The audit fee for the year of £2,100 (£2,100 2016/17) was absorbed by West Dunbartonshire Council.

## **Independent auditor's report to the trustees of DR A K Glen & West Dunbartonshire Trust Funds and the Accounts Commission**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

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

I certify that I have audited the financial statements in the statement of accounts of DR A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments Account and the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2018 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibilities of the trustees for the financial statements**

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charities, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

## **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

## **Report on other requirements**

### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Carol Hislop CA

Audit Scotland

4<sup>th</sup> Floor

8 Nelson Mandela Place

Glasgow

G2 1BT

September 2018

Carol Hislop is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

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## West Dunbartonshire Council

27 September 2018

## West Dunbartonshire Council Audit of 2017/18 annual accounts

### Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 27 September 2018 (the proposed report is attached at [Appendix A](#)).

### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the West Dunbartonshire Council's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

### Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to West Dunbartonshire Council we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Section 95 Officer**

8. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## APPENDIX A: Proposed Independent Auditor's Report

### Independent auditor's report to the members of West Dunbartonshire Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of West Dunbartonshire Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non-domestic Rates Account, the Common Good Fund and the Sundry Trust Funds and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

#### Responsibilities of the Strategic Lead – Resources and West Dunbartonshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Lead – Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Strategic Lead - Resources



determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead – Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

West Dunbartonshire Council is responsible for overseeing the financial reporting process.

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

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

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

### **Other information in the annual accounts**

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

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

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

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

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

## **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2018

## APPENDIX B: Letter of Representation (ISA 580)

Fiona Mitchell-Knight  
Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Fiona,

### **West Dunbartonshire Council Annual Accounts 2017/18**

1. This representation letter is provided about your audit of the annual accounts of West Dunbartonshire Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of West Dunbartonshire Council's annual accounts for the year ended 31 March 2018.

### **General**

3. West Dunbartonshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by West Dunbartonshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the West Dunbartonshire Council and its Group at 31 March 2018 and the transactions for 2017/18.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to West Dunbartonshire Council's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

9. I have assessed West Dunbartonshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on West Dunbartonshire Council's ability to continue as a going concern.

## **Assets**

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2018 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2018 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2018.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

15. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2018 of which I am aware where the conditions specified in the 2017/18 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2018. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2018 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for West Dunbartonshire have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

21. There are no significant contingent liabilities, other than those disclosed in Note 30 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and IAS 37
22. With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

### **Fraud**

23. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

24. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

25. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all West Dunbartonshire Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

27. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

28. I confirm that West Dunbartonshire Council has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
29. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

## **Group Accounts**

30. I have identified all the other entities in which West Dunbartonshire Council has a material interest and have classified and accounted for them in accordance with the 2017/18 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

## **Events Subsequent to the Date of the Balance Sheet**

31. All events subsequent to 31 March 2018 for which the 2017/18 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Stephen West  
Section 95 Officer

# West Dunbartonshire Council

2017/18 Annual Audit Report



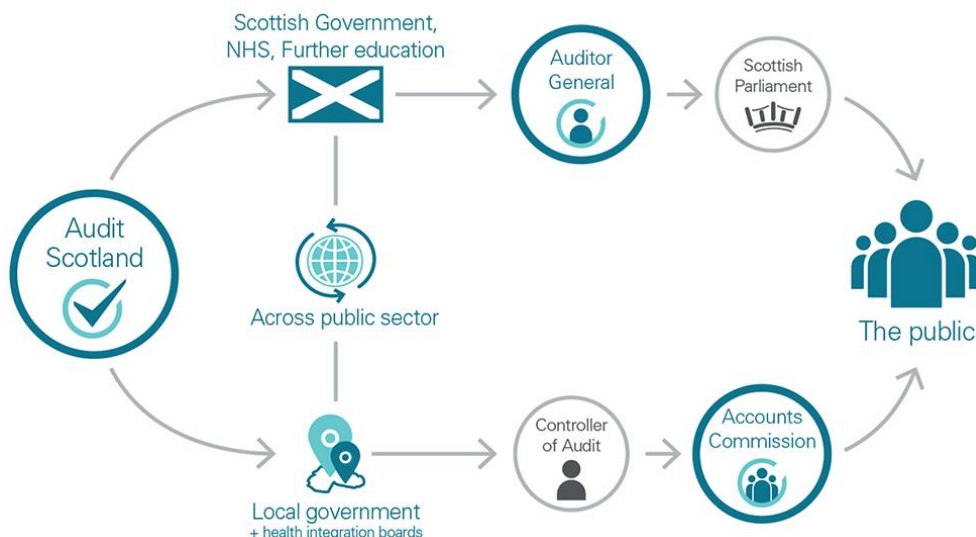
 AUDIT SCOTLAND

Prepared for the Members of West Dunbartonshire Council and the Controller of Audit  
27 September 2018

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.



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# Key messages

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## 2017/18 annual accounts

- 1 In our opinion, West Dunbartonshire Council and its group financial statements give a true and fair view of the financial position.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.
- 3 The statement of accounts of the five section 106 charities administered by the Council are free from material misstatement.

## Financial management

- 4 The council has a good record of delivering within its service budgets. Budget monitoring reports are informative, comprehensive and easy to read.
- 5 The council's capital plan has grown since 2015 to £109 million this year. However, as reported in the Best Value Assurance Report, there is a high level of slippage every year, with 47.7% in 2017/18. The council has now agreed improvement actions which aim to address the slippage.
- 6 The council has effective arrangements in place for financial planning that include a long-term financial plan.

## Financial sustainability

- 7 The council and its group financial position is sustainable but challenging in the foreseeable future. Rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the council's capacity to deliver services at the current levels.
- 8 The council has effective arrangements in place for financial planning that include a long-term financial plan. However, the council has a cumulative funding gap of £13.8 million over the next three years to March 2021 that it needs to close. Service reform needs to continue.

## Governance and transparency

- 9 Officers and councillors from all parties work well together for the benefit of the residents of West Dunbartonshire.
- 10 The council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council.
- 11 The council is open and transparent in the way it conducts its business and the public can attend meetings of the council and its standing committees.

## Best Value

- 12** The Best Value Assurance Report published in June says that West Dunbartonshire Council has made significant improvements in how it works over the last ten years. The council demonstrates a focus on delivering Best Value and there was evidence of continuous improvement in its services. In August, the council agreed a Best Value Assurance Improvement Plan to address all the recommendations included in the BVAR. Progress will be reported in next year's Annual Audit Report.
- 13** The council's Strategic Plan 2017-22 lays out a focused and ambitious vision for the period which reflects the needs of its community.
- 14** Overall, service performance is improving and most residents who have provided feedback to the council are satisfied. The council maintains a steady pace of change that has led to improved outcomes in its priority areas including housing services and educational attainment amongst schoolchildren.
- 15** The Strategic Improvement Framework provides a structured and practical approach to help council services continue to improve. The council has demonstrated a commitment to delivering services differently in West Dunbartonshire and is working well with partners to achieve this.

# Introduction

1. This report summarises the findings arising from the 2017/18 audit of West Dunbartonshire Council (the Council) and its group.
2. The scope of the audit was set out in our Annual Audit Plan presented to the 21 March 2018 meeting of the Audit Committee. This report comprises the findings from:
  - an audit of the annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

## Exhibit 1

### Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:
  - an audit of the Council and its group 2017/18 annual accounts and the statement of accounts of the five section 106 charities administered by the Council including the issue of independent auditor's reports setting out our opinions
  - a review of the Council's key financial systems
  - audit work covering the Council's arrangements for securing Best Value relating to vision and strategic direction, performance, use of resources and partnership working.

- consideration of the four audit dimensions
  - a review of the council's housing benefit systems
4. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
  5. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
  6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance, and International Standards on Auditing in the UK.
  7. As public sector auditors, we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the Council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. We also report on the Council's best value arrangements and, in doing this, we aim to support improvement and accountability.
  8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
  9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
  10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
  11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2017/18 audit fee of £257,760 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

12. Our aim is to add value to West Dunbartonshire Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.
13. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual accounts



### Main judgements

**In our opinion, West Dunbartonshire Council and its group financial statements give a true and fair view of the financial position and were properly prepared in accordance with proper accounting practices.**

**The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.**

**The statement of accounts of the five section 106 charities administered by the Council are free from material misstatement.**

### Audit opinions on the annual accounts

- 15.** The annual accounts for the Council and its group for the year ended 31 March 2018 were approved by the Council on 27 September 2018. We reported, within our independent auditor's report that, in our opinion:
- the financial statements give a true and fair view and were properly prepared
  - the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.
- 16.** Additionally, we have nothing to report in respect of those matters which are required by the Accounts Commission to report by exception.
- 17.** We comment on the audit of charities administered by the council.

The Council and its group annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

### Audit opinions on section 106 charities

- 18.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of West Dunbartonshire Council are sole trustees, irrespective of the size of the charity. This relates to Dr A K Glen and West Dunbartonshire Charitable Trusts, a registered charity which incorporates five trust funds.
- 19.** Our duties as auditors of the charitable trusts administered by the Council are to:
- express an opinion on whether the charities' financial statements properly present the charitable trusts' financial positions and are properly prepared in accordance with charities legislation

- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator.

- 20.** Some progress has been made in relation to reducing the number of section 106 charities. In 2016/17, two trust funds were fully disbursed and subsequently closed in financial year 2017/18.
- 21.** We received the charities' accounts in line with the agreed timetable and, after completing our audit, we reported in our independent auditor's reports that, in our opinion:
- the financial statements properly present for receipts and payments basis the section 106 charities' financial positions and are properly prepared in accordance with charities legislation
  - the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

## Whole of Government Accounts

- 22.** The Council submitted a consolidation pack for the whole of government accounts audit on 29 June 2018 in line with the deadline.

## Risk of material misstatement

- 23.** [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team and the wider audit dimension risks identified.

## Materiality

- 24.** Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).
- 25.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.
- 26.** On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£4.453 million
Performance materiality	£1.781 million
Reporting threshold	£40,000

Source: Audit Scotland, Annual Audit Plan 2017/18  
How we evaluate misstatements

- 27.** During the audit, a number of errors were identified which exceeded our reporting threshold. Following discussions with officers, all of these were amended in the audited financial statements.
- 28.** The net effect of these adjustments was to increase the net cost of services recorded in the comprehensive income and expenditure statement by £178,000 and to reduce total net assets by £56.069 million. This was mainly due to the IAS 19 adjustment (£55 million) and the impairment of the 12 new build properties (£0.99 million), as explained further in [Exhibit 3](#).
- 29.** It is our responsibility to request that all errors are corrected, although the final decision lies with those charged with governance taking into account advice from senior officers and materiality.

### Significant findings from the audit in accordance with ISA 260



- 30.** International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross-reference to the Action Plan in [Appendix 1](#) has been included.
- 31.** The findings include our views about significant qualitative aspects of the Council's accounting practices including:



- |   |   |
|---|---|
| • Accounting policies   | • Accounting estimates and judgements   |
| • Significant financial statements disclosures                | • Timing of transactions and the period in which they are recorded              |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements            |
| • Misstatements in the annual accounts                        | • Disagreement over any accounting treatment or financial statements disclosure |



## Exhibit 3

### Significant findings from the audit of the financial statements

Finding	Resolution
<p><b>1. Revised estimate of net pension liability</b></p> <p>International Accounting Standard 19 – Employee Benefits requires all organisations to disclose information on pension liabilities in their financial statements. Each year, actuaries provide reports to all UK public sector organisations which have pension liabilities. These reports are typically prepared prior to the financial year-end with an estimate included for the final month. Each year, the estimated figures are compared with actual movements. This year, due to significant fluctuations in stockmarkets in 2018, material differences were noted between the estimated and actual performance. As a consequence of this, we estimated that there was a significant risk of material understatement of the pension fund assets figure in the unaudited accounts.</p> <p>To comply with International Auditing Standards, the audit team advised the council to request an updated actuary's report and to amend the financial statements for any material difference. The revised actuary's report indicated that assets had been undervalued by £13.6 million but that liabilities had also been underestimated by £68.6 million giving a net downward restatement of the fund in the financial statements of £55 million.</p> <p>While the increase in asset value was due to the fluctuations in the stockmarket, the increase in liabilities was due to an error by the actuary in the original report to the council when one group of liabilities had been omitted from the report.</p>	<p>Management continues to liaise with the actuary to determine the reason for the omission of liabilities from its first valuation.</p> <p>The financial statements were amended to record the net adjustment of £55 million. They now reflect the actuary's best estimate of the pension liability as at 31 March 2018.</p>
<p><b>2. Housing revenue account – housing stock</b></p> <p>Through the audit, it was found that 12 new-build properties, totalling £1.663 million, were recorded as "assets under construction" in the fixed asset register. These houses were actually completed and should have been recorded as housing stock. This was corrected, resulting in an impairment of £0.985 million.</p>	<p>Officers have amended the financial statements to correct this error.</p> <p> <a href="#">Recommendation 1 (refer appendix 1, action plan)</a></p>
<p><b>3. Remuneration report</b></p> <p>The table in the remuneration report showing employees who earned over £50,000 shows an increase from last year. This is due to the timing of the council's payment runs in 2017/18. This table is presented on a cash basis instead of an accruals basis.</p> <p>To comply with guidance, the table should be prepared each year on an accruals basis.</p>	<p>Officers have agreed that this disclosure will be completed on an accruals basis going forward, in line with guidance.</p> <p> <a href="#">Recommendation 2 (refer appendix 1, action plan)</a></p>

Finding	Resolution
<p><b>4. Group boundary assessment and basis of combination</b></p> <p>The trust funds and common good fund have not been accounted for as subsidiaries. As the council is the sole trustee for these funds, this indicates that the incorrect accounting treatment is being applied within the group financial statements. This is a disclosure adjustment only and we have accepted this treatment for 2017/18.</p>	<p>Officers should undertake an annual group boundary assessment to identify any changes within the group financial statements. The basis of combination of components should also be reviewed and included within this assessment.</p> <p> <a href="#">Recommendation 3 (refer appendix 1, action plan)</a></p>
<p><b>5. Untaken annual leave accrual</b></p> <p>As in previous years, our review of the untaken annual leave accrual identified an error within the calculations. The net effect resulted in an increase of £0.140 million.</p>	<p>The audited accounts have been updated to reflect this.</p> <p> <a href="#">Recommendation 4 (refer appendix 1, action plan)</a></p>
Source: Audit of 2017/18 accounts	

## Submission of the Council and its group annual accounts for audit

32. We received the unaudited annual accounts on 20 June 2018 in line with the audit timetable set out in our 2017/18 Annual Audit Plan.
33. The working papers provided with the unaudited accounts were generally of a good standard. However, the audit team identified that supporting information for accounts payable and receivables balances should improve. We raised this as a potential risk in our Annual Audit Plan issued in March 2018, following similar findings in our 2016/17 audit.
34. To gain required levels of assurance over these balances, we performed additional audit testing and requested and reviewed reconciliations. The audit team will continue to liaise with finance staff to ensure that appropriate working papers are provided for the 2018/19 accounts.



### Recommendation 5

**The council should ensure that detailed working papers are provided to support all figures in the financial statements.**

## Education Maintenance Allowance

35. Appointed auditors are required by the Code of Audit Practice to review, as part of their audit appointment, grant claims including the Education Maintenance Allowance (EMA). This year, there was a number of issues to be resolved in our review of the claim:
  - The Scottish Government deadline of 30 April for submission of the claim to the audit team was missed by five weeks.

- During the review, the audit team identified a large number of errors leading to the council revising the claim three times. This considerably increased the audit time as the audit work had to be repeated with each claim.
- A final version of the claim was submitted for audit on 16 July and this was approved by the audit team on 25 July and sent to the Scottish Government. The results of our review of the EMA claim were that the council had over-claimed £14,390 during the financial year from the Scottish Government.



### Recommendation 6

**The council should improve procedures to ensure that the EMA claim is prepared in accordance with the Scottish Government timetable and that the amounts in the claim are accurate.**

## Follow up of prior year recommendations

36. We have followed up actions previously reported and assessed progress with implementation. These are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).
37. In total, 6 agreed actions were raised in 2016/17. Of these:
- 4 were fully implemented
  - 2 have not yet been fully actioned.
38. Overall, the Council has made good progress in implementing these actions and the audit team will continue to monitor the outstanding actions.

## Integration Joint Board

39. For the third year, the Council included its share of the financial transactions of West Dunbartonshire Integration Joint Board (the IJB) within its group financial statements. We confirmed that the Council has processes in place for agreeing its transactions and year-end balances with the IJB. In addition, we liaised with the auditor of the IJB to obtain assurances on the accuracy and completeness of IJB figures included in the accounts. Further information regarding the services transferred to the IJB is included in the Part 4 section on the integration of health and social care.

## Presentational, disclosure and other findings

40. We identified a number of other presentational and disclosure issues in the draft accounts. These were discussed with management and were adjusted for and have been reflected in the audited financial statements.
41. The audit findings not included in the narrative of this report are reported in the action plan in recommendations 8 to 11.

## Objections

42. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the accounts.

# Part 2

## Financial management



### Main judgements

The council has a good record of delivering within its service budgets. Budget monitoring reports are informative, comprehensive and easy to read.

The council's capital plan has grown since 2015 to £109 million this year. However, as reported in the Best Value Assurance Report (BVAR), there is a trend of high levels of slippage. In 2017/18, slippage was 47.7% of the programme. The council has now agreed improvement actions which aim to address the slippage.

The council has effective arrangements in place for financial planning that include a long-term financial plan.

### Financial performance in 2017/18

43. In February 2017, the Council approved a revenue budget of £212.115 million for 2017/18, which was a decrease of £2.021 million from the 2016/17 revised budget. Savings totalling £3.036 million were included in the budget. The council made in-year revisions which had a net impact of increasing the overall budget by £0.423 million to £212.538 million. £0.154 million of this increase related to a reallocation of the private sector housing grants (PSHG) from its budget to the revenue support grant (RSG). The budget was aligned to the Council's main priorities which is consistent with good practice.
44. The Council has a good track record in consistently delivering services within budget. In 2017/18 there was a surplus of £0.351 million against the revised budget. Members are regularly informed of the year-end outturn and the reasons for any significant movements from the previous reporting period. No material variances against service budgets were noted.
45. The planned savings for 2017/18 totalled £3.036 million. The Council actually achieved £2.521 million, the £0.515 million shortfall was mainly due to unrealised savings in shared services. This was partly offset by income from internal audit shared services to Loch Lomond and the Trossachs National Park. The remaining balance of £0.487 million was funded from the transformational earmarked reserves.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

### Budgetary process

46. The [Local Government in Scotland: Financial overview 2016/17](#) (November 2017) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for Councils with decreasing (or low levels) of usable reserves to rely on. As reported in the BVAR, the Council has developed its financial planning arrangements and has a long-term financial strategy that projects budget gaps to 2027. The strategy identifies budget pressures and provides clear links to the Council's strategic objectives.

47. The Council's financial strategy includes scenario planning and risk assessments of the likely impacts of any changes in assumptions. The Council's annual revenue estimates supplement the long-term strategy and show the projected movement in budget gaps as a result of changes in strategy.
48. The Council and service committees routinely receive budget monitoring reports including savings plans which have been risk assessed by the Council. Where efficiencies are not on target to be realised in 2017/18, a comment is provided outlining the required action to be taken.

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### Good practice

**Officers continue to improve reporting of financial performance against budget to elected members. Budget monitoring reports cover all services and give a breakdown to individual budget heads for each service. The reports describe the service, the reason for any variance, any mitigating action and the expected outcome. The reports are informative, comprehensive and easy to read.**

---

### Housing revenue account

49. The Council is required by legislation to maintain a separate Housing Revenue Account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year.
50. In February 2017, the Council approved a 2.25% increase in the average weekly rent levels for tenants for 2017/18. The rent level set reflected the income required to fund the revenue budget of £43.205 million.
51. Guidance from the Scottish Government on operating Local Authority Housing Revenue Accounts (HRA) states that there must be a robust, written methodology for calculating and allocating HRA costs (including internal costs charged by the council to the HRA). The council requires to formalise its written methodology and, to improve transparency, consider publishing this on its website.



