

# Supplementary Agenda



## Audit & Performance Review Committee

**Date:** Wednesday, 27 September 2017

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**Time:** 10:00

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**Venue:** Council Chambers, Clydebank Town Hall  
Dumbarton Road, Clydebank

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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

### Items to Follow

I refer to the agenda for the above Meeting of the Audit & Performance Review Committee which was issued on 14 September 2017 and now enclose a copy of the undernoted items which were not available for issue at that time.

Yours faithfully

**JOYCE WHITE**

Chief Executive

Undernote:-

### Items to Follow

#### **5 AUDITED ANNUAL ACCOUNTS 2016/2017**

**31 - 176**

Submit report by the Strategic Lead – Resources submitting, for Committee approval, the audited Financial Statements for 2016/17 for both the Council and the Charitable Trusts managed by the Council; and highlighting matters of interest, as delegated to the Committee by Council on 28 June 2017.

## **6      AUDIT SCOTLAND - ANNUAL AUDIT REPORTS**

**177 - 238**

Submit report by the Strategic Lead – Resources advising of the findings of the Council’s external auditors in relation to (a) the audit of the Council and its Annual Accounts for 2016/17; and (b) the Financial Statements for the Charitable Trusts managed by the Council.

## **7      AUDIT ACTION PLANS**

**239 – 271**

Submit revised and updated 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.

### **Distribution:**

Councillor John Mooney (Chair)  
Councillor Jim Brown  
Councillor Karen Conaghan  
Councillor Daniel Lennie  
Councillor Jonathan McColl  
Councillor John Millar  
Councillor Martin Rooney  
Councillor Brian Walker  
Mr SJ Doogan  
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: 21 September 2017

**WEST DUNBARTONSHIRE COUNCIL****Report by Strategic Lead - Resources****Audit and Performance Review Committee – 27 September 2017**

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**Subject: Audited Annual Accounts 2016/2017****1. Purpose**

- 1.1** The purpose of this report is to submit, for Committee approval, the audited Financial Statements for 2016/2017 for both the Council and the Charitable Trusts managed by the Council; and to highlight matters of interest, as delegated to this Committee by Council on 28 June 2017.

**2. Recommendations**

- 2.1** Members are asked to note the contents of this report and approve the audited Annual Accounts for 2016/17 for both the Council and the Charitable Trusts.

**3. Background**

- 3.1** The Council's draft, unaudited annual accounts (including Group Accounts) for 2016/17 were reported to Council on 28 June 2017 and passed to the Accounts Commission before the statutory deadline on 30 June 2017.
- 3.2** The report submitted to Council identified a draft position of an unearmarked General Service reserve of £4.582m and provided Members with information as to variances for the year. The draft unearmarked position for the Housing Revenue Account reserve was £0.846m.
- 3.3** The Charitable Trusts' draft, unaudited accounts for 2016/17 were also reported to Council on 28 June 2017.
- 3.4** Council, on 28 June 2017, agreed to delegate authority to the Audit and Performance Review Committee to formally approve the audited accounts, for the Council and Charitable Trusts, on 27 September 2017. This will allow submission of the Council's audited accounts to be made to the Accounts Commission by statutory deadline of 30 September 2017. This also allows the Charitable Trusts' audited accounts to be submitted to Office of the Scottish Charity Regulator (OSCR) ahead of the due date in December 2017.

#### 4. Main Issues

- 4.1 The audit of the Annual Accounts has now been completed by the Council's external auditor (Audit Scotland) and the audited Annual Accounts for the Council and the Charitable Trusts are appended to this report for consideration and approval. Thereafter, the Annual Accounts will be reported to full Council on 25 October 2017 for noting.

##### **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 increase in the Council's General Fund reserve balance of £2.453m and no change on the reserves position in the Housing Revenue Account (HRA). Further detail of this is noted below:

	<b>Free £0</b>	<b>Earmarked £0</b>	<b>Total £0</b>
<b>Total General Services Reserve - draft accounts</b>	<b>4,582</b>	<b>6,083</b>	<b>10,665</b>
Revision to accrued expenditure	-111		-111
Revision to debtors / prepayments	91		91
Revision to Equal Pay Provision	501		501
Increase in free reserve	<b>481</b>		<b>481</b>
Transfer of service re-design (VER/VS) from provision to earmarked balance	0	1,972	<b>1,972</b>
<b>Total General Services Reserve - audited accounts</b>	<b>5,063</b>	<b>8,055</b>	<b>13,118</b>

- 4.3 I am pleased to report that a clean audit opinion has been given in relation to these Accounts.
- 4.4 A report from Fiona Mitchell-Knight, Director, Audit Scotland detailing the main issues arising from the audit of the Council and its Annual Accounts has been reported elsewhere on the agenda for this Committee.
- 4.5 The management commentary on pages 1 to 12 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 2017. In particular:
- 4.5.1 In relation to the General Fund:
- The accounts show a General Fund balance of £13.118m as at 31 March 2017. Of this balance, £8.055m is earmarked for ring-fenced purposes, leaving an unearmarked balance of £5.063m;

- The level of unearmarked balance of £5.063m compares with that of £4.688m at 31 March 2016 and confirms that the reserve position has increased by £0.375m during the year.
- The unearmarked balance of £5.063m compares to the targeted prudential level of reserve of £4.104m which is considered necessary to safeguard assets and to protect services against financial risk; and
- In addition to the above reserves a sum of £0.750m has been set aside as a provision for future equal pay claims.

**4.5.2** In relation to the Housing Revenue Account, the accounts show an HRA balance of £6.963m as at 31 March 2017. Of this balance £6.117m is earmarked, leaving a free balance of £0.846m which is in line with the recommended prudential level of HRA reserve of £0.846m.

**4.5.3** 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 £3.284m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

**4.5** On pages 14 to 18 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** A letter from Paul Craig, Senior Audit Manager, detailing the main issues arising from the audit of these Annual Accounts has been reported elsewhere on the agenda for this Committee.

**4.8** Page 8 of the Accounts details the Statement of Balances and highlights a decrease in the balances held from £0.341m to £0.324m as at 31 March 2017.

### **5. People Implications**

**5.1** There are no people implications.

### **6. Financial and Procurement Implications**

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

### **7. Risk Analysis**

7.1 No risk analysis was required.

## 8. Equalities Impact Assessment (EIA)

8.1 No equalities impact was required in relation to the preparation of this report.

## 9. Consultation

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

## 10. Strategic Assessment

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

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**Stephen West**  
**Strategic Lead - Resources**  
**Date: 19 September 2017**

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**Appendices:** 1: Audited Annual Accounts 2016/17 – West  
Dunbartonshire Council; and  
2: Audited Annual Accounts 2016/17 – Charitable Trust  
Funds

**Background Papers:** 1. Draft Financial Statements for the year ended 31  
March 2017; and  
2. Report to Council of 28 June 2017: Draft Annual  
Accounts 2016/2017;

**Wards Affected:** All



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## Management Commentary

### Introduction

The purpose of this Management Commentary is to inform all users of these Financial Statements and help them assess how the Council has performed its duty to promote the success of the Council. It is to provide clear information about the Council's performance during the financial year 2016/17 and the financial position as at the financial year end 31 March 2017. The Management Commentary is intended to give an easy to understand guide to the most significant matters of the Council's business during the year - including progress against key performance indicators, a description of the principal risks and uncertainties facing the Council and the likely impact of the actions to mitigate these risks. In addition, it provides some detail on the Council's future plans.

### The Council

Following local government reorganisation in Scotland, under the Local Government (Scotland) Act 1994, West Dunbartonshire Council was established in 1996. It is an average sized Council in Scotland at around 98 square miles and has many strengths including significant sites of natural beauty and heritage, good transport links and close proximity to Glasgow and its airport. The area has a rich past, shaped by its world-famous shipyards along the Clyde, and boasts many attractions ranging from the iconic Dumbarton Rock and the Titan Crane, to the beauty of Loch Lomond.

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

The Council employs approximately 5,500 staff across a range of locations within the Council area, serving a population of approximately 90,000 (1.7% of the overall population in Scotland). The Council is generally accepted to suffer from economic deprivation, for example, the percentage of total population who are income deprived is 22% (Scotland 16%); the percentage of economically active people at a working age in employment is 71.2% (Scotland 72.9%); and life expectancy is 74.8 years (Scotland 77.1 years).

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

### The Strategic Plan

Nationally, the Scottish Government sets out its joint priorities and local authorities, together with their community planning partners agree a planned approach aligned to these through the Single Outcome Agreement (SOA). The Council's SOA, covering the period from 2014 to 2017, feeds through into its Strategic Plan. Within the Council's 2012/17 Strategic Plan, the Council committed to improving outcomes in key areas in order to deliver on its vision of 'a prosperous West Dunbartonshire recognised as a dynamic area within a successful Scotland'.

Following the implementation of the new management structure at the start of 2016/17 each Strategic Lead has developed service delivery plans, each highlighting priorities and objectives which are set out and designed to support the delivery of the Council's Strategic objectives. On 1 July 2015 the HSCP was formed and generated its own Strategic Plan.

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

#### Theme 1: Social Mission

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

## Management Commentary (Cont'd)

### The Strategic Plan (Cont'd)

#### Theme 2: Organisational Capabilities

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

#### Theme 3: Legitimacy and Support

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

### Performance Reporting

The Council monitors and reports its performance against these key themes through the SPS; where progress within these areas are monitored through a suite of key performance indicators with 2017 targets set within the Strategic Plan. Performance is reported to Council and Committees for scrutiny and identification of any required remedial action. The Council also publishes an annual Public Performance Report which provides residents with a summary of progress being made.

In conjunction with this internal SPS, the Council (together with all Scottish local authorities) measures a common set of performance indicators called the Local Government Benchmarking Framework. Using the same indicators across all councils allows comparisons of performance, identification of best practice and enables councils to learn from each other.

Full details of the most up to date performance information are available on the Council's website at:

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

### Overview of Core Financial Statements

The Statement of Accounts contains the financial statements of the Council and its group for the year ended 31 March 2017. The Council operates two main Funds in running its services:

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

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

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

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

## Management Commentary (Cont'd)

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

- **the Comprehensive Income and Expenditure Statement** shows the income and expenditure for all Council services. It is shown on page 28;
- **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 29. Further information on each of the reserves held and how it may be used is also detailed within notes 33 and 34 on pages 96 and 97; and
- **Housing Revenue Account** shows the income and expenditure for Council housing services for the year. It is shown on pages 101 to 103 which also includes the statement of movement on the Housing Revenue Account Balance.

**Capital expenditure** is analysed in note 22 on page 84 which details the capital expenditure and the sources of finance that have been used to fund the capital plan investment in 2016/17.

The **Balance Sheet** on page 30 summarises the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.

The **Cash Flow Statement** on page 31 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 32 to 100 which give further information and analysis relevant to each statement.

### Comprehensive Income and Expenditure Statement

This account covers the day to day operational income and expenditure for each service of the Council. The format has changed from previous years and is now reported in line with the Council's committee structure. Note 3 on page 51 details the effect of this change to the 2015/16 comparative figures within the Statement.

Income from council tax, non-domestic rates and revenue support grant was £215.184m with a net expenditure on services for the year of £215.711m (as shown on page 28 - 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 £2.407m against original budget (2015/16 £2.239m). Many of the favourable variances are due to specific management action in areas such as: control of vacancies and staff cover; general process and efficiency review; specific restructuring of service delivery; spending control; and implementation of agreed savings targets. Although, there is an element of demand led favourable variances, particularly within Early Years within Educational Services the level of favourable variance has been partially offset due to some areas of overspend. A favourable variance also resulted from the release of funding from the Council's Equal Pay Provision.

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

After taking account of the decrease in general earmarked balances since 31 March 2016 (£0.432m); the commitment to future budgets (£2.032m) and funds held in reserves for future trawl costs (VER/VS) (£1.972m), then the overall surplus for the year of £1.915m. This is added to the brought forward balance from the previous year (£11.203m), resulting in an accumulated surplus at 31 March 2017 of £13.118m (as shown on page 29). This includes an earmarked amount of £8.055m leaving £5.063m available for future use.

## Management Commentary (Cont'd)

### Comprehensive Income and Expenditure Statement (Cont'd)

This un-earmarked balance compares with that of £4.688m as at 31 March 2016 and shows that the un-earmarked reserve position has increased by £0.375m during the year. The Council's Prudential Reserves Policy is to retain a prudential reserve of 2% of net expenditure (excluding requisitions to Valuation, SPT, etc.) in order to safeguard assets and services against financial risk. The current target prudential reserves level for the General Fund is £4.104m and the position at financial year end exceeds this level of reserve by £0.959m.

The General Fund's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use.