### Recommendation 7

**The council should formalise its written methodology for HRA costs in line with the Scottish Government guidance and, to improve transparency, consider publishing this on its website.**

---

52. The HRA recorded a surplus of £0.459 million in 2017/18 (2016/17: £0.746 million surplus), resulting in a closing HRA balance of £7.422 million. A large element of this balance (£6.572 million) is earmarked for regeneration of the housing stock. The remaining balance of £0.850 million is available for general use by the HRA and is in line with the minimum reserves policy of 2% of expenditure.

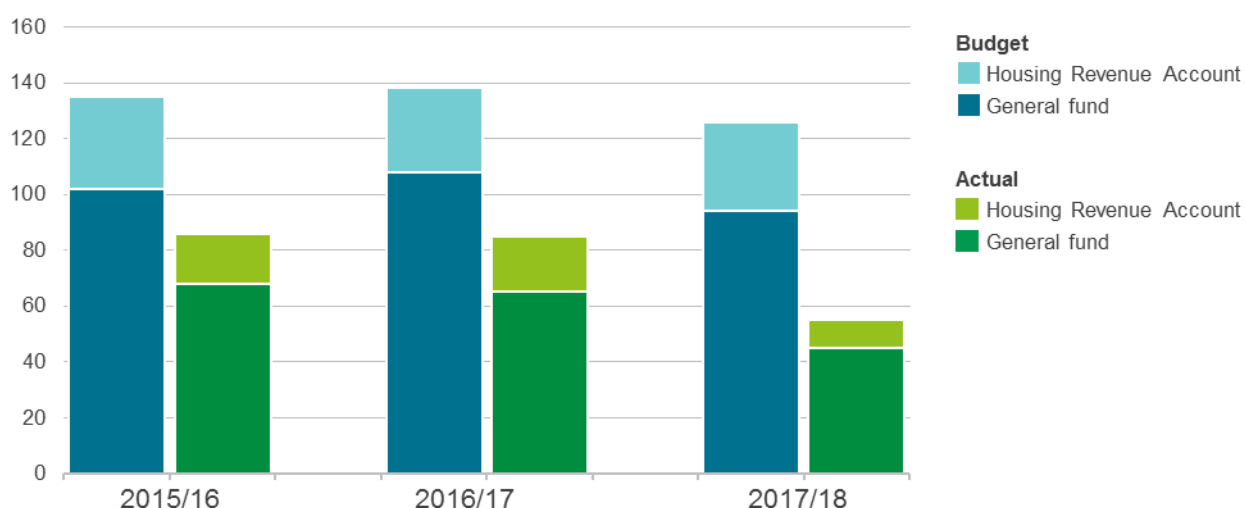
### Capital programme 2017/18

53. The Council has comprehensive asset management plans in place, linked to the Council's strategic objectives. The plans set out the resources required to invest in the Council's assets including schools, offices and land.

- 54.** Total capital expenditure in 2017/18 was £66.431 million of which £45.198 million related to general services and £21.233 million to the Housing Revenue Account. The scale of the programme has increased significantly in recent years since 2014/15 which makes its management more challenging.
- 55.** In 2017/18 there was total slippage of £59.963 million (47.7% of budget). As reported in the BVAR, this continues a trend of significant levels of slippage as outlined in [Exhibit 4](#). This is not a unique problem: capital slippage has long been identified as a common issue in councils. However, the level of slippage in West Dunbartonshire has been a concern over a number of years. The Housing Revenue Account slippage comprised 19.4% of this total.

## Exhibit 4

### Capital expenditure compared to budget (general fund and HRA)



Source: West Dunbartonshire Council Accounts 2015/16 to 2017/18

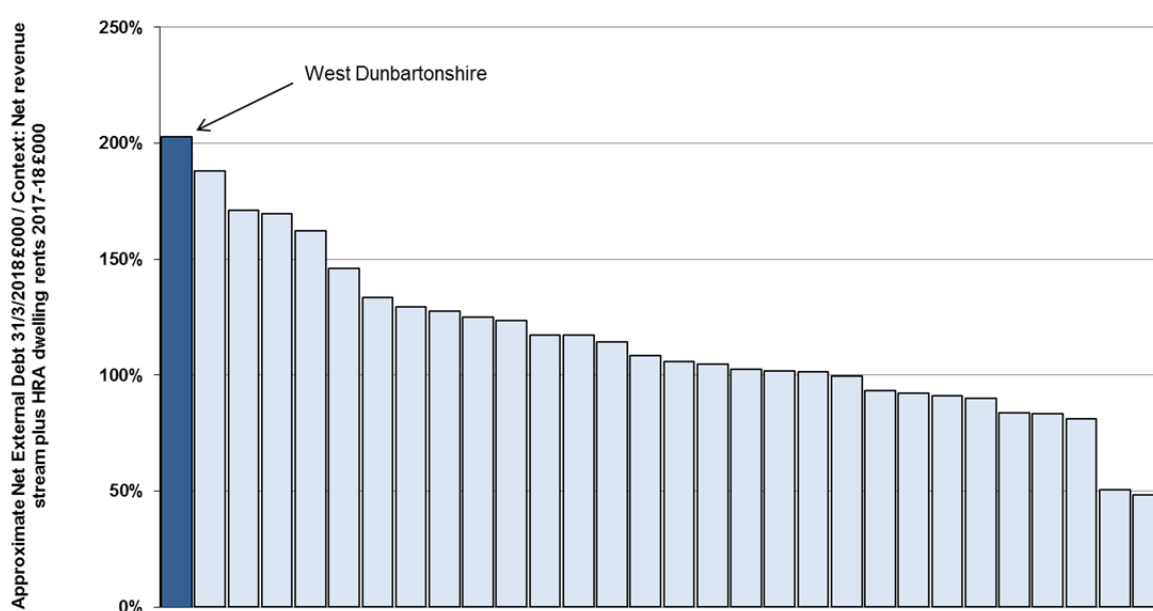
- 56.** While the Council recognises that its capital programme is an area for improvement, it believes that the high levels of slippage are due to optimism bias included within projects and that some slippage is strategic and opportunity driven. The BVAR recommends that the Council should review its project management processes and consider performing self-assessments to identify the areas for improvement. In response, the Council has now agreed improvement actions which aim to address the slippage. (Appendix 3). We will monitor progress of these actions during 2018/19.
- 57.** As part of our wider dimension work, we reviewed the internal audit findings within the “Management of Capital Projects” report. Internal audit reviewed the *Elderly Care Home Modernisation* project and reported five high-priority findings.
- 58.** The Council should consider whether the internal audit findings could be applied to other capital projects. For instance:
- Financial calculations included in the business plan should be prepared by relevant persons
  - Preparation of business plans should include clear specifications
  - Contingencies and inflation allowances should be built into plans.

## Borrowing in 2017/18

- 59.** The Council's outstanding loans at 31st March 2018 were £429.621 million, an increase of £46.126 million on the previous year. £152.432 million of loan repayments were made and there were £198.200 million of new loans taken out. The increase in borrowing was required to help finance the Council's significant capital programme in 2017/18.
- 60.** Total external debt (which includes the Council's long-term liabilities) was within the authorised limit and operational boundary set by the treasury management strategy. The Council will continue to consider the affordability of future borrowing.
- 61.** The Council's net borrowing, as a proportion of net revenue stream including dwelling rents, continues to be amongst the highest in Scotland, as shown in Exhibit 5. It is recognised that the Council's borrowing figure includes debt associated with both the HRA and the Council's PPP assets which not all Scottish local authorities have.
- 62.** The debt includes long-term liabilities for Public Private Partnership (PPP) finance contracts that will run up to 2038/39. Over the remaining life of the contracts, the Council expects to pay £340.383 million in annual repayment and service costs. These costs are reflected in the Council's financial plans. The borrowing is used for capital projects such as enhancing and upgrading the school estates, Clydebank leisure centre and replacing elderly care homes and day care centres. The Council receives Scottish Government revenue support funding of £7.3 million annually for PPP which amounts to £160 million over the remaining contract term.

## Exhibit 5

Net Borrowing (including PPP capital balance but offset by cash or cash investments held) as a proportion of net revenue stream (i.e. council tax income, NDR income, RSG) plus income from housing rents



## Systems of internal control

- 63. As part of our audit, we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
- 64. Our findings were included in our interim audit report that was presented to the Audit Committee on 13 June 2018. We concluded that the key controls were operating effectively but made recommendations for improvement.
- 65. One of the recommendations related to the risk that employees are not removed from the payroll timeously leading to overpayment of salaries. Management gave us assurance that there would be improved communication of the importance of the employee validation exercise. We are aware of a number of overpayments to former employees in 2017/18, although the value of these is not significant in relation to materiality levels. We will continue to review this area in 2018/19.



# Part 3

## Financial sustainability



### Main judgements

**The Council and its group financial position is sustainable but challenging in the foreseeable future. The council recognises that service reform needs to continue.**

**The Council has effective arrangements in place for financial planning that include a long-term financial plan.**

**However, the Council has a cumulative funding gap of £13.8 million over the next three years to March 2021 that it needs to close.**

### Financial planning for 2018/19

66. In common with other public sector bodies, the Council faces complex challenges in maintaining a sustainable financial position into the future. Pressures arise from increasing costs and changing demographics.
67. In March 2018, a report to the Council updated the general services revenue estimates for 2018/19 to 2020/21. This identified a projected budget surplus for 2018/19 of £0.671 million and cumulative budget gaps of £7.091 million and £13.8 million for 2019/20 and 2020/21 respectively.
68. The council approved its revenue budget for 2018/19 in March 2018. The budget includes a 3% increase in council tax, which will yield £1.35 million of additional income in 2018/19, increasing to £1.65 million by 2027/28.
69. Since 2013, the Council has been refining its budget consultation procedures. The Council involves representative groups across the community as it sets its budget. This year, the Council received over 2,700 responses to its budget consultation. The results of the consultation were presented to the Council before the budget was approved on 5 March 2018. There are examples where, based on public opinion, the preferred savings options were not taken forward as part of the budget agreed in March 2018.
70. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. As reported in the BVAR, the Council has worked hard to develop its financial planning. The Council has a long-term financial strategy that links to its strategic objectives. The strategy includes scenario planning and a risk assessment of the likely impact of any changes in assumptions. The Council's annual revenue estimates supplement the long-term strategy and show the projected movement in budget gaps as a result of changes in strategy.
71. The budget approved for 2018/19 and the revenue estimates identified a cumulative funding gap of £13.8 million to 2020/21. The long-term financial strategy reported to members in October 2017 covers 10 years and includes scenario planning and a risk assessment of the likely impact of any changes in assumptions. The council's annual revenue estimates supplement the long-

Financial sustainability looks forward to the medium and long term to consider whether the board is planning effectively to continue to deliver its services or the way in which they should be delivered

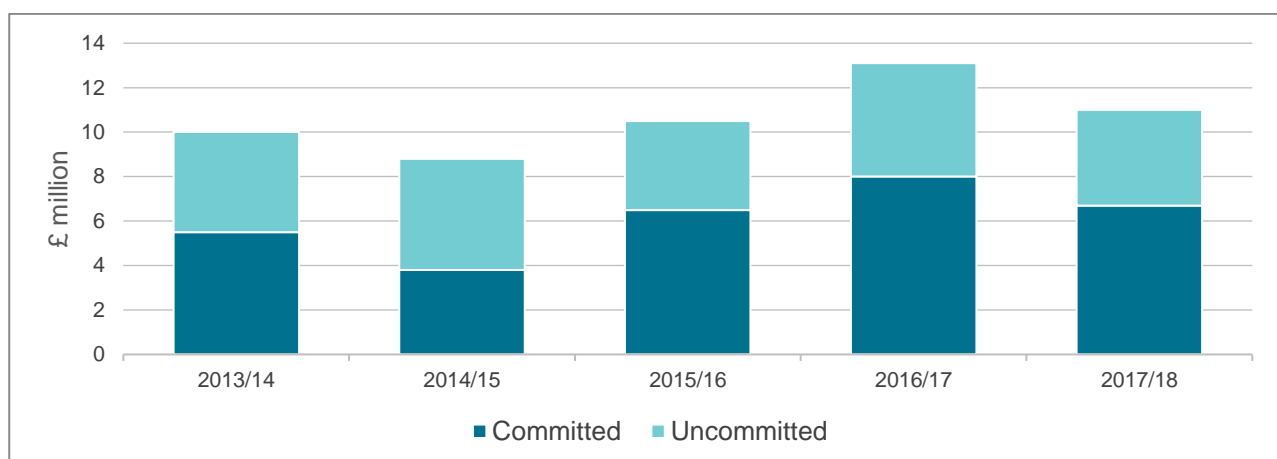
term strategy and show the projected movement in budget gaps as a result of changes in strategy.

## Reserves

- 72.** CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. It does not prescribe level of reserves, but places the responsibility on the chief finance officer to advise the Council on the creation and level of reserves appropriate to the Council's circumstances.
- 73.** The bulletin states that reserves can be held for three main purposes:
- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
  - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
  - a means of building up funds, often referred to as “earmarked” reserves (or earmarked portion of the general fund), to meet known or predicted requirements; earmarked reserves are shown separately but remain legally part of the General Fund.
- 74.** The level of usable reserves held by the Council decreased from £13.118 million in 2016/17 to £10.975 million in 2017/18 as illustrated in Exhibit 6.
- 75.** The Council reviews the level of its uncommitted reserves when setting the budget each year. The Council's approved reserves strategy specifies that there should be a prudential reserve of 2% of net expenditure to safeguard assets and services against financial risk. This equates to £4.122 million for 2017/18. The level of uncommitted general fund reserves as at 31 March 2018 was £4.304 million.
- 76.** Exhibit 6 provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. This shows the use of reserves between years to maintain financial balance.

## Exhibit 6

### Analysis of general fund over last five years



Source: West Dunbartonshire Council annual accounts 2013/14 to 2017/18

- 77.** The Council has a low level of reserves as a proportion of net revenue stream including housing rents compared with other local authorities and is in the lowest quartile in Scotland. This means that there is limited scope for it to use reserves to close any funding gap. Ensuring that there are sufficient reserves is important to protect the Council against the financial impact of unforeseen events or reductions in future funding. The Council will continue to consider reserves and plans for their usage as part of the annual budget setting process.

## City Deals

- 78.** The Council is one of 8 local authorities included in the Glasgow City Region City Deal. West Dunbartonshire Council is one of the smallest councils involved in the City Deal but is an equal partner and plays an active role in the governance structure. It is represented on all sub-groups and takes the lead on the Housing and Equalities portfolio.
- 79.** The Council is currently developing an infrastructure project as part of the City Deal: the Exxon Site at Bowling. Funding totals £27.9 million over the next 7 years (£24.1 million in grants from the UK and Scottish governments and the remaining £3.8 million to be contributed by the Council). The project includes a proposal to create an industrial and commercial development at the site. It also includes plans for a new road to provide an alternative route into and out of West Dunbartonshire.
- 80.** The main aim of the City Deal project supports the Council's priority to generate additional employment opportunities in West Dunbartonshire and increase the Gross Value Added (GVA) of the area. This aims to improve job density, which is low within West Dunbartonshire at 0.55 per head, compared with the Scottish average of 0.8 per head. The project should help address the average length of unemployment which is the longest within the City Deal region.
- 81.** The council approved the outline business case in February 2017, which was subsequently approved by the City Deal Cabinet in April 2017. Progress to date includes meetings with Exxon to formally agree terms for procuring the site. Discussions are also taking place with Scottish Environment Protection Agency (SEPA) about an appropriate solution to flood prevention within the site. Discussions have also begun with the owners of adjacent sites which may be required to deliver the project.

## EU withdrawal

- 82.** There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:
- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
  - Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
  - Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

The risks from EU withdrawal are reflected in the Council's long-term financial strategy.

# Part 4

## Governance and transparency



### Main Judgements

**Appropriate governance arrangements are in place to support the scrutiny of decisions made by the Council.**

**The Council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing committees.**

### Governance arrangements

83. Following the elections in May 2017, no political party in West Dunbartonshire had an overall majority. A joint administration was formed, made up of ten SNP councillors and one independent councillor. As the largest single group not in administration, it was agreed that Labour would form the official opposition.
84. Members and officers are responsible for establishing arrangements to ensure that business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. The Best Value Assurance Report (BVAR) stated that there was evidence to demonstrate effective council leadership by members and officers.
85. The Council's strategic plans clearly set out its vision and priorities. The Chief Executive and Senior Management Team provide clear direction through the council's 'Leadership and Governance' structure. There are weekly meetings attended by the Chief Executive, strategic directors and strategic leads to review current issues. Each of the monitoring and scrutiny groups meet monthly. As reported in the BVAR, senior officers are motivated and passionate in striving to achieve the council's priorities.
86. Within the political environment in which local authorities operate, there is evidence that the West Dunbartonshire councillors work well together. Discussions at committees focus on the main issues and councillors are able to make decisions. Working relationships between officers and councillors are respectful and constructive. In addition to a comprehensive induction process for new members, the council offers briefing sessions and seminars to give councillors more in-depth information to support scrutiny and decision-making. In response to a recommendation in the BVAR, the council is to consider introducing more cross-party working groups to address the financial challenges facing the council and to help with the difficult decisions which will have to be made. (Appendix 3)

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

### Transparency

87. Transparency means that the general public have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.

- 88.** There is evidence from several sources which demonstrate the Council's commitment to transparency. Members of the public can attend meetings of the full Council, executive and other committees. Minutes of these committee meetings and supporting papers are readily available on the Council's website.
- 89.** The Council's website allows the public access to a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website provides details of the citizens' panel and how to join it. The panel provides information and feedback on services as well as views on the needs of local communities.
- 90.** The Council makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the Council.
- 91.** Overall, we concluded that the Council conducts its business in an open and transparent manner.

### Internal audit

- 92.** The Council's internal audit function is provided by West Dunbartonshire Council staff overseen by the Audit Manager. Each year we consider whether we can rely on internal audit work to avoid duplication of effort. When we plan to place reliance on internal audit work, we carry out an assessment of the internal audit function to ensure that it is sufficient in terms of documentation standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS). The PSIAS external assessment was reported to the Audit and Performance Review committee in March 2016.
- 93.** We reviewed the Council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. Overall, we concluded that we would place reliance on aspects of internal audit's work on Trade Payables for our financial statements responsibilities. We also considered internal audit report findings in the following areas as part of our wider dimension work: Data and Information Security, Management of Capital Projects, IT Procurement, Remote Access Controls.
- 94.** In our "Reliance on Internal Audit" letter issued in February 2018, we recommended a review of the processes for presenting audit reports to committees. We note that this work is ongoing and we will continue to review progress in 2018/19.

### National Fraud Initiative

- 95.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

## The latest position on NFI investigations by the council is summarised in Exhibit 7

NFI activity



6,432

**Matches**



1,156

**Recommended for investigation**



1,265

**Completed/closed investigations**

Source: NFI secure website: [www.nfi.gov.uk](http://www.nfi.gov.uk)

- 96.** The Council engaged positively in the NFI exercise and has reviewed data matches timeously. We concluded that the Council has satisfactory arrangements in place for investigating and reporting data matches identified by the National Fraud Initiative.

### Standards of conduct for prevention and detection of fraud and error

- 97.** The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.
- 98.** We concluded that the Council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

### Cyber security

- 99.** Like all organisations, the council faces the risk of cyber attacks targeting ICT systems, networks and infrastructure. The threat to public sector organisations is very real as evidenced by a recent “WannaCry” ransomware attack on the NHS. While there is a persistent risk from new threats and vulnerabilities which may result in unauthorised access and subsequent damage or interruption to its IT services, the Council maintains an awareness of such risks.
- 100.** Scottish Government issued a Public Sector Action Plan on Cyber Resilience in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.
- 101.** The council’s cyber incident response plan was last revised in 2016 and is used alongside the SG Public Sector Action Plans. We have been advised that the Council is making adjustments to ensure a clear link with the SG Public Sector Action Plans Notifiable Incident response policy. We will continue to review this work in future years.

## General Data Protection Regulation

- 102.** The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998 (DPA). As a Regulation, all EU member states must implement it in the same way. GDPR sets out further requirements than the DPA and has introduced new and significantly changed data protection concepts.
- 103.** GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and to decisions taken by automated processes. Failure to comply with new GDPR data-handling arrangements could result in the Council incurring significant fines.
- 104.** From our review, we conclude that the Council has complied with the new GDPR requirements and has appointed a Data Protection Officer. Further details can be found on the Council's website.

## Integration of health and social care

- 105.** The West Dunbartonshire Integration Joint Board (WDIJB) was formally established in July 2015. As reported in the BVAR, the IJB partners' view is that the IJB has built upon the mature and constructive health and care partnership already in place. The partnership agreed a Strategic Plan for 2016-19 which includes national and local commitments and priorities. The Chief Officer of the IJB is also one of West Dunbartonshire Council's strategic directors.
- 106.** As reported in the BVAR, there is evidence that the IJB is progressing well with implementing new models of care. For example, in 2017, the Care at Home Service was awarded the Scottish Association of Social Work Award for the "best example of collaboration in an integrated setting". As well as a core service, it created an integrated out-of-hours care at home and district nursing service to respond more effectively to risks and avoid unnecessary hospital admissions. As a result, more elderly people are living independently at home.
- 107.** In 2017/18, WDIJB incurred an overspend against budget of £1.231 million, funded from their unearmarked reserves. The IJB is subject to a separate audit (also by Audit Scotland) and an Annual Audit Report is prepared setting out auditor findings. The financial transactions of the IJB have been consolidated into the Council's group accounts.

## Local scrutiny plan

- 108.** The Local Scrutiny Plan (LSP) sets out the planned scrutiny activity at the Council during 2018/19. The plan is based on a shared risk assessment undertaken by a Local Area Network (LAN), comprising representatives of the scrutiny bodies who engage with the Council. The shared risk assessment process draws on a range of evidence with the aim of determining the scrutiny activity required and focussing this in the most appropriate way. The 2018/19 LSP was presented to the June 2018 meeting of the council. No scrutiny risk requiring additional scrutiny or audit work in 2018/19 was identified from the shared risk assessment, other than scrutiny that was nationally directed or part of a planned programme of work.



# Part 5

## Best Value



### Main judgements

The Best Value audit found that the Council had made significant improvements since 2007 in how it works.

The Strategic Improvement Framework provides a structured and practical approach to help Council services continue to improve. The Council has demonstrated a commitment to delivering services differently in West Dunbartonshire and is working well with partners to achieve this.

Overall, service performance is improving and most residents who have provided feedback to the Council are satisfied. The Council maintains a steady pace of change that has led to improved outcomes in its priority areas including housing services and educational attainment amongst schoolchildren.

### Best value

**109.** Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once in this five-year period. The BVAR for West Dunbartonshire Council was published on 28 June 2018. This section of the report also includes other audit findings relating to the audit dimension of Value for Money, referred to in Exhibit 1.

**110.** The BVAR said that West Dunbartonshire Council has made significant improvements in how it works, since the last Best Value report in 2007. The Council now demonstrates a focus on delivering Best Value and we found evidence of continuous improvement in its services. Other key messages were that:

- Changes to the senior officer team, including the appointment of the current Chief Executive in 2011, have played a key role in the improvements the Council has made. Officers and councillors from all parties work well together for the benefit of the residents of West Dunbartonshire.
- Service performance was improving and most residents who had provided feedback to the Council were satisfied. The Council maintains a steady pace of change that has led to improved outcomes in its priority areas including housing services and educational attainment amongst schoolchildren.
- The Council's Strategic Plan 2017-22 lays out a focused and ambitious vision for the period which reflects the needs of its community.

Value for money is concerned with using resources effectively and continually improving services.



- The Strategic Improvement Framework provides a structured and practical approach to help Council services to continue to improve. The Council has demonstrated a commitment to delivering services differently and is working well with partners to achieve this.
- The Council has a good record of delivering services within budget and has developed both medium and long-term plans. However, there is a projected funding gap of £13.8 million for the three years to 31 March 2021 which will be a challenge to make up and service reform will be required.
- The Council has also developed a detailed organisation-wide, five-year workforce plan and individual service-specific workforce plans.
- There is a trend of significant slippage in the capital programme which means that a number of projects are being finished late. The Council requires to strengthen its project planning and management arrangements.
- There was evidence of significant improvement in scrutiny with members working together and demonstrating stronger scrutiny.

**111.** The BVAR includes five recommendations which have been endorsed by the Accounts Commission. These relate to:

- management of the capital programme
- further development of workforce plans
- staff challenges relating to the pace of change and sickness absence
- development of the Community Alliance
- the potential for more cross party working amongst members to address the financial challenges for the Council.

**112.** At its meeting on August 2018, the Council agreed a Best Value Assurance Improvement Plan which includes actions to address all recommendations included in the BVAR, see Appendix 3. Progress will be reported to the Audit Committee on a six-monthly basis over the period of the plan with a final report presented to Council following delivery of the actions contained in the improvement plan. We will continue to monitor and report on the Council's progress against the improvement actions.

## How well is the Council performing?

**113.** The BVAR includes the following comments about the Council's service performance:

- The Council has effective systems in place to monitor performance and drive continuous improvement. The Council's overall performance is improving and there is evidence that residents are satisfied with services.
- The Council reports improved performance in two-thirds of its priority indicators for the period 2012-17
- The Council can demonstrate positive progress in some key services such as housing, employment and education
- The Care Inspectorate's recent joint inspection into services for children and young people reported strong performance in several areas

- Overall, the Council's performance against national indicators has improved in recent years. But improvement is slower than other Councils in some areas
- Resident satisfaction has increased significantly over the last five years. The Council runs a monthly telephone survey of residents asking how satisfied they are with services. 100 residents each month, representative of the demographic profile of West Dunbartonshire, are contacted by phone and asked to give their views on key Council areas. The survey began in 2013 and asks the same five key questions about residents' views of West Dunbartonshire Council every month. This gives the Council consistent trend data over time.

## Shared services

**114.** The Accounts Commission and Auditor General have highlighted the benefits of working well together to the people who use Council services, communities and public sector organisations. Our recent report, [\*Local government in Scotland – challenges and performance 2018\*](#) (April 2018) identified limited evidence of councils collaborating or sharing services.

**115.** As reported in the BVAR, the Council has actively pursued the following opportunities for sharing services or information with other public sector bodies, specifically neighbouring councils:

- In 2015, a shared data centre was set up with East Dunbartonshire Council. This has enabled both councils to achieve some cost efficiencies and to share information on disaster recovery and performance monitoring. The two councils currently share the IT helpdesk.
- The Council provides internal audit services to Loch Lomond and the Trossachs National Park Authority.
- The Council is a member of the Civil Contingencies Service. This is a joint committee operated by Renfrewshire Council, which includes East Renfrewshire and Inverclyde councils. This service has operated since 2009 and helped improve councils' responses during times of bad weather.
- The council led on a project to help Stirling Council improve its corporate communications service.

## Community engagement

**116.** As reported in the BVAR, the 2017-22 strategic plan priorities were informed by a consultation by the current administration during the 2017 election campaign. The consultation asked residents what was important to them and what their priorities were. It was undertaken via online and paper surveys and received over 3,000 responses.

**117.** The Council has an Engaging Communities Framework in place. There is a focus on online consultation, for example on budgets, rent levels and the local development plan. Local people could also give their views through consultations in libraries and at the Council's one-stop shops. The Council also has a citizens' panel.

**118.** There is evidence of the community being involved in Council decisions. Examples include the following:

- After a review of library opening times, the Council amended its proposals to reflect over 1,000 responses to a consultation

- Housing tenant forums have participated in decisions about, for example, rent setting and housing allocation policies
- Participatory budgeting, where local residents were involved in the allocation of small grants to upgrade community facilities and reduce social isolation.

**119.** The Community Alliance (CA) brings together representatives from neighbourhood, interest and user groups. The Council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. Following a recommendation in the BVAR, the Council is to help to develop the role of the CA and help it reach its full potential, see Appendix 3.

## Performance management

**120.** The Council's performance management arrangements were considered in our BVAR issued in June 2018. We identified that the Council's Strategic Improvement Framework, which delivers the transformation agenda of the council, drives continuous improvement and prepares its services for the future. The framework says that the Council will deliver continuous improvement by:

- Setting clear outcomes and priorities
- Self-evaluation
- Benchmarking and improving services and planning
- Managing, monitoring and reporting on its performance
- Being externally assessed and accredited.

**121.** The Council has a self-evaluation framework and a three-year rolling programme for services to carry this out. All Council services not subject to an external assessment, such as that carried out by the Scottish Housing Regulator or Education Scotland, are part of this programme. The Performance Monitoring and Review Group agree the timing of self-evaluations based on risk assessments of each service.

**122.** After self-evaluation, the service reviews its annual service plan and delivery plans to include:

- Improvement actions identified
- External scrutiny recommendations
- Customer and employee feedback
- Relevant benchmarking data.

**123.** As reported in the BVAR, service action plans are developed following self-evaluation. Where there are significant areas for improvement, the service's policy, planning and performance business partner works with the management team to scope this as a project and link into the Organisational Development and Change team for a more comprehensive plan of support. This is then scheduled into a work programme for continuous improvement.

**124.** At a corporate level, the service policy, planning and performance business partners are responsible for collating the findings from the self-evaluation exercises to compare performance between different service areas and ensure that improvement actions are appropriate.

- 125.** Improvement priorities and actions are set out in the 8 annual service delivery plans which include a review of the previous year's performance. The plans provide balanced analyses of performance and, as reported in the BVAR, there is evidence of actions leading to improved outcomes.
- 126.** The Strategic Plan 2017-22 has five-year targets with monitoring and reporting on progress planned annually. Targets have milestones for each year and these will be reported to full Council each year. Targets are set from a baseline and will be reviewed over time. Annual performance reports against the strategic plan are planned for members.

### Statutory performance indicators (SPIs)

- 127.** The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.
- 128.** For 2017/18 two SPIs were prescribed:
- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
  - SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.
- 129.** The BVAR concludes that Public Performance Reporting focuses on the Council's strategic priorities and is available on the Council's website. This offers a clear analysis of performance against targets together with historical trend information.
- 130.** The Council's Annual Performance Report and suite of performance information will be reported to the September 2018 Council meeting. Due to the timing of this, we have been unable to review performance information against the two SPIs for this Annual Audit Report.
- 131.** In 2016/17 we reported that the council's arrangements for publication were satisfactory and that the performance report clearly demonstrated if targets were being met.

### Local performance studies

- 132.** In January 2018, a review by Education Scotland and Audit Scotland showed considerable improvement in the achievement levels of pupils from deprived areas of West Dunbartonshire. In 2016/17, 23% of secondary school pupils from deprived areas were successful at five or more exams compared to 11% in 2012/13. This is above the Scottish average of 16% in 2016/17 and above other councils in West Dunbartonshire's family group.
- 133.** The review also highlighted that there is a robust and well-articulated governance framework within the Council for education overall and, specifically, for raising attainment. Lines of accountability were clear and there was evidence that governance arrangements were widely understood by Council staff and headteachers. There was clear evidence that a 'golden thread' exists in relation to raising attainment and closing the poverty-related gap.

### Housing benefits performance work

- 134.** A review by Audit Scotland of the housing benefit section was reported to the Corporate Services Committee in August 2018. Our work considered the

effectiveness of the benefit service in meeting national and local priorities, business planning and reporting and delivering outcomes. The audit team gathered information from a range of sources including:

- The self-assessment, supporting evidence and action plan provided by the council
- Department of Work and Pensions (DWP) indicators and other performance measures
- Scrutiny of internal and external audit reports
- Discussions with senior officers in the council.

**135.** Our review identified that the Council had addressed four out of five of the risks identified in the previous review in 2013. The remaining risk relates to improvements required to monitor the effectiveness of the benefit overpayment team in reducing the levels of invoiced debt.

**136.** The review highlighted four new risks to be addressed by the Council:

- The need for targets within the Resources Delivery Plan to allow members of the Corporate Services Committee to challenge and support the service
- Implementing a fast-track process for claims processing
- Reducing the volume of management checks to improve processing time
- Improving in-year debt recovery performance, which is low when compared to other Scottish councils.

## National performance audit reports

**137.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18, Audit Scotland published reports which are of direct interest to the Council. These are outlined in [Appendix 4](#).

**138.** The Audit Committee has processes in place to consider national reports. From our attendance at committee meetings, we have noted that there is evidence of actions being taken to address areas for improvement locally.

# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Housing revenue account – housing stock</b></p> <p>Through the audit, it was found that 12 new build properties, totalling £1.663 million, were omitted from the fixed asset register. This move, from assets under construction to council dwellings, resulted in an impairment of £0.985 million.</p> <p><b>Risk</b></p> <p>There is a risk that without proper procedures, the fixed asset register is incomplete.</p>	<p>The Council should review its procedures for identifying housing stock which should be included in the fixed asset register.</p> <p><a href="#">Page 11</a></p>	<p>Process will be reviewed</p> <p>Gillian McNeilly</p> <p>31 May 2019</p>
2	<p><b>Remuneration Report disclosure</b></p> <p>The table in the Remuneration Report showing employees who earned over £50,000 indicates that the increase in the number shown from last year to this year is due to 14 payment runs in 2017/18. This table has been calculated on a cash basis and should have been calculated on an accruals basis.</p> <p><b>Risk</b></p> <p>The table does not accurately reflect those employees who earn over the threshold for disclosure in the remuneration report.</p>	<p>The Council should ensure that satisfactory arrangements are put in place to produce this table on an accruals basis, in line with the rest of the Remuneration Report.</p> <p><a href="#">Page 11</a></p>	<p>Process will be changed to undertake on an accruals basis</p> <p>Gillian McNeilly</p> <p>31 May 2019</p>
3	<p><b>Group boundary assessment and basis of combination</b></p> <p>The trust funds and common good fund have not been accounted for as subsidiaries. As the Council is the sole trustee for these funds, this indicates that the incorrect accounting treatment is being</p>	<p>Management should undertake an annual group boundary assessment to identify any changes within the group for the year. Officers should also review the basis of combination of</p>	<p>Process and presentation will be updated</p> <p>Gillian McNeilly</p> <p>31 May 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>applied within the group financial statements. This is a disclosure adjustment only and we have accepted this treatment for 2017/18.</p> <p><b>Risk</b></p> <p>The incorrect accounting treatment is being applied for components within the group financial statements.</p>	<p>entities included within the assessment.</p> <p><a href="#">Page 12</a></p>	
4 (b/f)	<p><b>Untaken annual leave accrual</b></p> <p>As in previous years, our review of the untaken annual leave accrual identified an error within the calculations. The net effect resulted in an increase of £0.140 million.</p> <p><b>Risk</b></p> <p>The annual leave accrual is not properly calculated.</p>	<p>The Council should review its procedures for calculating the annual leave accrual.</p> <p><a href="#">Page 12</a></p>	<p>A further review of procedures for calculation and reviewing will take place to ensure the annual leave accrual is calculated accurately</p> <p>Gillian McNeilly</p> <p>31 March 2019</p>
5	<p><b>Accounts payables/receivables working papers</b></p> <p>The initial set of working papers received for accounts payable and receivable did not provide a clear audit trail or breakdown of all outstanding balances at year-end.</p> <p><b>Risk</b></p> <p>There is an increased risk of material error in the financial statements.</p>	<p>The Council should review its procedures for producing working papers at the year end. Specifically, working papers for balances should not include transactions during the year.</p> <p><a href="#">Paragraph 34</a></p>	<p>Further discussions with external audit will take place to identify more appropriate working papers and templates agreed with external audit prior to the start of the process</p> <p>Gillian McNeilly</p> <p>30 June 2019</p>
6	<p><b>Education Maintenance Allowance (EMA)</b></p> <p>During the audit of the EMA grant claim, we identified numerous errors leading to three revisions of the claim. A final, fourth version was submitted for audit which identified an overclaim by the Council during the year.</p> <p>The Scottish Government deadline of 30 April for submission of the claim to the</p>	<p>The Council should review its arrangements to ensure that the EMA claim is prepared in accordance with the SG timetable and that amounts claimed are accurate. The quality of the working papers and evidence provided to audit should also be improved.</p> <p><a href="#">Paragraph 35</a></p>	<p>EMA process and working papers will be improved</p> <p>Arun Menon</p> <p>31 March 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>audit team was also missed significantly by five weeks.</p> <p><b>Risk</b></p> <p>Inadequate arrangements leading to misstatements in the monthly claims and the year-end claim.</p>		
7	<p><b>Housing Revenue Account - methodology for calculating and allocating HRA costs</b></p> <p>Guidance from the Scottish Government on operating Local Authority Housing Revenue Accounts (HRA) states that there must be a robust, written methodology for calculating and allocating HRA costs (including internal costs charged by the council to the HRA). The Council requires to formalise its written methodology.</p> <p><b>Risk</b></p> <p>Without a formal written methodology there is a lack of transparency for tenants and other interested parties to understand why costs are being charged and who is benefitting from the services these costs relate to.</p>	<p>The council should formalise its written methodology in line with the Scottish Government guidance and, to improve transparency, consider publishing this on its website.</p> <p><a href="#">Paragraph 51</a></p>	<p>Methodology will be defined within future reports to Council on Finance Strategy</p> <p>Stephen West</p> <p>30 November 2019</p>
8	<p><b>Inventories</b></p> <p>A number of issues were found while auditing inventories. Stock which had been written-off during the year had not been eliminated from the year-end balance. We also found an instance where stock included in the financial statements was not supported by a stock certificate.</p> <p><b>Risk</b></p> <p>From our audit work we have concluded there is a high risk of obsolete stock being included in the year end value.</p>	<p>Management should undertake a review of stock and write-off any obsolete stock.</p> <p>Management should also consider a secondary review of stock calculations and certificates.</p> <p><a href="#">Paragraph 41</a></p>	<p>Current stock will be reviewed and checked for obsolescence and any identified will be written-off</p> <p>Stock certification process will now include a secondary review</p> <p>Stephen West</p> <p>31 March 2019</p>