	Budget £000	Spend Against Budget £000	Variance £000	£000
Total General Services Reserves Held as at 31/3/16				(11,203)
Total Expenditure	214,913	212,675	(2,238)	
Total Income	(214,913)	(215,082)	(169)	
Net Budgetary Control Position			(2,407)	
Net commitment to future budgets			2,032	
Additional reserve earmarked for VER/VS			(1,972)	
Net budgeted movement in earmarked balances			432	
Movement in Reserves from 1/04/16 to 31/03/17				(1,915)
<b>Total General Services Reserves Held as at 31/3/17</b>				<b>(13,118)</b>
Net increase in the Movement in Reserves before transfer to Statutory Reserves				(1,696)
Transfers to Statutory Reserves				(219)
<b>Net movement in Movement in Reserves Statement</b>				<b>(1,915)</b>

### Housing Revenue Account

By law the Council has to maintain a separate account for the running and management of its housing stock. The number of units owned by the Council at 31 March 2017 was 10,580 (2015/16 10,748) as a result of right to buy sales and planned demolition programme, offset by the new build houses, as detailed in the table below.

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

Following the impact of earmarked balances, the account shows an overall surplus for the year of £0.746m (see page 101). In line with the prudential reserves policy (2% of expenditure), the target reserves level for the Housing Revenue Account for 2016/17 is £0.846m. Taking account of the in-year surplus (£0.746m) the brought forward balance from the previous year £6.217m and taking account of earmarked amounts (£6.117m) the balance available to the HRA for future use is £0.846m.

The Housing Revenue Account's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use.

## Management Commentary (Cont'd)

### Housing Revenue Account (Cont'd)

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

### Reserves

As at 31 March 2017, the usable reserves currently held by the Council are noted below, with further information on the future use of such reserves detailed within notes 32 and 33 on pages 95 and 96.

	General Services £000	HRA £000	Total £000
Unearmarked Reserve	5,063	846	5,909
Earmarked Reserve	8,055	6,117	14,172
<b>Total Revenue Reserve</b>	<b>13,118</b>	<b>6,963</b>	<b>20,081</b>
Capital Receipts Reserve	0	0	0
Capital Grants Unapplied	466	0	466
Capital Reserve	3,633	0	3,633
Other Reserves	499	0	499
<b>Total Usable Reserves</b>	<b>17,716</b>	<b>6,963</b>	<b>24,679</b>
Prudential Target	4,104	846	

### Provisions

The Council has one provision held on its Balance Sheet, with a total value of £0.750m (see Note 31 on page 94). The Council holds funds for future equal pay claims.

### Cash Flow Statement

The Council's cash flow statement shows an increase of cash and cash equivalents of £1.743m during 2016/17 (see page 31) mainly as a result of borrowing for capital spend on non-current assets.

## Management Commentary (Cont'd)

### Trading Operations

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

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

These two operations returned a total collective surplus of £3.284m. Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Further details are provided in note 9 on pages 61 to 62.

### Balance Sheet

The Balance Sheet shows that during 2016/17, the net assets have decreased by £64.403m (from £199.428m to £135.025m). The main movement is due to the increase in the pension liability of £87.186m which is explained further below. There has also been movement within non current assets and borrowing, in line with the spend and funding agreed within the capital plan.

### Pension Assets and Liabilities

The balance sheet shown on page 30 shows an assessed pension fund liability of £240.926m based on a snapshot valuation of the fund at 31 March 2017. Further information on the pension fund is provided in note 15 on pages 67 to 73. The valuation states that assets held at the valuation date were sufficient to cover 75.63% of accrued liabilities (79.71% in 2015/16).

The pension scheme liability has increased by £87.186m as advised by the appointed actuaries, and this is mainly as a result of the movement in the discount rate. The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers together with planned recent increases in employers' contributions provide sufficient security and future income to meet future pension liabilities.

### Non-Current Assets

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

The overarching Strategic Asset Management Plan was refreshed during 2016/17 and underlying individual plans have either been refreshed in 2016/17 or will be during 2017/18.

The Council requires to assess the value of assets held based on current market conditions and, while in the current year particular assets have increased in value by £28.151m. At the same time, impairment and downward revaluations have reduced the value of other assets held by the Council by £1.646m, with a net impact of £26.505m. These movements adjust either the revaluation reserve in the Balance Sheet or are included within the Net Cost of Service within the Income and Expenditure Statement, depending on the history of the asset.

### Borrowing

The Council's Treasury Strategy for 2016/17 was agreed by the Council on 24 February 2016. The Council raised new long term loans of £20.000m (2015/16 £25.620m) and short term loans of £124.709m (2015/16 £69.500m) and repaid naturally maturing debt of £87.144m (2015/16 £63.029m). The total outstanding long term debt (excluding PPP debt) as at 31 March 2017 was £228.095m (2015/16 £241.009m) including £117.252m (2015/16 £137.665m) for the Council's housing stock. The total outstanding short term debt was £155.400m (2015/16 £85.067m), including £79.883m (2015/16 £48.591m) for the housing stock. The interest and expenses rate charged by the Council's loans fund was 3.62% (4.28% in 2015/16).

## Management Commentary (Cont'd)

### Borrowing (Cont'd)

The 10 year capital plan and the Council's Treasury Management Strategy 2016/17 were agreed by Council on 24 February 2016 and updated on 22 February 2017. These agreed plans highlight the projected capital spend and it's required resourcing. Also detailed is the impact on the Council's ongoing revenue finance and borrowing levels which the Council has committed to, through its Capital Plans. The Council's revenue budget is agreed following the consideration and approval of the Capital Plan.

### Capital Finance

The Council is able to regulate its own capital spending limits within the framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. The necessary treasury indicators and safeguards have been approved by Council and have resulted in increases to both the General Services and Housing capital programmes for 2016/17 and beyond. Details of the capital expenditure and financing are shown in note 22 on page 84. Total gross capital expenditure amounted to £88.667m.

The main capital projects progressed during 2016/17 were:

#### General Services

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

#### HRA

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

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

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



## Management Commentary (Cont'd)

### Capital Finance (Cont'd)

The majority of the slippage has occurred within a small number of larger capital projects and is mainly due to the timing of starting individual projects, for various reasons, not all within Council control, and these projects have now fallen into capital budgets for 2017/18 and those with more significant slippage include:

#### General Services

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

#### HRA

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

### Public Private Partnership and other Long Term Liabilities

The Council entered into a public private partnership for the provision of three new community learning centres and a primary school. The agreement provides the Council with replacement buildings for three secondary schools which were handed over in 2009/10 with the primary school handed over during 2011/12. In accordance with statutory accounting guidance, full details of the agreement is provided within note 24 on pages 84 to 85.

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

### Events after the Balance Sheet date

Events since the Balance Sheet date (31 March 2017) until the date of signing the audited Statement of Accounts (27 September 2017) have been taken into consideration (Note 8 on page 61).

### 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 109 to 118 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 £14.901m creating an overall net asset of £149.926m. This includes the combined pension liability of these organisations similar to that of the Council. However, as there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

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

### **The Financial Outlook and the Annual Budget process**

During the course of the year, the Council faced a number of significant financial pressures resulting from reducing central government funding, inflationary and service demand increases and the ongoing impact of the economic position and welfare reform. The latest projections for public sector expenditure from the Treasury, as well as various financial institutions, outline a scenario where resources are anticipated to continue to decline in real terms over the next five years. At the same time demand for services is expected to continue to increase driven by demographic change and policy pressures. The Scottish Government settlement for 2017/18 was a one year settlement and reduced funding to the Council due to Scottish Government reducing general funding levels to Councils.

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

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

At Council in February 2017, the Council also updated the General Fund and HRA capital plans and set the HRA budget for 2017/18. The capital plans approved included funding for a number of projects over the next three years and the revenue impact of these investments will be built into future revenue plans.

### **Management of Risk**

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

- the unknown position from the national government on funding for future years particularly given the projected decline in Council population and the likelihood of continued austerity measures;
- the impact on the welfare reform agenda (introducing changes to the welfare benefits systems);
- changing demands and needs for Council services (particularly in relation older people);
- Council also plans major investment in a number of significant capital projects which will change the way in which some services are delivered and are partially funded through projected revenue savings – there is a risk that expected savings are not as expected.

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

### **Ongoing and Future Events**

In recognition of the projected ongoing financial position, the Council continues to identify service redesign and business transformation options and these will be reported to appropriate Committees during 2017/18. Significant cost reductions have been generated through planned actions to generate savings and more efficient ways of working. A number of major projects have been underway during 2017/18 as follows:

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

### **Ongoing and Future Events (cont'd)**

- Glasgow City Region City Deal – the Council, together with a number of other Scottish local authorities, is participating in the Glasgow Region City Deal. The City Deal consists of a number of significant capital projects across the area together with employability projects – in order to generate economic regeneration and additional jobs. The project within the City Deal specific to the Council is an infrastructure project at the Exxon site at Bowling to regenerate that site and to create a relief road along the A82 at Milton. The project development is progressing with the outline business case approved during 2016/17 and the final business case due for consideration by 2019;
- Development of Queens Quay and District Heating – the Council in partnership with the private sector are funding the redevelopment of Queens Quay in Clydebank – bringing a significant former industrial site back into use. This project will be home to a new Council-run care home for older people; a new medical centre run by the Greater Glasgow Health Board; around 1,000 new homes; and some commercial provision. This longer term project should support the economic development of Clydebank and is expected to generate net in-migration to West Dunbartonshire. In 2016/17 Council and the Scottish Government approved the development of an innovative district heating system on this site to provide heat to all of the existing and new provision along the waterfront and beyond; and
- Strategic Programmes – In setting the budgets for 2015/16 and 2016/17 Council approved a range of projects to generate efficiencies. Some of these are capital funded projects where funding has been approved by Council. Significant projects include: Office Rationalisation; Care Home reprovision; shared services; new Clydebank leisure Centre, amongst others. Senior management monitors progress on agreed efficiency projects through the Change Board and budgetary control reports provide updates on progress to Members. Where appropriate, business cases will be developed, and where required reports will come to future Council and Committees for consideration.

### **Remuneration Report**

This report presents information on the remuneration of senior elected members and senior officers within the Council (pages 19 to 26).

### **Financial Performance Indicators**

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

## Management Commentary (Cont'd)

### Financial Performance Indicators (Cont'd)

2015/16			2016/17
	<b>Housing Performance</b>		
£0.105m	Total rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	£0.063m
£430.10	Average rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	£312.67
10.37%	Percentage of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	10.33%
1,038	number of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	1,025
8.59%	Current / former / total tenant arrears as a percentage of net rent due in year	Demonstrates the Council's effectiveness in collecting local housing rents	7.87%
£3.261m	Amount of current/ former/ total tenant rent arrears	Demonstrates the Council's effectiveness in collecting local housing rents	£3.056m
100%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the HRA has, in comparison to the agreed minimum	100%
2.00%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2.00%
(£0.034m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	(£0.016m)
96.51%	Revenue budget compared to actual outturn at year end	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	98.16%

2015/16			2016/17
	<b>General Services Performance</b>		
£10.26	Cost of collecting council tax (per dwelling)	Demonstrates the Council's effectiveness in collecting local taxation	£10.25
13.91%	Council tax as a percentage of overall funding	Demonstrates the amount of budget raised through council tax	14.68%
94.45%	In-year council tax collection rate	Demonstrates the Council's effectiveness in collecting local taxation	95.21%
£30.133m	Amount of income due from council tax for the year that was received	Demonstrates the Council's effectiveness in collecting local taxation	£30.653m
111%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the GS has, in comparison to the agreed minimum	123%
2.19%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2.36%
(£1.043m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	£0.375m
100.31%	Revenue budget compared to actual outturn at year end - including top up of provisions	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	99.83%

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

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

### **Conclusion**

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

### **Acknowledgement**

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

Councillor Jonathan McColl  
Leader of the Council  
Date: 27 September 2017

Joyce White  
Chief Executive  
Date: 27 September 2017

Stephen West  
Strategic Lead - Resources  
Date: 27 September 2017

## **Statement of Responsibilities**

### **The Authority's Responsibilities:**

The Authority is required:

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

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 27 September 2017.

Signed on behalf of West Dunbartonshire Council

Councillor Jonathan McColl  
Leader of the Council  
Date: 27 September 2017

### **The Strategic Lead - Resources Responsibilities:**

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

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

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

The Strategic Lead - Resources has also:

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

I certify that the Financial Statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2017.

Stephen West  
Strategic Lead - Resources  
Date: 27 September 2017

## **Annual Governance Statement**

The Annual Governance Statement is included within the Financial Statements to assure stakeholders on how the Council directs and controls its functions and how it relates to communities which will enhance transparency and scrutiny of the Council's activities.

### **Scope of Responsibility**

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

In discharging this overall responsibility, the Council's Members and Corporate Management Team (CMT) is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has recently approved and adopted a revised Local Code of Corporate Governance (the Local Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government. A copy of this Code is available from the Council website at:

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

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

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

This statement explains how the Council expects to comply with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements of the Statement on the System of Internal Financial Control.

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

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

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

The governance framework comprises: the systems and processes; and culture and values - by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of the strategic objectives set out in the Strategic Plan.