No.	Issue/risk	Recommendation	Agreed management action/timing
9	<p><b>Period end reconciliation and review</b></p> <p>The year-end bank reconciliation for creditors (period 13) was not completed or reviewed till mid July, after the draft accounts were approved.</p> <p>In addition, the year end ledger reconciliation for creditors was not reviewed.</p> <p><b>Risk</b></p> <p>Errors are not identified in a timely manner.</p>	<p>Management should ensure the year end procedures for preparing and reviewing reconciliations are being followed.</p> <p><a href="#">Paragraph 41</a></p>	<p>Relevant officers will ensure reconciliations will be completed on time</p> <p>Gillian McNeilly</p> <p>30 September 2019</p>
10	<p><b>Debit balances in debtors and creditors</b></p> <p>From our audit testing, we identified debit balances totalling £0.296 million within both debtors and creditors. These are historic balances, with some dating back to 1996.</p> <p><b>Risk</b></p> <p>The balance sheet is overstated with historic debit balances.</p>	<p>Officers should review these balances and the likelihood of their recovery and write-off amounts as necessary.</p> <p><a href="#">Paragraph 41</a></p>	<p>Relevant balances will be reviewed and written-off where appropriate</p> <p>Gillian McNeilly</p> <p>31 October 2018</p>
11	<p><b>Fixed asset register</b></p> <p>From our audit testing of non-current assets we found assets in the fixed asset register with a negative net book value totalling £0.080 million. This is due to excess depreciation being charged in error.</p> <p><b>Risk</b></p> <p>Assets are incorrectly accounted for in future financial statements.</p>	<p>Officers should review the controls over the fixed asset register. Officers could implement a formula to highlight any assets which move from a positive to negative value.</p> <p><a href="#">Paragraph 41</a></p>	<p>The asset register processes will be reviewed</p> <p>Gillian McNeilly</p> <p>31 March 2019</p>
Follow up of prior year recommendations			
b/f 1	<p><b>Valuation of non-current assets</b></p> <p>Council dwellings recorded in the unaudited financial statements were overstated by £13.7 million due to the inclusion of elements of council dwellings recorded in the asset register not being eliminated following the 5</p>	<p>Procedures should be in place to ensure that, following revaluation, all previous expenditure and depreciation is incorporated into the revalued amount.</p> <p>The fixed asset register should also be reviewed to ensure</p>	<p>The council agreed to review the asset register to ensure any such issues were removed ahead of the 2017/18 accounts. Year end procedures were reviewed to ensure valuation were agreed with the valuer.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>yearly valuation in 2016/17. The financial statements have been adjusted to eliminate this duplication.</p> <p><b>Risk</b></p> <p>Other categories of non-current assets recorded in the asset register could have an element of duplication.</p>	these errors are not repeated in other categories.	<b>Action complete</b>
<b>b/f 2</b>	<p><b>Common Good Fund</b></p> <p>The audit identified two areas of land, with a book value of £0.278 million, which are owned by the Common Good Fund but have been omitted from the asset register in previous years.</p> <p><b>Risk</b></p> <p>There is a risk that common good land has been identified and attributed a fair value.</p>	The council should review its procedures to ensure the Common Good Fund asset register is up to date and complete.	<p>The council reviewed the asset register to ensure any such issues were removed ahead of the 2017/18 accounts. Year-end procedures were reviewed to ensure valuations were agreed with the valuer.</p> <p>No similar errors identified during the 2017/18 audit</p> <p><b>Action complete</b></p>
<b>b/f 3</b>	<p><b>Termination pay accrual</b></p> <p>The unaudited financial statements included a provision for termination costs of £1.972 million. Following discussion with officers, it was agreed that it was not appropriate for these costs to be shown as a provision in 2016/17. The accounts are to be changed and an earmarked balance of the general fund will be identified for these costs to reflect a prudent approach to planning for the future impacts of required future savings.</p> <p><b>Risk</b></p> <p>Liabilities for future termination provisions may not be appropriately determined.</p>	The council should review how they correctly account for the termination pay accrual.	<p>The termination pay accrual accounting treatment is considered at each financial year end to determine correct treatment.</p> <p><b>Action complete</b></p>
<b>b/f 4</b>	<p><b>Financial planning</b></p> <p>The current financial strategy (approved in October 2016) covers the period to March 2020. While this does not cover the longer term period, it</p>	The council should develop a financial strategy that covers the long term period (typically covering five to ten years) that links spending to the council's strategies.	<p>The long term finance strategy was extended to cover a 10 year period.</p> <p><b>Action complete</b></p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>provides a clear link to the rolling three-year budget which reports the need to identify £11 million in savings over this period and the impact of the various scenarios on projected budget gaps. However, it does not provide a link to long term council strategies.</p> <p><b>Risk</b></p> <p>By not covering the long term, the financial strategy may not identify the long term financial impact of the council's strategies.</p>		
<b>b/f 5</b>	<p><b>Capital slippage</b></p> <p>There was significant slippage in the capital programme of around £51 million (36.9%). This follows a trend over several years.</p> <p><b>Risk</b></p> <p>There is a risk that slippage could impact on the council's ability to deliver services in line with its strategic priorities.</p>	<p>The council should review its capital plans and improve the control of capital projects and, if necessary, re-profile the budget to reflect current plans.</p>	<p>In response to the BVAR, the council has included this action in its Improvement Action Plan. We will monitor this on an ongoing basis.</p> <p><b>Ongoing</b></p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Management override of controls</b>  ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	Detailed testing of journal entries  Review of accounting estimates  Focused testing of accruals and prepayments  Evaluation of significant transactions that are outside the normal course of business.	No unusual or inappropriate transactions were identified as part of the detailed testing of journal entries.  A review of accounting estimates did not show any instance of bias.  Focussed testing of regularity and cut-off assertions did not reveal any lapses in controls  No significant transactions outside the normal course of council business were identified.  Our conclusion is that there is no evidence of management override of controls.
<b>2 Fraud over income</b>  West Dunbartonshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.	Analytical procedures on income streams  Detailed testing of revenue transactions focusing on the areas of greatest risk.	Sample testing of income transactions to confirm that these were in the normal course of business.  We obtained satisfactory explanations for any significant increases or decreases in income.  Our sample cut-off testing confirmed that transactions were processed in the correct accounting year.  The council has adequate counter-fraud arrangements.  Our conclusion is that the council has arrangements in place to minimise the risk of fraud over income.
<b>3 Fraud over expenditure</b>  Most public sector organisations are net	Analytical procedures on expenditure streams	Sample testing of expenditure transactions to confirm that these

Audit risk	Assurance procedure	Results and conclusions
<p>expenditure bodies and, therefore, the risk of fraud is higher in the area of expenditure.</p>	<p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>were in the normal course of business.</p> <p>We obtained satisfactory explanations for any increases or decreases in expenditure.</p> <p>Our sample cut-off testing confirmed that transactions were processed in the correct accounting year.</p> <p>The council has adequate counter-fraud arrangements.</p> <p>Our conclusion is that the council has arrangements in place to minimise the risk of fraud over expenditure.</p>
<p><b>4 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of material account areas such as non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer'</p> <p>Focused substantive testing of key areas.</p>	<p>A number of estimations and judgements in the accounts were based on the opinion of experts. We assessed the reliability of these experts and reviewed their work.</p> <p>We tested samples of accruals and provisions and confirmed them to appropriate back-up evidence.</p> <p>The council's accounting policies are appropriate.</p> <p>We concluded that estimations and judgements included in the accounts are supported by appropriate audit evidence.</p>
<p><b>5 Untaken annual leave</b></p> <p>There have been material audit adjustments to the council's untaken annual leave accrual in the previous three financial years. There is a risk the accrual may be understated in the council's balance sheet.</p>	<p>Review of the 2017/18 untaken annual leave accrual during the audit of the financial statements.</p>	<p>We reviewed this during the audit of the financial statements and have reported the results of our work within Significant Findings to Management at Exhibit 3 of this report.</p>
<p><b>6 Accounts payable/receivable working papers</b></p> <p>During the 2016/17 financial statements audit, the working papers for Accounts Payable and Accounts Receivable did not provide a clear breakdown of the balances held at year-end.</p> <p>There is a risk of misstatement within the financial statements.</p>	<p>Worked with officers prior to the compilation of the working papers.</p> <p>Substantive testing of Accounts Payable and Accounts Receivable balances within the 2017/18 financial statements.</p>	<p>We reviewed this during the audit of the financial statements and have reported the results of our work at Recommendation 5 in the 2017/18 Action Plan in this report.</p>

Audit risk	Assurance procedure	Results and conclusions
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>7 Financial sustainability</b></p> <p>At the time of writing the Annual Audit Plan, the Council had identified a funding gap of £1.099 million in 2018/19. Savings options to close the gap were out for public consultation.</p> <p>If savings options are not agreed, the council may choose to use reserves to close this funding gap.</p> <p>Additionally, the council's net borrowing, as a proportion of net revenue stream including dwelling rents, continued to be amongst the highest in Scotland.</p> <p>There is a risk that the council's financial position may not be sustainable in the longer-term.</p>	<p>The BV audit work included an assessment of the council's financial position and how effectively it had planned to face the challenges of the future.</p> <p>Update report in the 2017/18 Annual Audit Report.</p>	<p>We concluded that the council's financial position is sustainable but challenging in the foreseeable future.</p>
<p><b>8 Capital management</b></p> <p>At the time of writing the Annual Audit Plan, gross capital expenditure (including HRA) was projected to be underspent by £42.571 million (34% underspend). There is a risk that the council's ability to deliver against its strategic plan and improvements to the asset base are affected due to delays in investment.</p> <p>In addition, capital receipts for 17/18 were forecast to be £10.736 million which was 31% below the budgeted amount of £15.542 million.</p>	<p>The BV audit work included an assessment of the council's capital project management.</p> <p>On-going monitoring of capital budget, plans and monitoring reports.</p> <p>Update report in the 2017/18 Annual Audit Report.</p>	<p>Significant slippage in the capital programme is reported in the Annual Audit Report.</p>

# Appendix 3

## The council's Improvement Plan in response to the Best Value Assurance Report

West Dunbartonshire Council Best Value Assurance Improvement Plan	July 2018
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Ref.	Audit Scotland Recommendation	Strategic Priority: Supporting Outcome	Current Position	Where do we want to be and how will we get there?	Lead Officer	Target completion date
BV1	To reduce the level of slippage on the capital plan, the council should review its project management processes. The council could use the Major capital investment in councils: good practice guide as the basis of a self-assessment	<b>Efficient and effective frontline services that improve the everyday lives of residents:</b> Sustainable & attractive local communities	Capital planning project management option appraisal guidance in place.  Long term financial strategy in place.  Detailed reporting of capital projects and budgets in place.  Post project review in place	<b>Capital Planning project management approach reviewed and updated with a focus on reducing slippage</b>  Actions: <ul style="list-style-type: none"> <li>Carry out review of current practice against good practice guide and identification of improvement actions</li> <li>Analysis of drivers of slippage in capital projects (previous 5 years) to identify common issues and improvement actions</li> <li>Update project management framework and supporting policies / guidance</li> <li>Put in place review programme for project management framework</li> </ul>	Richard Cairns	Aug 2018  Aug 2018  Dec 2018  Jan 2019

Ref.	Audit Scotland Recommendation	Strategic Priority: Supporting Outcome	Current Position	Where do we want to be and how will we get there?	Lead Officer	Target completion date
BV2	Workforce plans are in place and should be further developed to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period. Progress should be monitored	<b>Efficient and effective frontline services that improve the everyday lives of residents:</b> A committed and skilled workforce	Workforce planning framework in place and used for planning and forecasting at organisational and service level.  Training needs analysis carried out annually  Succession Planning framework in place  Career development programme in place	<b>Workforce planning framework embedded and further developed</b>  <b>Long term risk-based scenario planning will be developed, including the forecasting of workforce numbers, composition and costs</b>  Actions: <ul style="list-style-type: none"> <li>Undertake trend analysis of workforce composition to inform future planning</li> <li>Develop long term workforce plans at a service level which forecast workforce size, composition and cost</li> <li>Ensure training, learning and development process responds to workforce requirements identified through workforce plans</li> <li>Undertake a review of the workforce planning process based on learning and findings from annual process</li> </ul>	Victoria Rogers	Sept 2018  Nov 2018  Nov 2018  Aug 2019



Ref.	Audit Scotland Recommendation	Strategic Priority: Supporting Outcome	Current Position	Where do we want to be and how will we get there?	Lead Officer	Target completion date
BV3	Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement	<b>Efficient and effective frontline services that improve the everyday lives of residents:</b> A continuously improving Council delivering best value	Employee wellbeing strategy in place; range of training and supports on offer which focus on building resilience and improving wellbeing.  Learning & development programme implemented  WDC Change Approach and toolkit in place.  Number of trained coaches in place across services.	<b>Employee wellbeing strategy implemented and measures embedded.</b>  <b>Sickness absence continues to reduce.</b>  Actions: <ul style="list-style-type: none"> <li>Implement action plans supporting employee wellbeing strategy with focus specifically on physical and mental health</li> <li>Additional functionality to be added to workforce management system to enable more effective reporting/ management of sickness absence</li> <li>Target team specific change support/ training on a project by project basis</li> <li>Introduce routine scrutiny of attendance management process compliance through WMS reports</li> <li>Lean process improvement approach embedded in wider strategic improvement framework</li> </ul>	Victoria Rogers	Sept 2018  Aug 2018  Oct 2018  Mar 2019  Oct 2019












Ref.	Audit Scotland Recommendation	Strategic Priority: Supporting Outcome	Current Position	Where do we want to be and how will we get there?	Lead Officer	Target completion date
BV4	The Community Alliance (CA) brings together representatives from neighbourhood, interest and user groups. The council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. The council should continue to offer help to further develop the role of the CA and help it reach its full potential	<b>Meaningful engagement with active, empowered and informed citizens who feel safe and engaged:</b> Fully consulted and involved citizens who are able to make full use of the Community Empowerment Act	Community Alliance has been in place for three years, operating as a sub committee of Community Planning West Dunbartonshire.  Effectiveness of Community Alliance has been questioned by own members.  No single, overarching strategy for Community Empowerment in place	<b>Community Empowerment Strategy in place with supporting mechanism in place for strategic engagement of community organisations using principles of engaging communities framework</b>  Actions: <ul style="list-style-type: none"> <li>Community Empowerment (CE) short life steering group created, involving all relevant stakeholders</li> <li>Undertake engagement and involvement of community and wider stakeholders to understand challenges of Community Alliance and barriers experienced in fully utilising the provisions of the Community Empowerment Act</li> <li>Community Empowerment Strategy developed through a programme of consultation and engagement</li> </ul>	Peter Barry	Sept 2018  December 2018  June 2019



Ref.	Audit Scotland Recommendation	Strategic Priority: Supporting Outcome	Current Position	Where do we want to be and how will we get there?	Lead Officer	Target completion date
BV5	Councillors should consider working in cross-party groups to address the financial challenges which exist and the important decisions required in the future	Open, accountable & accessible local government	Member/Officer budget working group in place, attended by Administration Elected Members	<p><b>Robust arrangements in place to ensure Elected Members are sufficiently informed and have all relevant information available to inform decision making.</b></p> <p>Actions:</p> <ul style="list-style-type: none"> <li>Gather views of group leaders in relation to cross party working on budget</li> <li>Gather evidence on any existing cross party working in single party administrations in Scotland</li> <li>Consider options appraisal and recommendations on proposed models</li> <li>Seek Councillor agreement on future arrangements</li> </ul>	Peter Hessel	<p>Aug 2018</p> <p>Oct 2018</p> <p>Dec 2018</p> <p>Feb 2019</p>

# Appendix 4

## Summary of national performance reports 2017/18

 <b>2017/18 Reports</b>		
Apr		
May		
Common Agricultural Policy Futures programme: further update		<b>Jun</b>
		 Scotland's colleges 2017
		<b>Jul</b>
		 NHS workforce planning
Self-directed support: 2017 progress report		<b>Aug</b>
Equal pay in Scottish councils		<b>Sept</b>
Transport Scotland's ferry services		<b>Oct</b>
		 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		<b>Nov</b>
Dec		
Jan		
Early learning and childcare		<b>Feb</b>
Managing the implementation of the Scotland Acts		<b>Mar</b>

### Local government relevant reports

[\*Principles for a digital future\*](#) – May 2017

[\*Self-directed support: 2017 progress report\*](#) – August 2017

[\*Equal pay in Scottish councils\*](#) – September 2017

[\*Local government in Scotland: Financial overview 2016/17\*](#) – November 2017

# West Dunbartonshire Council

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August 2018

## West Dunbartonshire Council Registered Charitable Trusts Report to those charged with governance on the 2017/18 audit

1. An audit is required for all registered charities where the local authority is the sole trustee, irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006. The auditor of West Dunbartonshire Council, Audit Scotland, has been appointed as the auditor of the relevant trusts.
2. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The ISA 260 report was distributed to all trustees in advance of 27 September 2018 and trustees have been given the opportunity to discuss points raised within the ISA 260 directly with External Audit.
3. This report sets out for the trustees' consideration the matters arising from the audit of the financial statements for 2017/18 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of West Dunbartonshire Council, as the sole trustees of the registered charitable trusts listed at Appendix A, and no responsibility to any third party is accepted.
4. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 27 September 2018 (the proposed report is attached at Appendix B). There are no anticipated modifications to the audit report.

5. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
6. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
7. A few presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements.
8. The council has decided not to recharge any administration costs to the trusts in 2017/18. This policy is disclosed in the Notes to the Accounts. As a result the full costs incurred in administering the trusts are not known by the trustees.
9. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA 580 is attached at Appendix C. This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

### **Accounting and control systems**

10. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

### **Significant findings from the audit**

11. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
12. **Dormant Trusts:** Some of the trusts have been dormant for a number of years, with an assessment made in 2015/16 that no tangible benefits were being derived from the trusts. The War Memorial Dumbarton and the Halkett Memorial Dumbarton Trust funds were fully dispersed in 2016/17 following approval by trustees. The current position for the remaining trusts has been summarised below.
  - **Vale of Leven Fund** – The trust deeds have been updated, with one grant of £2,000 awarded in 2017/18. The 2017/18 closing balance for this trust was £6,398.
  - **UIE Award** – This trust did not meet during 2017/18, with no grant applications received. Work is currently underway to review and modernise the trust's governance arrangements to encourage funding applications in the future. The 2017/18 closing balance for this trust was £24,342.

**Providing services to the Auditor General for Scotland and the Accounts Commission**

- **DR AK Glen** – The trust deeds were updated, with two grants awarded in 2017/18 totalling £1,000. The 2017/18 closing balance for this trust was £25,191.
- **Alexander Cameron Bequest** – The trust deeds were updated, with five grants awarded in 2017/18 totalling £6,820. The 2017/18 closing balance for this trust was £148,666.
- **Dunbartonshire Educational Trust Scheme 1962** – The trustees did not meet during 2017/18. The trustees have been seeking clarification as to amendments to the governance arrangements. As this trust is governed by statute, discussions are ongoing between the council and Scottish Ministers and OSCR regarding these arrangements. The 2017/18 closing balance for this trust was £88,951.
- **McAuley Prize for Mathematics** - The trustees did not meet during 2017/18. The trustees have been seeking clarification as to amendments to the governance arrangements. As this trust is governed by statute, discussions are ongoing between the council and Scottish Ministers and OSCR regarding these arrangements. The 2017/18 closing balance for this trust was £21,530.

**Resolution:** Officers will continue to promote the trusts and the submission of funding applications.

13. **Updated Trust deeds:** The McAuley Prize for Mathematics, Dunbartonshire Educational Trust Scheme 1962 and the UIE Award trust deeds all require to be updated. Discussions are ongoing between the council, Scottish Ministers and OSCR regarding this. Furthermore, the McAuley Prize for Mathematics and the Dunbartonshire Educational Trust Scheme 1962 are held in the name of Strathclyde Regional Council. This should be updated to West Dunbartonshire Council.

**Resolution:** For the trust deeds to be updated, which may encourage more funding applications to be submitted in the future.

## **APPENDIX A: Registered Trusts where West Dunbartonshire Council is a trustee**

- Dr A K Glen Trust (Registered Charity SC018701)
  
- West Dunbartonshire Trust Funds (Registered Charity SC025070)
  - McAuley Prize for Mathematics
  - Alexander Cameron Bequest
  - Vale of Leven Fund
  - UIE Award
  - Dunbartonshire Education Trust Scheme 1962.

## **Appendix B: Independent auditor's report – registered section 106 charities (receipts and payments accounts)**

### **Independent auditor's report to the trustees of DR A K Glen & West Dunbartonshire Trust Funds and the Accounts Commission**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

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

I certify that I have audited the financial statements in the statement of accounts of DR A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments Account and the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2018 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibilities of the trustees for the financial statements**

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charities, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

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

## **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

## **Report on other requirements**

### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Carol Hislop CA

Audit Scotland

4<sup>th</sup> Floor

8 Nelson Mandela Place

Glasgow

G2 1BT

September 2018

Carol Hislop is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

**WEST DUNBARTONSHIRE COUNCIL****Report by Strategic Lead – Resources****Audit Committee: 12 December 2018**

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**Subject: Internal Audit Plan 2018/19 Half Year Progress Report****1. Purpose**

- 1.1** The purpose of this report is to advise Members of progress at the half year against the Audit Plan 2018/19.

**2. Recommendations**

- 2.1** It is recommended that Members note the contents of this report.

**3. Background**

- 3.1** The annual audit plan for 2018/19 was approved by the Audit Committee on 21 March 2018. This report provides information on the progress in implementing the plan up until mid-November 2018.
- 3.2** At the Audit Committee meeting on 13 December 2017, in relation to the presentation of information in the half year report for 2017/18, the Committee agreed that it would be helpful for Members if this report could be reformatted, in future, to include fuller information on the status of audit progress at the half year. This is provided for the 2018/19 half year report both in Section 4 below and in Appendix 1.

**4. Main Issues**

- 4.1.** The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Audit and Risk Manager to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- 4.2** The Audit Plan for 2018/19 contained 11 risk based audits on Council systems and processes, together with three computer audits. Of the 11 risk based audits, five are complete and four are in progress. In addition, three audits that were ongoing from previous years have now been completed. The three scheduled computer audits for 2018/19 are all in progress.
- 4.3** Further details of the completed audits are shown in the table included at Appendix 1, showing the number of agreed actions for each of these reports. The numbers in brackets denotes the number of outstanding actions as at 28

November 2018 and the content of the “Comments” column provides further information on the status of outstanding actions.

- 4.4.** It is anticipated that the Internal Audit Annual Plan for 2018/19 will be delivered in full within the required timescales.
- 4.5** The Audit and Risk Manager is pleased to report good progress across the Council on audit recommendations from completed assignments.
- 4.6** The Council’s Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:
- Definition of Internal Auditing;
  - Code of Ethics;
  - Attribute Standards (responsibility, independence, proficiency, quality);
  - Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).
- 4.7** An annual internal self-assessment against the PSIAS of the Internal Audit function will be completed prior to the end of 2018/19.
- 4.8** The Internal Audit Team and the Corporate Fraud Team continue to work together as appropriate in order to ensure a joined-up approach to fraud investigation and detection.
- 4.9** In order to enhance governance arrangements and oversight over the Council’s counter fraud activity, an Integrity Group is in the process of being set up. In addition, Strategic Leads (HSCP – Heads of Service) will be required to complete an annual Fraud Risk Assessment in order to evaluate and assess the risk of fraud occurrence in their service areas and consider what, if any, controls and counter measures are required to reduce or mitigate the risk.

## **5. People Implications**

- 5.1** There are no people implications.

## **6. Financial and Procurement Implications**

- 6.1** As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £351K have been identified during the first half of 2018/19, against an annual target of £225,000.
- 6.2** There are no procurement implications arising from this report.

## **7. Risk Analysis**

- 7.1** There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide assurances over the Council's system of internal financial control to those charged with governance. The main basis for providing assurance is coverage of the planned risk based systems audits. Every endeavour is made to ensure that no material slippage occurs in risk based systems audits by concentrating resources on these audits.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** There are no issues.

## **9. Consultation**

- 9.1** This report has been subject to consultation with appropriate Strategic Leads.

## **10. Strategic Assessment**

- 10.1** This report relates to strong corporate governance.

.....  
Stephen West  
Strategic Lead - Resources  
Date: 28 November 2018

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**Person to Contact:** Colin McDougall, Audit and Risk Manager, Telephone (01389) 737436  
E-mail: colin.mcdougall@west-dunbarton.gov.uk

**Appendices** Appendix 1: Audit Plan 2017/18: Completed Audits

**Background Papers:** Audit & Performance Review Committee – 21 March 2018: Internal Audit Plan 2018/19

**Wards Affected:** All wards



**APPENDIX 1****Audit Plan 2018/19: Completed Audits**

<b><u>Report Title</u></b>	<b><u>No. Of Agreed Actions</u></b>			<b><u>Comments</u></b>
	<b><u>High</u></b>	<b><u>Medium</u></b>	<b><u>Low</u></b>	
<b><u>Systems Audits</u></b>				
Burial Grounds / Crematorium	0 (0)	1 (0)	0 (0)	The one action is completed.
Central Repairs & Maintenance Budget (from 2016/17 Audit Plan)	0 (0)	3 (2)	1 (1)	The three outstanding actions are not yet due.
Management of Capital Projects Budget (from 2017/18 Audit Plan)	4 (0)	0 (0)	0 (0)	All actions have been completed.
Housing – Tenancy, Allocations and Lettings(from 2017/18 Audit Plan)	0 (0)	5 (0)	2 (0)	All actions have been completed.
Grants administration process undertaken by the CVS on WDC behalf	0 (0)	2 (2)	1 (1)	The three outstanding actions are not yet due.
WeBuy	0 (0)	0 (0)	4 (2)	The two outstanding actions are not yet due.
Main Accounting	0 (0)	0 (0)	1 (1)	The one outstanding action is not yet due.
<b>Total</b>	<b>4 (0)</b>	<b>11 (5)</b>	<b>9 (5)</b>	
<b><u>Investigations</u></b>				
Tendering & Contracting: Specific	7 (0)	7 (3)	0 (0)	The outstanding actions are not yet due.
Generic	7 (7)	5 (4)	0 (0)	
Fire Detection and Fire Alarm Systems	10 (5)	5 (4)	0 (0)	The outstanding actions are not yet due.
<b>Totals</b>	<b>24 (12)</b>	<b>17 (11)</b>	<b>0 (0)</b>	
<b>TOTAL</b>	<b>28 (12)</b>	<b>28 (16)</b>	<b>9 (5)</b>	

**NB:** Figures in ( ) denote actions which remain outstanding as at 28 November 2018





**WEST DUNBARTONSHIRE COUNCIL**

**Report by Strategic Lead - Resources**

**Audit Committee: 12 December 2018**

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**Subject: Audit Committee Self-Assessment and reporting on audit assignments**

**1. Purpose**

**1.1** The purpose of this report is to advise the Committee of:

- The results of a self-assessment exercise carried out recently by the Chair of the Audit Committee and the Audit Manager; and
- Options for the nature and content of information provided to the Audit Committee on audit assignments.

**2. Recommendations**

**2.1** It is recommended that Members:

- Note the attached self-assessment which show that the Council's Audit Committee largely complies with Cipfa good practice and thereby can assess its performance as generally meeting the Cipfa requirements;
- Approve the actions identified and request that these are now progressed;
- Note that progress on the completion of the agreed actions will be reported annually to the Audit Committee;
- Consider knowledge and skills framework for potential areas for development within the Elected Member development programme; and
- Having reviewed the options in relation to the content of information provided to the Committee agree to continue with the current approach which is:
  - For planned audit assignments, provide action plan with a contextual summary, with the addition of further information on the key findings, and highlight the risks being mitigated; and
  - For investigation work, provide summary information, with the addition of further information on the key findings, along with action plan.

**3. Background**

**3.1** The annual self-evaluation review for 2016/17 of the Council's Local Code of Good Governance was carried out by a group of Officers and identified a number of improvement actions, including one which required a review of the Council's Audit Committee. A key element of recognised good practice for an audit committee is that it periodically undertakes a self-assessment of its activities and effectiveness. At the Audit Committee meeting on 21 March 2018, Members agreed that:

- The Chair of the Audit Committee and the Audit Manager should meet to complete the two self-assessment documents from which an action plan would be prepared of any process improvements identified and reported to subsequent meetings of the committee; and
- As part of the review of the effectiveness of the Audit Committee, consideration would be given to the suggestion by Audit Scotland that all completed audit reports should go to each Audit Committee rather than a summary.

#### **4. Main Issues**

##### Audit Committee Self-Assessment

- 4.1** In order to address the specific action on the Audit Committee, arising from the review of the Local Code of Good Governance, the contents of the CIPFA publication “*Audit Committees: Practical Guidance for Local Authorities and Police*” (2018 Edition)” were considered by the Chair of the Audit Committee and the Audit Manager. This publication represents Cipfa’s view of best practice for audit committees in local authorities. The 2018 version contains a number of appendices, including:
- Self-Assessment of Good Practice; and
  - Evaluation the Effectiveness of the Audit Committee.
- 4.2** The Chair of the Audit Committee and the Audit Manager have discussed and completed these documents which are included at Appendix 1 and Appendix 2 respectively.
- 4.3** Included in this Cipfa publication is an appendix entitled: “*Audit committee members - knowledge and skills framework*”. This is included at Appendix 3 to this report and sets out a knowledge and skills framework. This can be used to guide members on their training needs and to evaluate the overall knowledge and skills of the committee. It can also be used when recruiting independent members. A distinction is made between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee. The audit committee should review risks, controls and assurances that cover the whole operation of the authority so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience, for example in accountancy, audit, governance and risk management, will add value to the committee.
- 4.4** This Cipfa publication also includes a Position Statement on audit committees in local authorities which sets out CIPFA’s view of the role and functions of an audit committee. This is included at Appendix 4.

- 4.5** It is important that the Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees in order to ensure that it can evidence its effectiveness as a scrutiny body as a foundation for strong corporate governance.
- 4.6** Overall, the self-assessment indicates that the Audit Committee demonstrates a good level of compliance with expected good practice and it is largely effective in discharging its roles and responsibilities. Areas of good practice include:
- Elected Members and Offices are considered to have good awareness of the role and purpose of the Audit Committee;
  - The Chair of the Audit Committee is from the Opposition (as is Vice Chair);
  - The committee has Lay Members;
  - The Administration has a minority of members on the Audit Committee;
  - The Audit Committee has good working relations with External Audit, Internal Audit, the Chief Executive, Strategic Director – T&PSR and the Strategic Lead – Resources; and
  - The Audit Committee supports the role of audit in improving internal control and governance.
- 4.7** The self-assessment, however, also identified areas where there is an opportunity for improvement. Suggested actions in relation to these issues are noted in Appendices 1 and 2, fully documented in Appendix 5, with key action points being:
- Submit the draft Annual Governance Statement to the Audit Committee as a standalone document;
  - Introduce a self-assessment every three years against best practice, using the Cipfa documents;
  - Members of the Committee should consider if there any knowledge or skills gaps, taken into account the content of the core knowledge and skills framework; and
  - Introduce an annual report on the Audit Committee to account for its performance and explain its work to Council.
- 4.8** It is proposed that the actions identified in Appendices 1 and 2 form the basis of an improvement action plan, with updates on progress being provided annually to future meetings of the Committee. This action plan is included at Appendix 5.

#### Nature and content of audit reports

- 4.9** In their annual review of the adequacy of the Council's Internal Audit, as reported to the Audit Committee on 21 March 2018, Audit Scotland commented that Internal Audit does not present all completed audit reports to each Audit Committee but instead submits a summary, with the agreed audit action plans resulting from their work. Accordingly, it was agreed that consideration would be given to this suggestion.

- 4.10** At the Audit & Performance Review Committee meeting on 14 December 2016 this issue was discussed and at that time it was agreed that that future action plan reports would include a summary to put the action plans in context, and highlight the risks being mitigated, with the format of the summary determined by officers in consultation with the Convener. This style of information was provided from the next meeting of the Committee on 8 March 2017 onwards and this continues to be the case to this day.
- 4.11** As part of the consideration of the Audit Scotland suggestion, the Audit Manager has carried out a benchmarking exercise with other Scottish Councils on the nature and content of reporting of audit assignments to audit committees. Several questions were asked and responses were received from 20 other Councils. The results of this benchmarking are provided at Appendix 6, which also includes the current WDC practice.
- 4.12** As can be seen from Appendix 6:
- 13 out of the Councils 20 who responded do not provide full Internal Audit reports to their Audit Committee similar to that currently provided by WDC;
  - Seven out of the 20 respondents do provide full reports to their Audit Committee;
  - For 11 Councils, reporting on audit actions is at least quarterly and for nine it is on a half yearly basis;
  - Follow-up on audit actions occurs in all but one instance; and
  - In respect of investigation work, a variety of approaches are in use, including in nine instances the provision of summary information similar to WDC.
- 4.13** The Chair of the Audit Committee has been consulted on the proposed approach and it is the view of both the Chair and Officers that current arrangements should continue, with the addition of further information on the key findings of each audit.

## **5. People Implications**

- 5.1** There are no personnel issues with this report.

## **6. Financial and Procurement Implications**

- 6.1** There are neither financial nor procurement implications arising directly from this report.

## **7. Risk Analysis**

- 7.1** There is a risk that if the Audit Committee does not address some of the issues highlighted from this review it will not maximise the opportunity for effective scrutiny. Implementing the suggested improvement action plan following from the self assessment will mitigate this risk.

**7.2** There is a risk that if the Audit Committee does not receive sufficient information on audit activity it will not be able to adequately fulfil its governance role. However, it is for the Audit Committee to decide what level of information it receives on completed audits.

## **8. Equalities Impact Assessment (EIA)**

**8.1** There are no issues.

## **9. Consultation**

**9.1** This report has been subject to consultation with appropriate Strategic Leads. In addition, services have been consulted in the update of action plans.

## **10. Strategic Assessment**

**10.1** This report relates to strong corporate governance.

.....  
**Stephen West**  
**Strategic Lead - Resources**  
**Date: 20 November 2018**

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E-mail – colin.mcdougall@west-dunbarton.gov.uk

**Appendices:**

1. Self-Assessment of Good Practice Questionnaire
2. Evaluating the Effectiveness of the Audit Committee
3. Audit committee members - knowledge and skills framework.
4. Cipfa Position Statement on audit committees
5. Improvement Action Plan
6. Outcome from Benchmarking across Scottish Local Authorities: Approaches to providing information to Audit Committee on Internal Audit Reports

**Background Papers:** Audit Committee on 21 March 2018: Report - Evaluation of Effectiveness of Audit Committee

Audit Committee on 21 March 2018: Report - Audit Scotland - Review of Adequacy of Internal Audit Arrangements

**Wards Affected:** All Wards



**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

**Appendix 1**

	Good Practice Questions	Yes	Partly	No	Comments
	<u>Audit committee purpose and governance</u>				
1.	Does the authority have a dedicated audit committee?	X			The Council's Audit Committee is a separate, dedicated, committee in accordance with good practice.
2.	Does the audit committee report directly to full council? (Applicable to local government only.)	X			<p>The Minutes of the Audit Committee are submitted to full Council for approval as a correct record and where necessary for ratification.</p> <p>In general, the Audit Committee does not have delegated powers. All recommendations of the Audit Committee will be considered by Council or by the appropriate committee.</p> <p>This arrangement is deemed to be appropriate.</p>
3.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		X		<p>See position statement attached.</p> <p>The Council's Standing Orders broadly describe what is contained in the Position Statement. Aspects which are not covered are:</p> <ul style="list-style-type: none"> <li>• Risk management is not considered by</li> </ul>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
					<p>the Audit Committee, though strategic risk is reported to the Corporate Services Committee and PAMG on a six monthly basis</p> <ul style="list-style-type: none"> <li>• The draft Annual Governance Statement is not presented to the Audit Committee as a standalone document</li> <li>• There is no annual report by the Audit Committee on an assessment of its performance as to how it has discharged its responsibilities</li> </ul> <p><u>Suggested actions:</u></p> <ul style="list-style-type: none"> <li>• Submit the draft Annual Governance Statement to the Audit Committee as a standalone document; and</li> <li>• Provide reports on Risk Management to the Audit Committee.</li> </ul>
4.	Is the role and purpose of the audit committee understood and accepted across the authority?	X			Elected Members and Offices are considered to have good awareness of the role and purpose of the Audit Committee.
5.	Does the audit committee provide support to the authority in meeting the requirements of good governance?	X			The Audit Committee is a key element of the Council's governance framework. This could be improved by having the draft Annual Governance Statement presented to the Audit Committee as a standalone document.



**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
					<p><u>Suggested action:</u>  Submit the draft Annual Governance Statement to the Audit Committee as a standalone document</p>
6.	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	X			<p>The following points are noted:</p> <ul style="list-style-type: none"> <li>• Chair of the Audit Committee is from the Opposition (as is Vice Chair)</li> <li>• The committee has two Lay Members</li> <li>• The Administration has a minority of members on the Audit Committee; and</li> <li>• Minutes are approved by Council.</li> </ul> <p>To enhance these arrangements a self-assessment against best practice should be introduced, to be carried out every three years, using the Cipfa documents. In addition, an Audit Committee Annual Report, submitted to both the Audit Committee and the full Council:</p> <ul style="list-style-type: none"> <li>• Setting out the activities to enable stakeholders to understand how the Audit Committee has discharged its duties; and</li> <li>• In years where a self-assessment has</li> </ul>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
					<p>been carried out, identify areas of improvement to better fulfil its remit.</p> <p><u>Suggested action:</u>            Introduce an annual self-assessment against best practice, to be carried out every three years, using the Cipfa documents (i.e. the Practical Guidance for Local Authorities and the Police - Audit Committees Self-Assessment of Good Practice)</p>
	<u>Functions of the committee</u>				
7.	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?</p> <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework, including partnerships and collaboration arrangements</li> <li>• internal audit</li> <li>• external audit</li> <li>• financial reporting</li> </ul>	<p>X</p> <p>X</p> <p>X</p> <p>X</p>		<p>X</p>	<p>Reported to Audit Committee</p> <p>Not specifically mentioned but implied</p> <p>Reported to Audit Committee</p> <p>Reported to Audit Committee</p> <p>Reported to Audit Committee</p>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
	<ul style="list-style-type: none"> <li>• risk management</li> <li>• value for money or best value</li> <li>• counter-fraud and corruption.</li> </ul>	X	X	X	<p>Risk management is not currently reported to Audit Committee</p> <p>Best Value information on services is mainly reported to service Committees, not Audit Committee. Capital project post completion reviews are reported to Audit Committee</p> <p>Reported to Audit Committee</p> <p><u>Suggested actions:</u></p> <ul style="list-style-type: none"> <li>• Submit the draft Annual Governance Statement to the Audit Committee as a standalone document</li> <li>• Provide reports on Risk Management to the Audit Committee</li> <li>• Provide reports on Best Value to Audit Committee</li> </ul>
8.	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			X	<p>There is no formal annual evaluation process. It is considered that an evaluation process taking place every three years is sufficient.</p> <p><u>Suggested action:</u> A formal evaluation process takes place every three years with a report prepared and submitted to the Audit Committee and</p>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
					Council commenting on whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas.
9.	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			X	The Audit Committee has not considered the position statement.  The position statement is included as Appendix 3 to this report.
10.	Where coverage of core areas has been found to be limited, are plans in place to address this?		X		Core areas covered, with the exception of risk.  <u>Suggested action:</u> Provide reports on Risk Management to the Audit Committee
11.	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	X			The Committee maintains this position.

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
	<u>Membership and support</u>				
12.	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>	<p>X</p> <p>X</p> <p>X</p> <p>X</p>			<p>Chair and Vice Chair are from the Opposition. There are two Lay Members Administration membership is in the minority.</p> <p>The Audit Committee is deemed to contain an appropriate mix of knowledge and skills.</p> <p>The size of the Audit Committee is deemed to be appropriate.</p> <p>There are two Lay Members on the committee (one vacancy at present).</p>
13.	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?	X			Formal process in place to appoint Lay Members.