### **The Governance Framework**

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

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

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

- the overarching strategic vision and objectives of the Council are detailed in the Strategic Plan 2012/17, which sets out the key priorities of the Council;
- West Dunbartonshire Council Financial Statements for the Year Ended 31 March 2017;
- the Council operates within an established procedural framework which incorporates a scheme of delegation, standing orders and financial regulations. The Council facilitates policy and decision making through the agreed Committee structure;
- services are able to demonstrate how their own activities link to the Council's vision and priorities through their plans. Performance management and monitoring of service delivery is reported through service committees regularly. The CMT monitors performance information regularly. The Council regularly publishes information about its performance;
- the Council has adopted a Code of Conduct and associated employment policies for its employees. Elected members adhere to the nationally prescribed Code of Conduct for Members in a localised format. In addition, the Council has in place a protocol on member/ officer relations and in inter-party protocol;
- the Council's approach to risk management is set out in the risk management framework. A strategic risk register is in place and an update report on this is regularly submitted to the Audit and Performance Review Committee;
- comprehensive arrangements are in place to ensure members and officers are supported by appropriate training and development; and
- a governance framework has been in place at West Dunbartonshire Council for the year ended 31 March 2017 and up to the date of approval of the Financial Statements.

### **Review of Effectiveness**

The Council has a responsibility for ensuring the continuing effectiveness of its governance framework and its system of internal financial control. The Council's revised Code of Good Governance was approved at the Audit & Performance Review Committee on 8 March 2017. An assessment of the Council's compliance with the Code of Good Governance was undertaken by a group of senior officers and the outcome of this assessment was reported to the Audit & Performance Review Committee on 21 June 2017.

Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. Each member of the Council's Corporate Management Team presents an annual statement of assurance on the adequacy and effectiveness of control (including financial control), governance and risk management arrangements within their service area. The Council's Audit & Risk Manager (the Council's Chief Internal Auditor) has responsibility for reviewing independently and reporting to the Audit and Performance Review Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

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

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

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



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

### **Review of Effectiveness (cont'd)**

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

- Review and merge the Council's Audit and Fraud policies to ensure an effective joined-up approach;
- Implement Commodity Strategies for procurement activity;
- Enhance performance monitoring and scrutiny across the Council;
- Improve procurement processes and monitoring of contracts across the Council;
- Roll out the Procurement Request Form and Procurement Awareness Toolkit across the Council;
- Continue to ensure Public Service Network compliance and monitor ICT security;
- Further developments of ICT infrastructure to ensure consistent stability;
- Ensure appropriate governance arrangements are in place for successful delivery of the Pupil Equity Fund; and
- Further embed a culture of strong safety conscious management.

In addition to the above the following important developments have been commenced:

- Implementation of the approved workforce planning process; and
- A recent initiative for staff development has been the introduction across the Council of "Be the Best Conversations" which has replaced the previous PDP process for employees.

All of the above areas for improvement have been included within improvement plans to be lead and managed by appropriate Strategic Leads which have been approved by relevant Service Committees in June 2017.

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 Audit and Performance Review Committee provides more detail on these, see link:

<http://wdccmis.westdunbarton.gov.uk/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/8010/Committee/527/Default.aspx>

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

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

### **Review of Effectiveness (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 (WDIJB) has an interest in the governance arrangements within the HSCP. Internal Audit arrangements for the WDIJB 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 IJB's governance arrangements. The Council's Chief Internal Auditor is also the IJB's Chief Internal Auditor. Through this role Internal Audit has recently carried out a review of the WDIJB's Governance, Performance & Financial Management arrangements. This review confirmed that the systems examined are generally working effectively. The WDIJB is currently making arrangements to consider its own compliance with the revised Code of Governance. Due to the Council's role as social care service provider Internal Audit process outcomes on such services are reported to both the Council's Audit and Performance Reporting Committee as well as that of the WDIJB. The Chief Social Worker provides Council with an annual report on the performance of the IJB.

The financial arrangements for the Council's funding to the WDIJB are aligned and budget processes run parallel to ensure that appropriate budgets for the WDIJB are aligned with Council policy and budgeting approaches, particularly in relation to ensuring any efficiency targets for the WDIJB funding from the Council are planned for and appropriate efficiencies are approved by the WDIJB. On an ongoing basis Council continues to receive budgetary control information in relation to WDIJB 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 2016/17 LSP identified a number of areas of risk which the Council has been working on over the last year. A recently published update to the LSP, covering 2017/18, was reported to Council on 28 June 2017 and notes that the Council continues to demonstrate a strong commitment to best value and has strong leadership, a clear vision and a focus on continuous improvement. The LAN did not identify any specific areas from the risk assessment where specific scrutiny was required, other than scrutiny that was nationally directed or part of a planned programme of work. The LAN members followed up on some areas that were identified in the 2016/17 LSP for ongoing oversight and monitoring which are detailed below:

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

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

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

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

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

### **Review of Effectiveness (Cont'd)**

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

### **Financial Considerations**

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

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

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

To deliver these responsibilities the Chief Financial Officer:

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

The Council considers that it complies with the above Statement.

### **Assurance**

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2016/17 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principle objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment with plans in place to address improvement areas.

**Jonathan McColl**  
**Leader of the Council**

**Date: 27 September 2017**

**Joyce White**  
**Chief Executive**

**Date: 27 September 2017**

**Stephen West**  
**Strategic Lead - Resources**

**Date: 27 September 2017**

## Remuneration Report

### Introduction

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

### Remuneration - Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2016 (SSI No. 2016/6). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), Senior Councillors and Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure. The regulations stipulate that in addition to the Leader of the Council and the Provost, West Dunbartonshire can appoint a maximum of ten Senior Councillors. The level of remuneration paid to the Leader of the Council, Provost and Senior Councillors is detailed in Table 1.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of West Dunbartonshire Council was £33,789. The Regulations also state that the maximum yearly amount that may be paid to the Provost (£25,341) is 75% of the total yearly amount payable to the Leader of the Council.

The Regulations also state the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor (£25,341) is 75% of the total yearly amount payable to the Leader of the Council. For 2016/17 the total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £211,180. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council policy is to pay Senior Councillors a salary of £21,118.

During 2016/17, the Council agreed the appointment of a Council Leader, Provost and 10 Senior Councillors and the remuneration paid to the 10 Senior Councillors totalled £211,180 (£209,090 in 2015/16). The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme. The pension entitlements for the year to 31 March 2017 are shown in Table 5 on page 25.

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

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

The regulations also set out the amounts a Councillor may be paid for being a convener or vice-convener of a Joint Board. For 2016/17 the remuneration for the post of Convener of the Valuation Joint Board is £21,118 (£20,909 in 2015/16).

## Remuneration Report (Cont'd)

### a) Table 1: Remuneration of Senior Councillors

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

**Note:**

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

## Remuneration Report (Cont'd)

### b) Remuneration paid to Councillors

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

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

**Note:**

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

### c) Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/148 sets the amount of salary for the Chief Officials of West Dunbartonshire Council for the period 2015 to 2017. The post of Chief Officer Health and Social Care Partnership is a joint post between West Dunbartonshire Council and NHS Greater Glasgow and Clyde.

The only benefits received by employees are salary and employer contributions to the pension fund. There were no bonuses, compensation for loss of office or other benefits paid to senior employees during the year. The salary details for senior employees are noted in table 2.

**Table 2: Remuneration of Senior Employees**

Name	Position at 31/03/17	Salary, Fees and Allowances 2016/17 £	Total Remuneration 2015/16 £
Joyce White	Chief Executive	132,526	124,615
Angela Wilson	Strategic Director of Transformation and Public Sector Reform	105,889	104,451
Richard Cairns	Strategic Director of Regeneration, Environment and Growth	105,889	104,451
Terence Lanagan	Executive Director of Educational Services (until 31/1/16)	0	113,260
*Keith Redpath	Chief Officer - Health and Social Care Partnership	53,717 (full time equivalent £107,435)	51,536 (full time equivalent £103,072)
Jackie Irvine	Strategic Lead - Children's Health, Care & Criminal Justice	85,731	84,618
Stephen West	Strategic Lead - Resources	85,731	84,197

## Remuneration Report (Cont'd)

### c) Remuneration of Senior Employees (Cont'd)

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

#### Notes

1. The term *senior employee* means any local authority employee:
  - who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
  - who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
  - whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.
2. The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2017 would include any amounts received as the Returning Officer for West Dunbartonshire in elections. For the year to 31 March 2017 there were two elections: For the Scottish Parliament Election and the EU Referendum during 2016/17, amounts included are £10,374 (2015/16 equivalent £4,122).
3. The Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. There were no discretionary payments made to senior employees during the year.

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

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

**Table 3: Remuneration of Employees**

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

## Remuneration Report (Cont'd)

### Pension Benefits

Pension benefits for Councillors and most local government employees are provided through the Local Government Pension Scheme (LGPS). Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The pension entitlements for the year to 31 March 2017 are shown in Table 5 on page 25. The table details the pension entitlement and contributions made by West Dunbartonshire Council in respect of all senior Councillors and senior officers of the Council who have opted to join the LGPS.

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

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

**Table 4: Contribution Rates**

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



## **Remuneration Report (Cont'd)**

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

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49<sup>th</sup> of pay from 1 April 2015. Prior to this the accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

The pension entitlements for the year to 31 March 2017 for Senior Councillors are shown in table 5, together with the contribution made by West Dunbartonshire Council to each Senior Councillor's pension during the year:

## Remuneration Report (Cont'd)

### Pension Benefits (Cont'd)

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

		In-year pension contributions		Accrued pension benefits	
		For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017	As at 31 March 2016
Name	Position at 31/03/17				
<b>Senior Councillors</b>		£	£	£	£
Martin Rooney	Leader of Council Convener of Recruitment & Individual Performance Committee Convener of Community Alliance Committee	6,521	6,457	7,072	6,096
Gail Casey	Convener of Community Health Care Partnership Integrated Joint Board (SCP) Convener of Argyll, Bute & Dunbartonshire Criminal Justice	4,062	4,023	4,969	4,428
Kathleen Ryall	Convener of Corporate Services Committee	4,062	4,023	1,901	1,435
John Mooney	Convener of Licensing Board	4,076	4,035	1,912	1,446
Michelle McGinty	Convener of Education Services Committee Education, Grievance & Disciplinary Committee	4,076	4,035	1,912	1,446
David McBride	Convener of Housing & Communities Committee Convener of Tendering Committee	4,076	4,035	4,846	4,269
Jonathan McColl	Leader of Opposition Convener of Audit & Performance Review Committee	4,076	4,035	4,788	4,260
Lawrence O'Neill	Convener of Licensing Committee Convener of Planning Committee	4,076	4,035	1,223	776
<b>Senior Employees</b>					
Joyce White	Chief Executive	25,035	23,893	24,546	21,905
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	20,361	20,159	138,064	134,546
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	20,361	20,159	56,082	53,376
Terence Lanagan	Executive Director of Educational Services (until 31/1/16)	0	14,616	0	205,911
Keith Redpath	Chief Officer - Health & Social Care Partnership	0	0	0	0
Jackie Irvine	Strategic Lead - Children's Healthcare & Criminal Justice	16,485	16,331	50,850	48,632
Stephen West	Strategic Lead - Resources	16,485	16,331	109,750	106,983

The senior councillors omitted from the table above are not members of the Local Government Pension Scheme.

## Remuneration Report (Cont'd)

### Pension Benefits (Cont'd)

All employees in table 5, with the exception of Mr. Redpath and Mr. Lanagan are members of the Local Government Pension Scheme. Mr. Lanagan was a member of the Scottish Teachers' Superannuation Scheme prior to retirement and Mr. Redpath is a member of the NHS Superannuation Scheme (Scotland). Details of Mr Redpath's pension are included within the accounts of the National Health Service Greater Glasgow & Clyde and are therefore noted as zero in the Council accounts. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total public sector service, and not just their current appointment.

#### f) Table 6: Exit Packages

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

\*Please note there were no compulsory packages in this or the previous financial year.

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

Jonathan McCol  
Leader of the Council  
Date: 27 September 2017

Joyce White  
Chief Executive  
Date: 27 September 2017

## **Core Financial Statements**

The financial statements comprise the following primary statements:

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

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost, for 2016/17, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

### **Movement in Reserves Statement**

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

### **Balance Sheet**

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

1. Usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt); and
2. Non-usable reserves, i.e. those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'adjustments between accounting basis and funding basis under regulations'.