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
14.	Does the chair of the committee have appropriate knowledge and skills?	X			<p>The current Chair has held the role for one year and has been an Elected Member for six years. Officers ensure that the Chair is fully briefed as to the Audit Committee's role and responsibilities and has appropriate knowledge to ensure its continuing effective operation.</p> <p>The Chair and Vice Chair attend a pre-Agenda meeting prior to every committee meeting.</p> <p>The Chair also sits on every service committee of the Council and so has a good opportunity to be across key issues. The Chair also sits on the HSCP audit committee.</p> <p>The Chair is on the board of a number of other organisations, including the Chair of one.</p>
15.	Are arrangements in place to support the committee with briefings and training?	X			<p>There is an Elected Member briefing / training programme.</p> <p>The Chair and Vice Chair attend a pre-Agenda meeting prior to every committee meeting.</p>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
16.	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			X	<p>The following points are made:</p> <ul style="list-style-type: none"> <li>• Role profiles are in place for Elected Members</li> <li>• Elected members have the opportunity to participate in an annual CPD/PDP</li> <li>• There is no formal assessment process although there are optional 1-to-1's for Elected Members .</li> <li>• There is an Elected Members' induction programme.</li> <li>• On a voluntary basis Elected Members can participate in a skills programme</li> <li>• The Improvement Service provides Elected Member support – details of this are provided to them</li> </ul> <p><u>Suggested action:</u>            Hold specific training for members of the Audit Committee, taking into account the content of the core knowledge and skills framework.</p>
17.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	X			<p>Good working relations exist with external audit, internal audit, and key senior officers who typically attend the Committee including: Chief Executive, Strategic Director – T&amp;PSR and the Strategic Lead – Resources.</p>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
18.	Is adequate secretariat and administrative support to the committee provided?	X			Support of this nature provided by committee admin with a specific Committee Officer assigned to support the Audit Committee.
	<u>Effectiveness of the committee</u>				
19.	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			X	<p>Feedback has not been obtained. The rest of the Council relies on the work of the audit committee. Consult with the Audit Committee to ascertain if it wishes to obtain feedback which could be provided by:</p> <ul style="list-style-type: none"> <li>• Other Elected Members;</li> <li>• External Audit;</li> <li>• Internal Audit; and</li> <li>• Officers in regular attendance at the Audit Committee meetings.</li> </ul> <p><u>Suggested action:</u>  Obtain feedback on the performance of the Audit Committee from those interacting with the committee or relying on its work. This feedback should be incorporated into an Annual Report on the Audit Committee.</p>



**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
20.	Are meetings effective with a good level of discussion and engagement from all the members?	X			There is a good level of discussion.
21.	Does the committee engage with a wider range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	X			There is normally senior management representation at the audit committee from all services, who are able to respond to questions from members. Where necessary, further information / clarification can be subsequently obtained and forwarded on to members.
22.	Does the committee make recommendations for improvement of governance, risk and control and are these acted on?	X			The Minutes of the meeting would record some of this. Committee actions are also recorded in Pentana for action by assigned Officers
23.	Has the committee evaluated whether and how it is adding value to the organisation?			X	Not until now. This is now being fulfilled using the Cipfa documents: <ul style="list-style-type: none"> <li>• Audit Committees Self-Assessment of Good Practice; and</li> <li>• Evaluating the Effectiveness of the Audit Committee</li> </ul> <p>Such a self-assessment process of comparing performance against best practice should henceforth be carried out every three years and reported to the Audit Committee.</p>

**Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees**  
**Self-Assessment of Good Practice (2018)**

	Good Practice Questions	Yes	Partly	No	Comments
					<u>Suggested action:</u> Introduce an annual self-evaluation process.
24.	Does the committee have an action plan to improve any areas of weakness?			X	Not at present, however this will be an output of the self-assessment and evaluation of effectiveness process going forward. This will be considered on an ongoing basis as part of the annual reporting process.  <u>Suggested action:</u> Introduce a self-evaluation process to be carried out every three years
25.	Does the committee publish an annual report to account for its performance and explain its work?			X	<u>Suggested action:</u> Introduce an annual report on the Audit Committee to account for its performance and explain its work to Council

<b><u>Assessment Key (Score)</u></b>	<b><u>Criteria</u></b>
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited
1	No evidence can be found that the audit committee has supported improvements in this area

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment:</u> <b>5 – 1</b>  <u>See key above</u>
1.	Promoting the principles of good governance and their application to decision making.	<p>Supporting the development of a local code of governance</p> <p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p>	<p>Audit Committee approved a revised code in 2017 and is provided with an improvement action plan following a review of code each year.</p> <p>Presented with Internal Audit Annual report and outputs of review of local code of good governance which does provide information on assurances but the Annual Governance Statement (AGS) is not submitted to the Audit Committee as a standalone document</p> <p><u>Suggested action:</u> Submit the draft Annual Governance Statement to the Audit Committee as a standalone document.</p> <p>Not submitted as a standalone document (see suggested action above).</p>	<p>5</p> <p>3</p> <p>3</p>

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment:</u> <b>5 – 1</b>  <u>See key above</u>
		<p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>Committee approves Audit Plan and thereafter consideration of action plans from assignments. Also relates to action plan resulting from the review of the local Code of Good Governance.</p> <p>Reviews Audit Scotland reports, and Code of Good Governance review each year</p> <p>This takes place in relation to the audit plans reported to both the Council's Audit and the HSCP's Audit Committee each year to ensure alignment around risks in the two organisations.  <u>Suggested action:</u>  The Chairs of the Council's and the West Dunbartonshire Heath &amp; Social Care Partnership Board Audit Committees meet to discuss their respective governance arrangements</p>	<p>5</p> <p>3</p> <p>4</p>

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment: 5 – 1</u>  <u>See key above</u>
2.	Contributing to the development of an effective control environment.	<p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>The Audit Committee supports the role of audit in improving internal control and governance. Audit Action Plans submitted to the Audit Committee every quarter.</p> <p>The committee has powers to hold individual managers to account for delays in completing actions by inviting them as appropriate to attend committee to explain.</p> <p>As per comment above.</p>	<p>5</p> <p>5</p> <p>4</p>
3.	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p>	<p>Risk management arrangements not reported</p> <p>As above.</p> <p>As above.</p>	<p>1</p> <p>1</p> <p>1</p>

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment: 5 – 1</u>  <u>See key above</u>
			<u>Suggested action:</u> Report strategic risk to the Audit Committee..	
4.	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>Internal Audit has recently participated in a Council sourced self-assessment process with an improvement action plan.</p> <p>Public Sector Internal Audit Standards (PSIAS) external review has been carried out in 2015/16 (required every five years). Actions arising from the annual Local Scrutiny Plan from Audit Scotland on behalf of inspection agencies are reported and monitored through the Audit Committee.</p> <p>The position for this area is good in relation to both external audit and internal audit but there is an opportunity to formalise arrangements in respect of other key sources of external assurance (i.e. external regulators relating to</p>	<p>3</p> <p>4</p> <p>4</p>

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment:</u> <b>5 – 1</b>  <u>See key above</u>
			key service delivery activities)	
5.	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<p>Reviewing the audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements and supporting improvements.</p>	<p>Audit Charter approved by Audit Committee, together with any updates as required (last update was submitted to the Audit Committee for approval in June 2018). Annual Audit Plan approved by the Audit Committee.</p> <p>PSIAS external review outputs reported to the Audit Committee and the annual PSIAS internal review is mentioned in the annual report but no separate report.</p>	<p>5</p> <p>4</p>
6.	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>Reviewing how the governance arrangements support the achievement of sustainable outcomes.</p> <p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p>	<p>The established functioning of the Audit Committee promotes the Council in achieving its planned outcomes</p> <p>Some planned audit work relates to project activity. There is also a post-project review report submitted by management on a periodic basis for major capital projects. This</p>	<p>4</p> <p>4</p>



## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment:</u> <b>5 – 1</b> <u>See key above</u>
		<p>Reviewing the effectiveness of performance management arrangements.</p>	<p>could be extended to reports on non-capital projects of significant scale.</p> <p><u>Suggested action:</u>  Post-project review reports submitted by management to the Audit Committee on a periodic basis for capital projects should be extended to reports on non-capital projects of significant scale</p> <p>Performance information is not taken to the Audit Committee. This could be achieved by bringing an outcome report on best value status to the Audit Committee in addition to the existing Code of Good Governance action plan. e.g. transformation, sustainability, and performance management and annual assurance statement could be amended to require such information</p>	1

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment:</u> <b>5 – 1</b>  <u>See key above</u>
			<u>Suggested actions:</u> <ul style="list-style-type: none"> <li>• Provide an outcome report on best value status to the Audit Committee in addition to the existing Code of Good Governance action plan.</li> <li>• Amend annual assurance statements to require information on value for money arrangements.</li> </ul>	
7.	Supporting the development of robust arrangements for ensuring value for money.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>Audit Committee currently considers best value through the actions and activities of internal and external audit, however this could be widened</p> <p>The AGS is provided as part of the annual accounts but is not provided to the Audit Committee as a standalone document.</p> <p><u>Suggested actions:</u></p> <ul style="list-style-type: none"> <li>• Provide an outcome report on best value status to the Audit</li> </ul>	<p>2</p> <p>2</p>

### Evaluating the Effectiveness of the Audit Committee (2018)

<b><u>Ref.</u></b>	<b><u>Areas where the audit committee can add value by supporting improvement</u></b>	<b><u>Examples of how the audit committee can add value and provide evidence of effectiveness</u></b>	<b><u>Self-evaluation, examples, areas of strength and weakness</u></b>	<b><u>Overall assessment: 5 – 1</u></b> <b><u>See key above</u></b>
			<p>Committee in addition to the existing Code of Good Governance action plan</p> <ul style="list-style-type: none"> <li>• Submit the draft Annual Governance Statement to the Audit Committee as a standalone document</li> </ul>	
8.	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and governors.</p>	<p>There could be more specific reporting on counter fraud information to the Audit Committee (e.g. general work and NFI work).</p> <p>The Corporate Fraud team is developing a fraud risk assessment process which will enhance this area during 2018/19.</p> <p>Ethical procurement has been reported to Council and covered in Procurement Strategy but nothing of this nature has been provided to the Audit Committee. This is not considered necessary to be a high priority to provide</p>	<p>3</p> <p>2</p> <p>1</p>

## Evaluating the Effectiveness of the Audit Committee (2018)

<u>Ref.</u>	<u>Areas where the audit committee can add value by supporting improvement</u>	<u>Examples of how the audit committee can add value and provide evidence of effectiveness</u>	<u>Self-evaluation, examples, areas of strength and weakness</u>	<u>Overall assessment:</u> <b>5 – 1</b> <u>See key above</u>
			<u>Suggested actions:</u> <ul style="list-style-type: none"> <li>• Provide more specific information on counter fraud work to the Audit Committee</li> <li>• Develop a fraud risk assessment process</li> </ul>	
9.	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> <p>Publishing an annual report for the committee</p>	<p>Council audit committee papers enter the public domain – care taken to provide sensible / understandable information but could still be improved</p> <p>This is not covered within the remit of the Audit Committee. Good examples of this would be the LOIP – reported to Council; also the City Deal / Region which has updates regularly reported to Council.</p> <p>This is not done.  <u>Suggested action:</u>            Introduce an annual report on the Audit Committee to account for its performance and explain its work.</p>	<p>4</p> <p>3</p> <p>1</p>

## APPENDIX C

# Audit committee members – knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> <li>■ An overview of the governance structures of the authority and decision-making processes</li> <li>■ Knowledge of the organisational objectives and major functions of the authority</li> </ul>	<ul style="list-style-type: none"> <li>■ This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers</li> </ul>
Audit committee role and functions (Chapters 3 and 6)	<ul style="list-style-type: none"> <li>■ An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements</li> <li>■ Knowledge of the purpose and role of the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>■ This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others</li> </ul>
Governance (Chapter 4)	<ul style="list-style-type: none"> <li>■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS</li> <li>■ Knowledge of the local code of governance</li> </ul>	<ul style="list-style-type: none"> <li>■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework</li> <li>■ The committee will plan the assurances it is to receive in order to adequately support the AGS</li> <li>■ The committee will review the AGS and consider how the authority is meeting the principles of good governance</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit (Chapter 4)	<ul style="list-style-type: none"> <li>■ An awareness of the key principles of the PSIAS and the LGAN</li> <li>■ Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards</li> <li>■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards</li> <li>■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed</li> <li>■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan</li> </ul>
Financial management and accounting (Chapter 4)	<ul style="list-style-type: none"> <li>■ Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them</li> <li>■ Understanding of good financial management principles</li> <li>■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by <a href="#">The Role of the Chief Financial Officer in Local Government</a> (CIPFA, 2016) and the <a href="#">CIPFA Statement on the Role of Chief Financial Officers in Policing</a> (2018)</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewing the financial statements prior to publication, asking questions</li> <li>■ Receiving the external audit report and opinion on the financial audit</li> <li>■ Reviewing both external and internal audit recommendations relating to financial management and controls</li> <li>■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS</li> </ul>
External audit (Chapter 4)	<ul style="list-style-type: none"> <li>■ Knowledge of the role and functions of the external auditor and who currently undertakes this role</li> <li>■ Knowledge of the key reports and assurances that external audit will provide</li> <li>■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee should meet with the external auditor regularly and receive their reports and opinions</li> <li>■ Monitoring external audit recommendations and maximising benefit from audit process</li> <li>■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management (Chapter 4)	<ul style="list-style-type: none"> <li>■ Understanding of the principles of risk management, including linkage to good governance and decision making</li> <li>■ Knowledge of the risk management policy and strategy of the organisation</li> <li>■ Understanding of risk governance arrangements, including the role of members and of the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>■ In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</li> <li>■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee</li> <li>■ The committee should also review reports and action plans to develop the application of risk management practice</li> </ul>
Counter fraud (Chapter 4)	<ul style="list-style-type: none"> <li>■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</li> <li>■ Knowledge of the principles of good fraud risk management practice in accordance with the <a href="#">Code of Practice on Managing the Risk of Fraud and Corruption</a> (CIPFA, 2014)</li> <li>■ Knowledge of the organisation's arrangements for tackling fraud</li> </ul>	<ul style="list-style-type: none"> <li>■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy</li> <li>■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment</li> </ul>
Values of good governance (Chapter 5)	<ul style="list-style-type: none"> <li>■ Knowledge of the Seven Principles of Public Life</li> <li>■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</li> <li>■ Knowledge of the whistleblowing arrangements in the authority</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS</li> <li>■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported</li> </ul>

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5)	<ul style="list-style-type: none"> <li>■ <b>Effective Scrutiny of Treasury Management</b> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>– regulatory requirements</li> <li>– treasury risks</li> <li>– the organisation's treasury management strategy</li> <li>– the organisation's policies and procedures in relation to treasury management</li> </ul> </li> <li>■ See also <b>Treasure Your Assets</b> (CfPS, 2017)</li> </ul>	<ul style="list-style-type: none"> <li>■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</li> </ul>



## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	<ul style="list-style-type: none"> <li>Professional qualification in accountancy</li> </ul>	<ul style="list-style-type: none"> <li>More able to engage with the review of the accounts and financial management issues coming before the committee</li> <li>Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues</li> <li>More able to engage with the external auditors and understand the results of audit work</li> </ul>
Internal audit	<ul style="list-style-type: none"> <li>Professional qualification in internal audit</li> </ul>	<ul style="list-style-type: none"> <li>This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing</li> <li>The committee would be more able to provide oversight of internal audit and review the output of audit reports</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Risk management qualification</li> <li>Practical experience of applying risk management</li> <li>Knowledge of risks and opportunities associated with major areas of activity</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice</li> <li>Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers</li> </ul>
Governance and legal	<ul style="list-style-type: none"> <li>Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law</li> </ul>	<ul style="list-style-type: none"> <li>Legal knowledge may add value when the committee considers areas of legal risk or governance issues</li> </ul>
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> <li>Direct experience of managing or working in a service area similar to that operated by the authority</li> <li>Previous scrutiny committee experience</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context</li> </ul>

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Programme and project management	<ul style="list-style-type: none"> <li>Project management qualifications or practical knowledge of project management principles</li> </ul>	<ul style="list-style-type: none"> <li>Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews</li> </ul>
IT systems and IT governance	<ul style="list-style-type: none"> <li>Knowledge gained from management or development work in IT</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls</li> </ul>

## CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> <li>Able to focus on material issues and overall position, rather than being side tracked by detail</li> </ul>	<ul style="list-style-type: none"> <li>When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail</li> </ul>
Questioning and constructive challenge	<ul style="list-style-type: none"> <li>Able to frame questions that draw out relevant facts and explanations</li> <li>Challenging performance and seeking explanations while avoiding hostility or grandstanding</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found</li> </ul>
Focus on improvement	<ul style="list-style-type: none"> <li>Ensuring there is a clear plan of action and allocation of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities</li> <li>Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken</li> </ul>
Able to balance practicality against theory	<ul style="list-style-type: none"> <li>Able to understand the practical implications of recommendations to understand how they might work in practice</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee should seek assurances that planned actions are practical and realistic</li> </ul>

Skills	Key elements	How the audit committee member is able to apply the skill
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> <li>Support the use of plain English in communications, avoiding jargon, acronyms, etc</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience</li> </ul>
Objectivity	<ul style="list-style-type: none"> <li>Evaluate information on the basis of evidence presented and avoiding bias or subjectivity</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views</li> </ul>
Meeting management skills	<ul style="list-style-type: none"> <li>Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting</li> </ul>	<ul style="list-style-type: none"> <li>These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members</li> </ul>



## CHAPTER 2

# CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
  - act as the principal non-executive, advisory function supporting those charged with governance
  - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
  - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
  - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
  - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4 The core functions of an audit committee are to:
  - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
  - in relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance and professionalism
    - support the effectiveness of the internal audit process

- promote the effective use of internal audit within the assurance framework
  - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
  - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
  - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
  - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
  - review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
  - working with local standards and ethics committees to support ethical values
  - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
  - providing oversight of other public reports, such as the annual report.
- 6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
  - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
  - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
    - promoting apolitical open discussion
    - managing meetings to cover all business and encouraging a candid approach from all participants
    - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
  - unbiased attitudes – treating auditors, the executive and management fairly
  - the ability to challenge the executive and senior managers when required.

- 7 To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
  - be able to meet privately and separately with the external auditor and with the head of internal audit
  - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
  - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
  - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

## Appendix 5

### Cipfa: Practical Guidance for Local Authorities and the Police - Audit Committees Self-Assessment of Good Practice - Improvement Action Plan

<u>No.</u>	<u>Ref.</u>	<u>Action Required</u>	<u>Responsible Officer</u>	<u>Due Date</u>
1.	Appendix 1; 3, 5 Appendix 2; 1, 7	Submit the draft Annual Governance Statement to the Audit Committee as a standalone document.	Audit and Risk Manager	30 June 2019
2.	Appendix 1; 6, 8, 23, 24, 25 Appendix 2; 6	Introduce a self-assessment every three years against best practice, using the Cipfa documents (i.e. the Practical Guidance for Local Authorities and the Police - Audit Committees Self-Assessment of Good Practice).	Chair of Audit Committee / Audit and Risk Manager	31 December 2021 (and every three years thereafter)
3.	Appendix 1; 3, 7, 10 Appendix 2; 3	Provide reports on Risk Management to the Audit Committee.	Section Head – Risk and Health & Safety	30 June 2019
4.	Appendix 1; 7 Appendix 2; 6, 7	Provide reports on Best Value to the Audit Committee.	Performance and Strategy Manager,	30 June 2019
5.	Appendix 1; 16	Members of the Committee should consider if there any knowledge or skills gaps, taken into account the content of the core knowledge and skills framework.	Members of the Committee	31 December 2018



<b><u>No.</u></b>	<b><u>Ref.</u></b>	<b><u>Action Required</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Due Date</u></b>
6.	Appendix 1; 19	Obtain feedback on the performance of the Audit Committee from those interacting with the committee or relying on its work. This feedback should be incorporated into an Annual Report on the Audit Committee (see also action 7).	Audit and Risk Manager	30 June 2019
7.	Appendix 1; 25 Appendix 2; 9	Introduce an annual report on the Audit Committee to account for its performance and explain its work to Council.	Chair of Audit Committee / Audit and Risk Manager	30 June 2019
8.	Appendix 2; 1	The Chairs of the Council's and the West Dunbartonshire Heath & Social Care Partnership Board Audit Committees meet to discuss their respective governance arrangements.	Audit Committee Chairs / Audit and Risk Manager	30 September 2019
9.	Appendix 2; 6	The Committee advise that post-project review reports submitted by management to the Audit committee on a periodic basis for capital projects should be extended to reports on non-capital projects of significant scale.	Relevant Strategic Leads	31 December 2018 and then ongoing
10.	Appendix 2; 6	The work of internal audit should be enhanced to provide more specific assurance on value for money arrangements e.g. transformation, sustainability, and performance management.	Audit and Risk Manager	31 March 2020
11.	Appendix 2; 6	Amend annual assurance statements to require more information on value for money arrangements e.g. transformation, sustainability, and performance management.	Audit and Risk Manager	30 June 2019

<b><u>No.</u></b>	<b><u>Ref.</u></b>	<b><u>Action Required</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Due Date</u></b>
12.	Appendix 2; 8	Provide more specific information on counter fraud work to the Audit Committee.	Audit and Risk Manager	30 June 2019
13.	Appendix 2; 8	Develop a fraud risk assessment process.	Audit and Risk Manager	30 June 2019

**Outcome from Benchmarking across Scottish Local Authorities:  
Approaches to providing information to Audit Committee on Internal Audit reports**

Question	Council Position	Comments
<p>1. For reports you prepare as a result of planned work per your approved audit plan, what level of information you provide to your audit committee, e.g.:</p> <ul style="list-style-type: none"> <li>• (a) The whole report and action plan;</li> <li>• (b) The improvement actions arising from such an audit / summary version of report</li> </ul> <p><b><i>The current WDC position is 1 (b).</i></b></p>	<p>7</p> <p>13</p>	<ul style="list-style-type: none"> <li>• Some members read full reports but others don't;</li> <li>• There is a portal for members to view reports;</li> <li>• Full reports available to members on request; and</li> <li>• All reports published on Council internet, subject to redaction.</li> </ul>
<p>2. If your current approach is not option (a) above, can you advise whether your external auditors have referred to this in their letter on adequacy of internal audit?</p> <p><b><i>For WDC, this was mentioned in Audit Scotland's adequacy of Internal Audit letter as reported to the Audit Committee on 21 March 2018.</i></b></p>	<p>Not applicable as response above was 1 (a): <b>7</b></p> <p>External Auditors have commented: <b>2</b></p> <p>External Auditors have not commented: <b>11</b></p>	<ul style="list-style-type: none"> <li>• In one instance, the external auditors commented recently that the full reports include minor issues, with a risk that stakeholders may find it difficult to focus on the key risk areas.</li> </ul>

Question	Council Position	Comments
<p>3. What is the frequency of reporting of outcomes of such internal audits to your audit committee and do you continue to report on outstanding actions until they are complete</p> <p><b><i>For WDC currently, there is a quarterly reporting process to committee and this continues until outstanding actions are complete.</i></b></p>	<p>At least quarterly <b>10</b></p> <p>Half-yearly <b>10</b></p>	<ul style="list-style-type: none"> <li>Follow up is carried out in all but one instance</li> </ul>
<p>4. What is your approach to reporting investigation work / public information disclosure (whistleblowing) outcomes to your audit committee?</p> <p><b><i>For WDC, summary information is provided to committee.</i></b></p>	<p>Summary information (anonymised / redacted): <b>8</b></p> <p>Full report (subject to redaction): <b>1</b></p> <p>Case by case basis: <b>4</b></p> <p>Executive summary and action plan: <b>1</b></p> <p>Fraud cases – full report (as excluded item): <b>3</b></p> <p>Control weaknesses report: <b>2</b></p> <p>No fraud work carried out by Internal Audit: <b>1</b></p>	

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by Strategic Lead - Communications, Culture & Communities**

**Audit Committee: 12 December 2018**

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#### **Subject: Scottish Public Services Ombudsman Complaints Report 2017/18**

### **1. Purpose**

- 1.1** The purpose of this report is to present the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2017 – 31 March 2018.