### **Cash Flow Statement**

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

## Comprehensive Income and Expenditure Statement

2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000	Note		2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
75,018	52,572	22,446		<b>Service</b>	72,733	50,477	22,256
96,223	4,769	91,454		Corporate Services	99,331	5,445	93,886
69,881	26,710	43,171		Educational Services	57,481	24,519	32,962
				Infrastructure, Regeneration and Economic Development			
9,025	6,227	2,798		Housing and Communities	7,457	5,188	2,269
37,451	40,118	(2,667)		Housing Revenue Account	37,780	40,625	(2,845)
8,401	5,792	2,609		Miscellaneous Services	4,829	6,423	(1,594)
136,765	72,314	64,451		Health and Social Care Partnership	153,377	87,221	66,156
2,586	0	2,586		Requisitions	2,621	0	2,621
<b>435,350</b>	<b>208,502</b>	<b>226,848</b>		<b>Net Cost of Service (1)</b>	<b>435,609</b>	<b>219,898</b>	<b>215,711</b>
		861		(Gain) / loss on Disposal of Fixed Assets			(1,146)
		<b>861</b>		<b>Other Operating Expenditure (2)</b>			<b>(1,146)</b>
		(30,714)		Council Tax			(31,592)
		(84,053)	12	Non-Domestic Rates			(82,793)
		(106,095)	12	Revenue Support Grant			(100,799)
		(15,738)	12	Recognised Capital Income (Grants, Contributions & Donations)			(8,229)
		<b>(236,600)</b>		<b>Taxation and Non-specific Grant Income (3)</b>			<b>(223,413)</b>
		(203)	29	Interest Earned			(177)
		18,909	29	External Interest Payable / Similar Charges			18,437
		836		(Gain)/Loss early settlement of borrowing			846
		(2,721)	9	Surplus on Trading Undertakings not included in net cost of services			(3,284)
		7,059	15	Pension Interest Cost/Expected Return on Pension Assets			5,462
		<b>23,880</b>		<b>Finance/Investment Income and Expenditure (4)</b>			<b>21,284</b>
		<b>14,989</b>		<b>(Surplus)/Deficit on Provision of Services (5) = (1)+(2)+(3)+(4)</b>			<b>12,436</b>
		2,180		(Surplus)/Deficit arising from revaluation of property, plant and equipment			(24,382)
		(863)		(Surplus)/Deficit on revaluation of available for sale assets			(691)
		(77,852)	15	Actuarial (gains)/losses on pension fund assets and liabilities			77,040
		<b>(76,535)</b>		<b>Other Comprehensive (Income) and Expenditure (6)</b>			<b>51,967</b>
		<b>(61,546)</b>		<b>Total Comprehensive (Income) and Expenditure (5) + (6)</b>			<b>64,403</b>

## Movement in Reserves Statement

	Note	Usable Reserves							Total Unusable Reserves £000	Total Reserves £000
		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>2016/17</b>										
Opening Balance at 1 April 2016		(11,203)	(6,217)	0	(484)	(3,824)	(527)	(22,255)	(177,173)	(199,428)
<b>Movement in reserve 2016/17</b>										
(Surplus) or deficit on provision of services		11,028	1,408	0	0	0	0	12,436	51,967	64,403
Other Comprehensive Expenditure and Income	7	(12,724)	(2,154)	0	18	0	0	(14,860)	14,860	0
<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>	<b>64,403</b>
Transfers to/from other statutory reserves		(219)	0	0	0	191	28	0	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>	<b>(135,025)</b>
<b>2015/16</b>										
Opening Balance at 1 April 2015		(9,623)	(4,570)	0	(421)	(4,012)	(433)	(19,059)	(118,823)	(137,882)
<b>Movement in reserve 2015/16</b>										
(Surplus) or deficit on provision of services		12,876	2,113	0	0	0	0	14,989	(76,535)	(61,546)
Adjustments between accounting basis and funding basis under regulations	7	(14,362)	(3,760)	0	(63)	0	0	(18,185)	18,185	0
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>		<b>(1,486)</b>	<b>(1,647)</b>	<b>0</b>	<b>(63)</b>	<b>0</b>	<b>0</b>	<b>(3,196)</b>	<b>(58,350)</b>	<b>(61,546)</b>
Transfers to/from other statutory reserves		(94)	0	0	0	188	(94)	0	0	0
<b>Closing Balance at 31 March 2016</b>		<b>(11,203)</b>	<b>(6,217)</b>	<b>0</b>	<b>(484)</b>	<b>(3,824)</b>	<b>(527)</b>	<b>(22,255)</b>	<b>(177,173)</b>	<b>(199,428)</b>

## Balance Sheet

2015/16			2016/17
£000	Notes		£000
760,302	18	Property, Plant and Equipment	825,771
45	19	Intangible Assets	29
58		Long Term Debtors	44
1,406	21	Heritage Assets	1,406
501		Long Term Investments	501
<b>762,312</b>		<b>Long Term Assets</b>	<b>827,751</b>
653	20	Asset Held for Sale	7,345
922	25	Inventories	1,146
35,413	26	Short Term Debtors	36,056
12,357	28	Cash and Cash Equivalents	12,030
<b>49,345</b>		<b>Current Assets</b>	<b>56,577</b>
(4,643)	31	Provisions	(750)
(36,642)	30	Short Term Creditors	(36,317)
(86,724)		Short Term Borrowing	(157,557)
(4,788)	28	Cash and Cash Equivalents	(2,718)
<b>(132,797)</b>		<b>Current Liabilities</b>	<b>(197,342)</b>
<b>678,860</b>		<b>Net Assets</b>	<b>686,986</b>
(325,649)		Long Term Borrowing	(310,255)
(153,740)	15	Net Pensions Liability	(240,926)
(43)	12	Capital Grants Receipts in Advance	(780)
<b>(479,432)</b>		<b>Long Term Liabilities</b>	<b>(551,961)</b>
<b>199,428</b>		<b>Total Assets Less Liabilities</b>	<b>135,025</b>
		<b>Represented by:</b>	
22,255	MIR	Usable Reserves	24,679
177,173	MIR	Unusable Reserves	110,346
<b>199,428</b>		<b>Total Reserves</b>	<b>135,025</b>

The unaudited Financial Statements were issued on 28 June 2017 and the audited Financial Statements were authorised for issue on 27 September 2017.

Stephen West  
Strategic Lead - Resources  
West Dunbartonshire Council  
Date: 27 September 2017

## Cash Flow Statement

2015/16 £000	Notes		2016/17 £000
		<b>Operating Activities</b>	
14,989		Net deficit on the provision of services	12,436
(48,460)	27	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(37,480)
15,759	27	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financial activities	8,141
<u>(17,712)</u>	27	<b>Net cash inflow from Operating Activities</b>	<u>(16,903)</u>
48,774	27	Investing Activities	70,598
(30,296)	27	Financing Activities	(55,438)
<u>766</u>			<u>(1,743)</u>
8,335	28	Cash and cash equivalents at the beginning of the reporting period	7,569
7,569	28	Cash and cash equivalents at the end of the reporting period	9,312
<u>766</u>	28	<b>Movement – Increase in Cash</b>	<u>(1,743)</u>



## **Notes to the Financial Statements**

### **Note 1 - Accounting Policies**

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

The Financial Statements summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the code") and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **3. Cash and Cash Equivalents**

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

Cash equivalents are investments that mature in three months or less from date of acquisition and that are readily convertible to known cash amounts, with insignificant risk of change of value.

Investments held by the Council comprise solely of short term lending of surplus funds to a limited number of pre-approved UK banks and other local authorities. All deposits are held in sterling. The carrying amount is the outstanding principal receivable.

Bank balances are included in the Balance Sheet at the closing balance in the Council's ledger and include cheques payable not yet cashed.