### **2. Recommendations**

- 2.1** It is recommended that Committee:

- Notes the information within this report
- Notes a commitment to improve response times for complaints to ensure compliance with Scottish Public Services Ombudsman (SPSO) timelines
- Encourages an improvement culture that welcomes complaints in any form so that we capture all expressions of dissatisfaction and use this information to drive future improvements
- Notes each service uses the data provided to identify and progress improvement activity
- Notes time is allocated at regular management teams for complaints analysis to allow Performance & Strategy Business Partners to support and capture improvement and learning activity for progress reporting

### **3. Background**

- 3.1** West Dunbartonshire Council adopted the SPSO complaint handling model operating in line with all other Local Authorities on 1 April 2013. Complaints continue to be managed centrally by the Citizen Relations team for all Council services with the exception of HSCP.

Statutory appeals and reviews, such as planning decision appeals, continue to be directed to the relevant decision making body, and are not processed through the SPSO office.

- 3.2** The Complaints Handling Process (CHP) is well established and understood by both citizens and staff. Centralised complaints handling ensures an open and transparent process. Complaints are valued by West Dunbartonshire Council because they provide an insight to services, and how the Council is performing. The feedback offers valuable information helping to inform service planning, improve how services are delivered and ensure citizen's views are heard. Citizens who remain dissatisfied with the final outcome of their

complaint are openly directed to the SPSO to have their case considered for review.

- 3.3** West Dunbartonshire Council act as factor for the buildings where we retain an interest with tenanted properties. Anyone who remains dissatisfied with the outcome of their complaint is also signposted to the First-tier Tribunal for Scotland (Housing and Property Chamber). The Tribunal is an independent and impartial judicial body whose function is to review complaints from homeowners who consider their property factor has failed to carry out their factoring duties or failed to comply with the Property Factors' Code of Conduct.
- 3.4** As a member of the Local Authority Complaints Handlers Network (LACHN) West Dunbartonshire continues to fully engage in sharing of good practice, and developing consistent approaches to complaints handling and reporting. Network meetings are held quarterly, with SPSO in attendance at each meeting, and are a valuable source of information and support across the sector. The LACHN continues to work on development of benchmarking criteria based on the reporting requirements from the Complaints Handling Model and this continues to be reviewed and discussed at meetings.
- 3.5** The Performance & Strategy Team continue to work with Citizen Services to improve reports in line with the code of good governance. Reports now provide service specific information on all upheld complaints. The enhanced reports ensure lessons learned can be evidenced and are fully embedded into service improvement and planning.

#### **4. Main Issues**

- 4.1** The SPSO delivers an annual report to each Local Authority detailing the number of complaints reported to its office. Appendices 1 and 2 show the letter from SPSO together with a breakdown of complaints received by them relating to West Dunbartonshire Council. Appendix 3 is a summary breakdown of complaints received by West Dunbartonshire Council in 2017/18. Appendix 4 shows 2017/18 Performance Indicator data provided to SPSO through the LACHN relative to reporting indicators from Complaints Handling Process. Attached as Appendix 5, Learning from Complaints, provides information on complaint where SPSO provided a decision report with recommendations. Finally, Appendix 6 shows complaints handled by Health & Social Care Partnership (HSCP) for the same period.
- 4.2** In the year 2017/18, the SPSO received 35 complaints regarding West Dunbartonshire Council, compared with 29 in the previous year, an increase of 17%. The highest number of complaints made by West Dunbartonshire citizens again related to Housing matters. Of the 35 complaints received by SPSO 14 were deemed as premature, which is terminology used by the SPSO when the complaint has not exhausted the Council's complaints process. Of the remaining complaints, 2 were considered by SPSO. Following investigation of these 2 complaints SPSO determined 1 to be not

upheld while1 was partially upheld. The remaining complaints were considered to be not duly made or withdrawn, outwith the jurisdiction of the SPSO or closed as the desired outcome was not achievable for the citizen or the Council.

- 4.3** As outlined in Appendix 2, the Council handled 451 complaints internally in 2017/18. Of these 420 were closed within 2017/18. The difference in complaints handled and closed is due to complaints being received during the reporting period, but still being worked on. The remaining 31 were closed in 2018/19 and will be included in appropriate reporting periods.
- 4.4** Of the 420 complaints closed, 88% were resolved within SPSO timescales, including with extension where applicable, representing a 10% improvement from 2016/17. The data shows delays in responses were due to information not being provided to Citizen Relations within requested timescales leading to delays in providing responses to citizen.
- 4.5** Work is continuing to develop robust processes between Citizen Relations and Departments to improve communication and performance. When registering a complaint our residents preferred method is the online complaints form, accounting for 38% of all complaints received. Email and telephone are the next preferred method with each of these accounting for 25%.
- 4.6** As noted above the number of complaints received in 2017/18 was 451. This represents a decrease of 1% when compared to complaints received in 2016/17. Under-reporting of complaints remains a concern, particularly for frontline services. Work continues to be undertaken to raise awareness of complaints processes and encourage staff to record complaints. We need a culture where complaints are not seen as an indication of poor performance.
- 4.7** We also need to be mindful that our figures do not take account of the high proportion of residents who experience a problem when dealing with a typical Council and don't go on to report it as a complaint (28% according to the Institute of Customer Service).
- 4.8** We continue to work to encourage a culture of welcoming complaints and ensuring each department uses the data provided to identify and progress complaints improvement activity.
- 4.9** SPSO's Learning Improvement Unit (LIU) continues to provide support and training for Local Authorities to assist in improving public services. The Ombudsman's annual letter again stressed that learning from complaints should be embedded in governance structures, to promote an organisational 'valuing complaints' culture. SPSO's aim is to support Local Authorities in identifying and developing solutions to ensure effective learning and improvement across services.

- 4.10** As reported above, the Council improved the number of complaints closed within SPSO timescales. The Ombudsman has highlighted, however, a deterioration in response times across the Local Government sector for 2017/18 when compared with performance for 2016/17 for both stage 1 and stage 2 complaints and is encouraging us to work together to improve this.
- 4.11** The Model CHP is being reviewed for the first time since its adoption in 2013. SPSO are currently working to seek views on what works well and where it can be improved.
- 4.12** Work will be ongoing throughout 2018/19 to ensure the importance of learning from complaints is fully embedded into service improvement and planning and can be evidenced. More detailed reports now provide service specific analysis of issues from complaints and this information forms part of the regular performance reporting provided at Strategic Lead level.
- 5. People Implications**
- 5.1** There are no people implications arising from this report.
- 6. Financial and Procurement Implications**
- 6.1** There are no financial implications arising from this report.
- 7. Risk Analysis**
- 7.1** There is a reputational risk of not responding to complaints within defined time periods within the two stage process. Escalation to SPSO and thereafter Audit Scotland would be the citizen's next stage of complaint if we fail to deliver on the timescales for responding to complaints. Equally, escalation to the First-tier Tribunal for Scotland (Housing and Property Chamber) would be appropriate for dissatisfied homeowners.
- 8. Equalities Impact Assessment (EIA)**
- 8.1** The two stage process has been equality impact assessed at a National level. Locally, all aspects have been considered and assistance to navigate the complaints process is available for all citizens.
- 9. Consultation**
- 9.1** Not applicable to this report.
- 10. Strategic Assessment**
- 10.1** Effective complaints handling contributes to all five Council strategic priorities.



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Malcolm Bennie  
Strategic Lead  
Communications, Culture & Communities  
Transformation & Public Service Reform  
Date: 6/11/2018

**Person to Contact:** Stephen Daly  
Citizen & Digital Services Manager  
Communication, Culture & Communities  
Council Offices, Garshake Rd, Dumbarton  
01389 737263

**Appendices:** Appendix 1 - SPSO Letter  
  
Appendix 2 – SPSO complaints Data  
  
Appendix 3 - Summary of Council Complaints 2017/18  
  
Appendix 4 – Performance Indicator Data  
  
Appendix 5 – Learning from Complaints  
  
Appendix 6 – Summary of HSCP Complaints 2017/18

**Background Papers:** None

**Wards Affected:** All Wards



23 August 2018

Mrs Joyce White  
Chief Executive  
West Dunbartonshire Council  
Garshake Road  
Dunbarton  
G82 3PU

### **Annual Letter from SPSO**

Dear Mrs White,

I am pleased to send you SPSO's annual letter. This year's letter includes statistics relating to cases we handled about your organisation in 2017-18. It also includes further information about our work which I hope you will find helpful.

We provide statistics to inform you about service issues the public have complained to me about. This is so that you can use it with your own data to build a picture of what drives dissatisfaction with your organisation and whether there are systemic changes that you can make.

### **Complaints data and reporting**

SPSO statistics are just part of the detailed complaints picture that your organisation is responsible for gathering and publishing.

As you will know, in line with the model complaints handling procedure (CHP), each authority is required to report and publicise complaints information on a quarterly and annual basis. This includes the publication of your organisation's annual complaints report detailing your performance against the complaints performance indicators.

This annual performance information is more than simply a requirement of the model CHP; it is also an opportunity to understand your complaints and gain insight into your services. This, in turn, enables learning and improvement. The data is also an excellent platform for you and others in the sector to benchmark performance and to identify and work together on common challenges.

Ideally, learning from complaints should be embedded in governance structures, to promote an organisational 'valuing complaints' culture. I encourage you to share the enclosed information widely within your organisation, especially with staff who have service delivery or service improvement responsibilities.

This year we have noticed an increasing number of complaints are coming to us having first been handled by health and social care partnerships. When this happens, we log the

complaint as relating to the HSCP as they have taken on the role of complaint handler. This also reflects the experience of the complainant who has dealt with the HSCP through their complaints process.

This means that if you have delegated any of your complaints handling to an HSCP, complaints that come to us through that route will not be reflected in the enclosed statistics. Details of HSCP complaints we have logged are on our website and you should confirm with the relevant HSCP whether any relate to services that they are delivering on your behalf.

### **The model CHP: Complaints performance indicators**

Last year I asked you to reflect on how and when you collect, collate and report your complaints data to ensure that it is timely, robust, and has integrity. I am pleased to note that the most recent annual performance data from the sector was compiled by the complaints network quicker than ever before and through a revised process that reduces the potential for errors in reporting. However, we do not yet hold a full set of data as two local authorities did not submit their data within the timescale set by the network. The network's benchmarking activities can only achieve the best outcomes where we are able to compare and contrast performance across all local authorities. Therefore, I have asked my CSA staff to ensure that those authorities that have not yet submitted their data to do so as soon as possible. Going forward, the complaints network members have agreed to move to quarterly reporting of the key complaints performance indicators in 2018-19. This is a very positive move and will allow the group to compare and contrast current data as we go through the year.

I was disappointed, however, to note that across the local government sector, the average timescales for closing complaints at stage 1 of the complaints procedure is 8.1 working days (against a performance measure of 5 working days) and the average timescales for closing complaints at stage 2 of the complainants procedure is 23.8 working days (against a performance measure of 20 working days). This is a deterioration from the previous year's reported performance for the sector. I noted that only around a third of all councils close complaints within the timescales at each stage. Therefore, I would again encourage you, through your participation in the complaints network to actively support the benchmarking of your complaints handling performance to help drive up the overall levels of performance across the sector.

As part of this year's business plan, my Standards team will be working to assess the effectiveness of the model CHPs in place across the public sector in Scotland. I would encourage you to feedback to us where the procedure works well and where it may be improved to ensure we put people at the heart of public service provision.

### **Uphold Rate**

This year we have calculated the uphold rate using the number of complaints where we made a decision on the complaint, ie upheld, some upheld or not upheld. We feel that excluding withdrawn, resolved and otherwise incomplete investigations from this calculation gives a more accurate representation of the performance of organisations and allows you to benchmark more effectively.

You will therefore find the figures for uphold rate this year do not directly compare with previous years.

For information, we have included both our new uphold rate calculation, and the old uphold rate calculation on the tables for your organisation.

### **Complaint Handling Marker**

As you will be aware, in our complaints investigations we review to what extent authorities' complaints handling was in line with the requirements of the model CHP.

During 2017-18, we found that just over 22% of the cases we closed included one or more complaints handling failings. While it is pleasing to note that in many cases authorities identified shortcomings themselves prior to receiving feedback from us, I would like to draw your attention to the three key areas where authorities were likely to fail to meet the CHP requirements:

1. Identifying fully each issue being complained about and providing an accurate, proportionate and evidence-based decision for each complaint.
2. Communicating clearly with the complainant and managing their expectations in respect to the complaints process and likely outcomes.
3. In respect of timescales at stage 2 of the model CHP, keeping the complainant updated where timescales will not be met.

Even if you did not have a complaint upheld by us, or we didn't make any findings about complaint handling, you might find it useful to consider your organisation's performance in these three areas when reviewing annual complaints data.

As always we are keen to support you in developing and maintain good complaints handling practice.

### **Best practice website**

All of our resources, guidance, updates and training opportunities for complaints handlers and governance teams are available on our website: [www.valuingcomplaints.org.uk](http://www.valuingcomplaints.org.uk)

In 2017/18, we also published a thematic report under the title 'Making complaints work for everyone', which was launched at our SPSO conference in December 2017. The report focuses on the impact of complaints on staff who have been complained about. It highlights that organisations need to actively support their staff through complaints processes and engage staff in positive and purposeful activities to manage and learn from complaints. Although focused on staff, it also makes reference to service users and how supporting staff can support service improvement.

If you haven't done so already, I'd encourage you to read it at <http://www.valuingcomplaints.org.uk/spsa-thematic-reports>

This website is regularly updated with further materials. If there are any other areas of

information that you think it would be helpful to include, please contact [Communications@spsso.org.uk](mailto:Communications@spsso.org.uk) .

### **Scottish Welfare Fund**

A number of authorities asked us whether Scottish Welfare Fund reviews data could be included in our annual letter, so we have included a short summary. The full set of statistics were sent to you by the Scottish Welfare Fund team with the SPSO SWF Annual Report, at the end of July. They are also available on our website at <https://www.spsso.org.uk/scottishwelfarefund/statistics>

### **Customer service satisfaction**

We are committed to continuous improvement of our own services. In this respect your feedback to us is crucial and I would be very grateful for any views you have on:

- challenges to implementing SPSO recommendations and how we could overcome them, and
- our service in general and ways in which we could improve.

You are welcome to write to me. Additionally we have relaunched a survey that is sent to all authorities with which we interact, on a rolling basis. I appreciate that we are all busy, but if you could complete the online questionnaire when you receive it it will help us understand your experience of our services, how we could improve (for everyone's benefit) and how we meet our service standards.

Please contact me directly if you have any questions or comments, or would like to discuss any aspect of this letter.

Yours sincerely



Rosemary Agnew  
**Scottish Public Services Ombudsman**

CC'd:  
Councillor Jonathan McColl  
Mr Peter Hissett

## Local Authority Complaints Received 2017-18

Subject Group	West Dunbartonshire Council			All Local Authorities in Scotland		
	Number of Complaints Received	Rank - by number of complaints received	Complaints as % of total received	Number of Complaints Received	Rank - by number of complaints received	Complaints as % of total received
Housing	13	1	38.2%	316	1	21.4%
Social Work	4	2	11.8%	254	2	17.2%
Education	2	3=	5.9%	151	3	10.2%
Environmental Health & Cleansing	2	3=	5.9%	116	5	7.9%
Finance	2	3=	5.9%	112	6	7.6%
Legal & Admin	2	3=	5.9%	71	8	4.8%
Planning	1	4=	2.9%	134	4	9.1%
Roads & Transport	1	4=	2.9%	104	7	7.1%
Land & Property	1	4=	2.9%	17	10	1.2%
Personnel	1	4=	2.9%	12	12	0.8%
Welfare Fund - Community Care Grants	1	4=	2.9%	7	13	0.5%
Recreation & Leisure	0	-	0.0%	24	9	1.6%
Building Control	0	-	0.0%	16	11	1.1%
Other	0	-	0.0%	6	14	0.4%
Consumer Protection	0	-	0.0%	4	15=	0.3%
National Park Authorities	0	-	0.0%	4	15=	0.3%
Fire & Police Boards	0	-	0.0%	3	17	0.2%
Economic Development	0	-	0.0%	2	18=	0.1%
Welfare Fund - Crisis Grants	0	-	0.0%	2	18=	0.1%
Subject Unknown or Out Of Jurisdiction	4	-	11.8%	119	-	8.1%
<b>Total</b>	<b>34</b>		<b>100.0%</b>	<b>1,474</b>		<b>100.0%</b>

Complaints as % of total received in scotland

2.3% 100.0%

## Local Authority Complaints Received 2016-17

Subject Group	West Dunbartonshire Council	Rank	Complaints as % of total	Sector Total	Rank	Complaints as % of total
Housing	14	1	46.7%	388	1	25.4%
Finance	5	2	16.7%	120	6	7.9%
Planning	3	3	10.0%	160	3	10.5%
Social Work	2	4	6.7%	219	2	14.3%
Education	1	5=	3.3%	144	4	9.4%
Environmental Health & Cleansing	1	5=	3.3%	124	5	8.1%
Roads & Transport	1	5=	3.3%	112	7	7.3%
Land & Property	1	5=	3.3%	19	11	1.2%
Welfare Fund - Community Care Grants	1	5=	3.3%	14		0.9%
Legal & Admin	0	-	0.0%	73	12	4.8%
Building Control	0	-	0.0%	34	8	2.2%
Recreation & Leisure	0	-	0.0%	29	9	1.9%
Other	0	-	0.0%	8	10	1.9%
Valuation Joint Boards	0	-	0.0%	8	13=	0.5%
National Park Authorities	0	-	0.0%	7	13=	0.5%
Economic Development	0	-	0.0%	6	15	0.4%
Personnel	0	-	0.0%	5	16=	0.3%
Welfare Fund - Crisis Grants	0	-	0.0%	5	16=	0.3%
Consumer Protection	0	-	0.0%	4	16=	0.3%
Fire & Police Boards	0	-	0.0%	4	16=	0.3%
Subject Unknown or Out Of Jurisdiction	1	-	3.3%	48		3.1%
<b>Total</b>	<b>30</b>	<b>-</b>	<b>100.0%</b>	<b>1528</b>	<b>-</b>	<b>100.0%</b>

Complaints as % of Sector

2.0% 100.0%

# Local Authority Complaints Determined 2017-18

Stage	Outcome Group	West Dunbartonshire	
		West Dunbartonshire Council	Sector Total
Advice	Not duly made or withdrawn	7	253
	Out of jurisdiction (discretionary)	0	3
	Out of jurisdiction (non-discretionary)	0	5
	Premature	13	381
	<b>Total</b>	<b>20</b>	<b>642</b>
Early Resolution	Not duly made or withdrawn	1	38
	Out of jurisdiction (discretionary)	1	99
	Out of jurisdiction (non-discretionary)	1	113
	Outcome not achievable	3	85
	Premature	1	53
	Proportionality	6	314
	Resolved	0	29
	<b>Total</b>	<b>13</b>	<b>731</b>
Investigation	Fully upheld	0	47
	Some upheld	1	49
	Not upheld	1	69
	Not duly made or withdrawn	0	1
	Resolved	0	3
	<b>Total</b>	<b>2</b>	<b>169</b>
<b>Total Complaints</b>		<b>35</b>	<b>1,542</b>

Total Premature Complaints	14	434
Premature Rate	40.0%	28.1%

Total Investigation Decisions	2	165
Total Upholds	1	96
Uphold Rate	50.0%	58.2%

Old Uphold Rate Calculation		
Total Cases 'Fit for SPSO'	2	169
Total Upholds	1	96
Uphold Rate	50.0%	56.8%

# Local Authority Complaints Determined 2016-17

Stage	Outcome Group	2016-17	
		West Dunbartonshire Council	Sector Total
Advice	Not duly made or withdrawn	6	279
	Out of jurisdiction (non-discretionary)	1	3
	Outcome not achievable	0	1
	Premature	10	467
	<b>Total</b>	<b>17</b>	<b>750</b>
Early Resolution	Not duly made or withdrawn	0	43
	Out of jurisdiction (discretionary)	2	82
	Out of jurisdiction (non-discretionary)	2	111
	Outcome not achievable	3	115
	Premature	0	57
	Proportionality	3	132
	Resolved	0	20
	<b>Total</b>	<b>10</b>	<b>560</b>
Investigation	Fully upheld	1	52
	Some upheld	0	42
	Not upheld	1	60
	Not duly made or withdrawn	0	1
	Resolved	0	1
	<b>Total</b>	<b>2</b>	<b>156</b>
<b>Total Complaints</b>		<b>29</b>	<b>1,466</b>

Total Premature Complaints	10	524
Premature Rate	34.5%	35.7%

Fit for SPSO Total (Investigations)	2	156
Total Cases Upheld / Some Upheld	1	94
Uphold Rate (total upheld / total fit for SPSO)	50.0%	60.3%



Year 2017-18		Complaints Received				Complaints Closed												Outcome						
Performance & Monitoring		Total Complaints Received	Complaints Received Stage 1	Complaints Received Stage 2	Total complaints closed	Closed at Stage 1	Closed within 5 Working Days	Extension Stage 1	Exceeded S1 deadline after extension ie +10days	Total working days to close Stage 1 complaints	Average working days to close S1	Closed at Stage 2	Closed within 20 working days	Extension Stage 2	Exceeded S2 deadline after extension ie +35	Total working days to close Stage 2 complaints	Average working days to close S2	Escalated from Stage 1 to 2	Upheld Stage 1	Not Upheld Stage 1	Upheld Stage 2	Not upheld Stage 2	Withdrawn	SPSO Enquires
Communications, Culture & Communities		21	21	0	20	20	18	0	2	58	3	0	0	0	0	0	0	0	8	12	0	0	0	0
Education, Learning & Attainment		22	16	6	14	13	7	1	5	158	12	1	0	0	1	58	0	2	8	5	1	0	0	0
People & Technology		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Regulatory		15	11	4	15	11	8	3	0	48	4	4	1	2	1	102	0	1	2	9	1	3	0	0
Resources		47	46	1	38	37	21	7	9	266	7	1	1	0	0	17	0	1	18	19	0	1	0	0
Environment & Neighbourhood		139	133	6	136	130	104	10	16	672	5	6	4	1	1	89	0	1	76	54	2	4	0	0
Housing & Employability		69	64	5	63	59	48	8	3	213	4	4	1	3	0	94	0	1	21	38	0	4	0	0
Regeneration		138	122	16	134	120	90	18	12	523	4	14	10	3	1	173	0	5	64	56	3	11	0	0
Totals		451	413	38	420	390	296	47	47	1938	5	30	17	9	4	533	18	11	197	193	7	23	0	0
Complaint Category				Upheld per category Stage 1	Upheld per category Stage 2	Performance																		
						% of complaints closed within SPSO timescales												88%						
Below declared service standard		0		0		average working days to close Stage 1 complaints												5						
Citizen expectation not met - quality of service		296		124		average working days to close Stage 2 complaints												18						
Citizen expectation not met – timescales		57		31		% of Stage 1 complaints upheld												51%						
Council policy – charges		3		1		% of Stage 2 complaints upheld												23%						
Council policy – does not meet criteria		0		0																				
Council policy – level of service provision		2		1		Channel Received								Equalities										
Delay in service delivery		0		0		E-mail						114		Equality concern raised				0						
Employee behaviour		55		24		Online Complaints form						169												
Error in Service Delivery		18		11		Internal Complaints form						25												
Failure to deliver service		8		0		In Writing						22												
Service standards not declared		0		0		By telephone						114												
Contractor		12		5		Face to Face						2												
						Social Media						5												
Total		451		197		7 TOTAL						451												

Data should only be entered into the white cells, all grey cells are based on formulas and will calculate automatically when the white cells are completed.

		2017/18 01 Apr - 31 Mar	Data collation guidance
<b>INDICATOR 1: Complaints received per 1000 of population</b>			This indicator records the total number of complaints received by the Local Authority.
<b>1a - Complaints Received:</b>			
1 (i) total number of complaints received in the period		451	This is the sum of the number of complaints received at stage one, (frontline resolution) and the number of complaints received directly at stage two (investigation).
1 (ii) population (mid year population estimates)		89,860	
1a the total number of complaints received per 1,000 population		5.0	It should not include service requests, invalid complaints or complaints escalated from stage one to stage two, but does include complaints that are later withdrawn or remain unresolved
Note field only - to clarify complaints not included in 1(i)			To identify the population Local authorities should use the statistics produced by the National Records of Scotland (www.gro-scotland.gov.uk) which produces population
<b>1b - Complaints Closed:</b>			
1 (iii) total number of complaints closed in the year		420	All counts are based on "case closed" (i.e. responded to) to ensure complaints are counted at the point they end
1 (iv) population (mid year population estimates)		89,860	
1b the total number of complaints closed per 1,000 population		4.7	This does not include requests for service, nor does it include complaints that are later withdrawn or remain unresolved.
Note field only			Note field only - to clarify volume and reason(s) for complaints not included in 1(iii) and
<b>INDICATOR 2: Closed Complaints</b>			
<b>2a - Stage 1:</b>			
2 (i) number of complaints - closed at stage 1		390	
2a the number of complaints closed at stage 1 as % all complaints closed		92.9%	This <b>does not include</b> requests for service or invalid complaints, nor does it include complaints that are later withdrawn or remain unresolved.
<b>2b - Stage 2:</b>			
2 (ii) number of complaints - closed at stage 2		19	
2b the number of complaints closed at stage 2 as % all complaints closed		4.5%	
2 (iii) number of complaints - closed after escalation		11	
2c the number of complaints closed after escalation as % all complaints closed		2.6%	
Check	Number of complaints closed at Stage 1, Stage 2 and Following Escalation = Total number of complaints closed in the year	TRUE	
<b>INDICATOR 3: Stage 1 Complaints upheld, partially upheld and not upheld</b>			
<b>3a - Upheld Stage 1</b>			
3 (i) number of complaints - upheld at stage 1		197	
Stage 1: number of complaints - closed at stage 1 (frontline resolution)		390	
3a the number of complaints upheld at stage 1 as % of all complaints closed in full at stage 1		50.5%	There is a requirement for a formal outcome (upheld, partially upheld or not upheld) to be recorded for each complaint.  This must include all Stage 1 complaints and any alternative outcomes must be attributed to the Upheld, Not Upheld or Partially Upheld outcomes.  For example: a policy outcome could be attributed to Not Upheld
<b>3b - Not Upheld Stage 1</b>			
3 (ii) number of complaints - not upheld at stage 1		193	
Stage 1: number of complaints - closed at stage 1 (frontline resolution)		390	
3b the number of complaints not upheld at stage 1 as % of all complaints closed in full at stage 1		49.5%	
<b>3c - Partially Upheld Stage 1</b>			
3 (iii) number of complaints - partially upheld at stage 1		0	
Stage 1: number of complaints - closed at stage 1 (frontline resolution)		390	
3c the number of complaints partially upheld at stage 1 as % of all complaints closed in full at stage 1		0.0%	
Check	Upheld, not upheld & partially upheld complaints at Stage 1 = Number of complaints closed at Stage 1	TRUE	
<b>INDICATOR 3: Stage 2 Complaints upheld, partially upheld and not upheld</b>			
<b>3a - Upheld Stage 2</b>			
3 (iv) number of complaints - upheld at stage 2		6	
Stage 2: number of complaints - closed at stage 2 (investigation)		19	
3a the number of complaints upheld at stage 2 as % of all complaints closed in full at stage 2		31.6%	There is a requirement for a formal outcome (upheld, partially upheld or not upheld) to be recorded for each complaint.  This must include all Stage 1 complaints and any alternative outcomes must be attributed to the Upheld, Not Upheld or Partially Upheld outcomes.  For example: a policy outcome could be attributed to Not Upheld
<b>3a - Not Upheld Stage 2</b>			
3 (v) number of complaints - not upheld at stage 2		13	
Stage 2: number of complaints - closed at stage 2 (investigation)		19	
3b the number of complaints not upheld at stage 2 as % of all complaints closed in full at stage 2		68.4%	
<b>3a - Partially Upheld Stage 2</b>			
3 (vi) number of complaints - partially upheld at stage 2		0	
Stage 2: number of complaints - closed at stage 2 (investigation)		19	
3c the number of complaints partially upheld at stage 2 as % of all complaints closed in full at stage 2		0.0%	
Check	Upheld, not upheld & partially upheld complaints at Stage 2 = Number of complaints closed at Stage 2	TRUE	
<b>INDICATOR 3: Escalated Complaints upheld, partially upheld and not upheld</b>			
<b>3a - Upheld following Escalation</b>			
3 (vii) number of complaints - upheld after escalation		1	
Esc: number of complaints - closed after escalation		11	
3a the number of escalated complaints upheld at stage 2 as % of all escalated complaints closed in full at stage 2		9.1%	This must include all Stage 1 complaints and any alternative outcomes must be attributed to the Upheld, Not Upheld or Partially Upheld outcomes.  For example: a policy outcome could be attributed to Not Upheld
3a - Not Upheld following Escalation			

Esc:	3 (viii) number of complaints - not upheld after escalation	10	
	number of complaints - closed after escalation	11	
	3b the number of escalated complaints not upheld at stage 2 as % of all escalated complaints closed in full at stage 2	90.9%	
	3a - Partially Upheld following Escalation		
Esc:	3 (ix) number of complaints - partially upheld after escalation	0	
	number of complaints - closed after escalation	11	
	3c the number of escalated complaints partially upheld following escalation as % of all escalated complaints closed in full	0.0%	
	Check Upheld, not upheld & partially upheld complaints following Escalation = Number of complaints closed following Escalation	TRUE	
INDICATOR 4 - The average time in working days for a full response to complaints at each stage			
4a - Stage 1			
Stage 1:	4 (i) sum of the total number of working days taken for all complaints closed at stage 1	1,938	
	number of complaints - closed at stage 1 (frontline resolution)	390	
	4a the average time in working days for a full response to complaints at stage 1	5.0	
4b - Stage 2			
Stage 2:	4 (ii) sum of the total number of working days taken for all complaints closed at stage 2	335	
	number of complaints - closed at stage 2 (investigation)	19	
	4b the average time in working days for a full response to complaints at stage 2	17.6	
4c - Following Escalation			
Esc	4 (iii) sum of the total number of working days taken for all complaints closed after escalation	198	
	number of complaints - closed after escalation	11	
	4c the average time in working days for a full respond to complaints after escalation	18.0	
INDICATOR 5: The number and percentage of complaints at each stage which were closed in full within the set timescales of 5 and 20 working days			Note field only - total number and % of complaints closed at stage 1 within agreed timescales (i.e. within 5 working days) and also within 10 working days where extension has been authorised
5a - Stage 1			
Stage 1:	5 (i) number of complaints - closed at stage 1 within 5 working days	296	
	number of complaints - closed at stage 1 (frontline resolution)	390	
	5a the number of complaints closed at stage 1 within 5 working days as % of total number of stage 1 complaints	75.9%	
	Note field only - total number and % of complaints closed at stage 1 within agreed timescales (i.e. within 5 working days) and also within 10 working days where extension has been authorised	343	
		87.9%	
5a - Stage 2			
Stage 2:	5 (ii) number of complaints - closed at stage 2 within 20 working days	15	
	number of complaints - closed at stage 2 (investigation)	19	
	5b the number of complaints closed at stage 2 within 20 working days as % of total number of stage 2 complaints	78.9%	
	Note field only - total number and % of complaints closed at stage 2 within agreed timescales (i.e. within 20 working days) and also within the agreed timescale where extension has been authorised	4	
		21.1%	
5c - Following Escalation			
Esc	5 (iii) number of complaints - closed after escalation within 20 working days	11	
	number of complaints - closed after escalation	11	
	5c the number of complaints closed after escalation within 20 working days as % of total number of escalated complaints	100.0%	
	Note field only - total number and % of complaints closed after escalated within agreed timescales (i.e. within 20 working days) and within the agreed timescale where extension has been authorised	0	
		0.0%	
INDICATOR 6: The number and percentage of complaints at each stage where an extension to the 5 or 20 working day timeline has been authorised			
6a - Stage 1			
Stage 1:	6 (i) number of complaints - closed at stage 1 where extension was authorised	47	
	total number of complaints - closed at stage 1	390	
	6a number of complaints closed at stage 1 where extension was authorised as % of all complaints at stage 1	12.1%	
6a - Stage 2			
Stage 1:	6 (ii) number of complaints - closed at stage 2 where extension was authorised	9	
	total number of complaints - closed at stage 2	19	
	6b number of complaints closed at stage 2 where extension was authorised as % of all complaints at stage 2	47.4%	
5c - Following Escalation			
Esc	6 (ii) number of complaints - closed after escalated where extension was authorised	0	
	total number of complaints - closed after escalated	11	

6b number of complaints closed after escalated where extension was authorised as % of all complaints escalated

0.0%

## Learning from Complaints:

### SPSO Enquiries:

SPSO received an enquiry stating the Council had unreasonably failed to enforce planning conditions associated with a retrospective planning permission for an area of hard standing at a neighbouring property. The permission granted for this area limited the use of the hard standing to uses associated with the small holding to which it was attached and prevented the use of the area for commercial purposes.

It was stated the area was being used for the parking of vehicles and storage of items associated with a commercial business operated by the neighbour of the complainant.. The complainant was also concerned that the council failed to take steps to have an unauthorised transport container removed from the site. In addition, the complainant was unhappy with the time taken by the council to respond to their reports of unauthorised development.

The complaints considered by SPSO were that the Council:

1. Unreasonably failed to enforce the conditions laid down in consent DC16/013 (both in terms of the use of the hard standing and the storage items on site). This was not upheld and
2. Unreasonably failed to respond to correspondence requesting they enforce the conditions laid down in planning consent DC 16/013. This was upheld.

In reviewing the complaint and the evidence submitted by the Council SPSO found the complainant was correct in their interpretation of the planning conditions, but noted the breaches taking place were of a temporary nature, because they related to an additional temporary planning consent. The Council had taken into account the use of the area by commercial vehicles and were taking steps to address this by assisting the neighbour to obtain a new site for office and equipment storage. SPSO also noted the Council had been advised the container would be removed from the site. In these circumstances SPSO were satisfied the decision not to take formal enforcement action was reasonable and did not uphold this aspect of the complaint. SPSO were, however, critical of our delay in responding to reports of breaches in planning control and upheld this aspect of the complaint.

SPSO made the following recommendations:

- Review evidence held regarding the container to ensure, if it is unauthorised, they are able to take enforcement action to have it removed, should it be considered to be an appropriate course of action.
- Apologise for their delay in investigating reports of breaches in planning control.

What SPSO said should change to put things right in future:

- Staff should investigate reported breaches of planning control promptly, and in line with their obligations, as detailed in the enforcement charter.
- SPSO asked the Council to provide with evidence we have implemented the recommendations made on this case by the deadline set of 1<sup>st</sup> July.

**West Dunbartonshire HSCP Complaints Summary**  
**1 April 2017 – 31 March 2018**

There were a total of 48 stage 2 complaints received within the Partnership during the reporting year and 60 frontline complaints, 3 of these complaints were transferred to stage 2.

Responded under NHSGGC Complaints Policy		Responded under Social Work Complaints Policy	
Fully Upheld	4	Fully Upheld	8
Partially Upheld	5	Partially Upheld	10
Not Upheld		Not Upheld	16
Unsubstantiated		Unsubstantiated	4
Withdrawn		Withdrawn	
Ongoing		Ongoing	
Consent not received		Consent not received	1
NHSGGC Complaints Policy		Social Work Complaints Policy	
Mental Health	6	Children's Services	24
*MSK Physio	3	Care Contract Team	1
		Care at Home	7
		Community Care	4
		Community Care – Blue Badge	1
		Learning Disability Services	2
<b>Total</b>	<b>9</b>		<b>39</b>

\*NHSGGC-Wide Hosted services

Summary of main themes evident from lessons learnt:

- Importance of staff communicating timeously, clearly and respectfully with service users.
- Importance of on-going and clear engagement with client advocates.
- Importance of good record keeping and proper use of systems.
- Importance of clear and timely communication between staff.
- Training needs of staff within their service area.

	Value	Target	Note
Percentage of complaints received and responded to within 20 working days (NHS)	78%	70%	9 complaints received, with 7 responded to on time.
Percentage of complaints received which were responded to within 28 days (WDC)	67%	70%	39 complaints received, with 26 responded to on time. It has been confirmed that delays were always related to the complexity of the complaints, so were legitimate in each circumstance.

Service Area	Complaint Subject	Outcome
<b>Social Work Policy</b>		
<b>Children's Services</b>	Employee Attitude/Communication	Unsubstantiated
	Failure to provide service	Unsubstantiated
	Failure to provide service	Not Upheld
	Communication	Not Upheld
	Failure to Provide Service	Not Upheld
	Communication	Not Upheld
	Employee Attitude/Failure to Provide Service/Communication	Not Upheld
	Failure to achieve standards/quality of service	Partially Upheld
	Employee Attitude/Communication	Upheld
	Failure to Provide Service/Bias or Unfair Discrimination	Not Upheld
	Employee Attitude/Bias or Unfair Discrimination	Not Upheld
	Employee Attitude/Communication/Bias or unfair discrimination	Unsubstantiated
	Administration Delays/Communication	Partially Upheld
	Employee Attitude	Not Upheld
	Communication	Partially Upheld
	Failure to Achieve Standards/Quality of Service	Unsubstantiated
	Employee Attitude/Communication/Failure to achieve standards/quality of service	Not Upheld
	Employee Attitude/Communication	Not Upheld
	Failure to achieve standards/quality of service	Partially Upheld
	Failure to Provide Service	Not Upheld
	Employee Attitudes	Not Upheld
	Failure to achieve standards/quality of service	Not Upheld
	Failure to Achieve Standards/Quality of Service	Partially Upheld
	Failure to Provide Service	Partially Upheld
<b>Care Contracts Team</b>	Administrative Delays	Not Upheld
<b>Care at Home</b>	Failure to Achieve Standards/Quality of Service	Partially upheld
	Administration	Upheld
	Other	Upheld

	Change to Processes	Upheld
	Administrative Delays	Upheld
	Failure to Achieve Standards/Quality of Service	Upheld
<b>Community Care (Blue Badge)</b>	Administrative Delays	Upheld
<b>Community Care</b>	Other	Not Upheld
	Failure to Achieve Standards/Quality of Service	Partially Upheld
	Employee Attitude	Not upheld
	Data Protection issue	Partially Upheld
<b>Learning Disability</b>	Failure to Achieve Standards/Quality of Service	Upheld
	Failure to Achieve Standards/Quality of Service	Partially Upheld
<b>Service Area</b>	<b>Complaint Subject</b>	<b>Outcome</b>
<b>NHS GGC Policy</b>		
<b>MSK Physio</b>	Access – booking arrangement	Partially Upheld
	Access - signage	Partially Upheld
	Treatment	Partially Upheld
<b>Mental Health</b>	Conduct	Upheld
	Conduct	Upheld
	Conduct	Upheld
	Access/Communication	Partially Upheld
	Conduct	Upheld
	Conduct/Treatment	Partially Upheld