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

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

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

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

#### **5. Charges to Revenue for Property, Plant and Equipment**

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

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

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **6. Intangible assets**

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

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

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

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

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

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

#### **7. Property, Plant and Equipment**

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

##### Recognition

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

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

### **Note 1 - Accounting Policies (Cont'd)**

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

##### Measurement

Initially measured at cost, comprising of:

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

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

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

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

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

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

### Note 1 - Accounting Policies (Cont'd)

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

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years. The programme of revaluation for 2016/17 and planned each of the following four years is as follows:

- 2016/17 Crematorium/Cemeteries/operational offices/depots/stores/car parks/non HRA residential properties / HRA dwellings;
- 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; and
- 2020/21 Any properties not previously re-valued / general re-appraisal/ HRA Housing Stock Valuation.

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

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

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

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

#### Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

### **Note 1 - Accounting Policies (Cont'd)**

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

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

##### Disposals

When it becomes apparent that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is re-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. Where there is a subsequent decrease to fair value less sale costs, the loss is posted to the Surplus and Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount in the Balance Sheet is written off to the Surplus and Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of a gain or loss on sale. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying borrowing requirement. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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

##### Depreciation

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

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

### Note 1 - Accounting Policies (Cont'd)

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

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

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

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

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

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

#### 8. Assets Held for Sale

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

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

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

#### 9. Heritage assets

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **9. Heritage assets (Cont'd)**

The authority holds heritage assets of six main types:

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

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

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

Ships models, works of art and silver and commemorative ware are included in the balance sheet based on the last formal valuations by Bonhams, Sotheby's and Phillips respectively. Further formal valuations will be commissioned where it is considered that there could potentially be a material change in the value of the assets held and where the value of the asset is estimated to be in excess of £10,000.

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

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

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

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

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



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

### **Note 1 - Accounting Policies (Cont'd)**

#### **9. Heritage assets (Cont'd)**

The proceeds from any disposal of heritage assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

##### **Models of Ships**

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

##### **Works of Art**

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

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

##### **Silver and Commemorative Ware**

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

##### **Civic Regalia**

Civic regalia predominately relates to the collection of provost robes and chains of office. The robes are not recognised on the balance sheet as they are considered to have no significant value. However the chains are reported in the balance sheet at insurance value. It would be relatively rare for the authority to purchase, or dispose of, items of civic regalia.

##### **Sewing Machine Collection**

There are 809 sewing machines (of various models) included within the sewing machine collection. These collections are not recognised on the balance sheet as cost information is not readily available. Nearly all the items are believed to have an immaterial value.

##### **Listed Buildings and Scheduled Ancient Monuments**

The authority holds and maintains listed buildings and ancient monuments of historic significance, many of which are tributes to the war dead. These assets are not recognised on the balance sheet as it is considered that there is a lack of available, comparable market values to establish a 'fair value'.

It is unlikely that the authority would procure such assets but is more likely to refurbish or enhance existing structures. In this respect, the cost of those works will be capitalised at cost.

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

### **Note 1 - Accounting Policies (Cont'd)**

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

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

#### **11. Employee Benefits**

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

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

##### **Termination Benefits**

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

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

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

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

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

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **11. Employee Benefits (Cont'd)**

##### **Post Employment Benefits (Cont'd)**

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

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **11. Employee Benefits (Cont'd)**

##### **Post Employment Benefits (Cont'd)**

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

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated in accordance to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove any notional debits and credits for retirement benefits and replace them with the cash paid or payable at the year end, to the pension fund and pensioners. The negative balance that arises on the Pension Reserve measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

##### **Discretionary Benefits**

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) arising from the use of these discretionary powers are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the local government pension scheme

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

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

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

#### **13. Exceptional items**

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **14. Financial liabilities**

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

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

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

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

##### **Modified Loans**

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

##### **Unmodified Loans**

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

##### **Straight Repayment**

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

#### **15. Financial Assets**

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **15. Financial Assets (Cont'd)**

Financial assets are classified into two types:

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

#### **Loans and receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and initially measured at fair value.

They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most other the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where soft loans are made and are material, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the community groups, with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **15. Financial Assets (Cont'd)**

##### **Instruments entered into since 1 April 2006**

Any financial guarantees the Council has committed to since 1 April 2006 have been recognised at fair value and assessed for probability of the guarantee being called and the likely amount payable under the guarantee. Any material provision for this has been recognised in the Financial Statements to the extent that provisions might be required or a contingent liability note is needed.

#### **16. Fair Value Measurement**

The Council measures some of its non-financial assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

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

#### **17. Government grants and contributions**

Whether paid on account, by instalments or arrears, government grants and third party contributions and donations are recognised as due by the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

### Note 1 - Accounting Policies (Cont'd)

#### 17. Government grants and contributions (Cont'd)

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified for future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

#### 18. Inventories

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

#### 19. Leases

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operational. Where the lease covers both land and buildings, the elements are considered separately for classification.

##### Council as Lessee

##### Finance Leases

Assets held under finance lease are recognised in the Balance Sheet at the start of the lease at its fair value at the lease's inception, or, if lower the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay. Initial direct costs to the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to revenue in the years they incur. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

The Council is not required to raise council tax to cover depreciation/ revaluation or impairment losses arising on leased assets. Assets recognised under the finance lease are accounted for using the policies applied generally to Council owned assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.



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

### **Note 1 - Accounting Policies (Cont'd)**

#### **19. Leases (Cont'd)**

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight line basis over the life of the lease, even if it does not match the pattern of payment.

##### **Council as Lessor**

##### Finance Leases

When the Council grants a finance lease over an asset, the asset is written out of the Balance Sheet as a disposal. At the start of the lease the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement, matched by a lease asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a receipt for the acquisition of the interest in the asset – applied to write down the lease asset (together with any premiums received); and
- finance income (credited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amounts due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element of the charge for the acquisition of the interest in the asset is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of the disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

##### Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if it doesn't match the pattern of payment.

#### **20. Overhead and support services**

The costs of overheads and support services are charged to non General Fund services that benefit from the supply in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17. The total absorption costing principle is used – the full cost of overheads and support services are shared between those users in proportion to the benefits received.

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

### **Note 1 - Accounting Policies (Cont'd)**

#### **20. Overhead and support services (Cont'd)**

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

#### **21. Public private partnership (PPP) and similar contracts**

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the private contractor. As the Council is deemed to control the services that are provided under the PPP scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the asset on its Balance Sheet.

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

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

#### **22. Provisions, contingent liabilities and contingent assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal obligation, either legal or constructive, as a result of a past event that results in a probable outflow of resources embodying economic benefits or service potential being required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

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

When the effect of the time value of money is material, the amount of the provision recognised is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

### **Note 1 - Accounting Policies (Cont'd)**

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

##### **Contingent assets and liabilities**

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

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

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

#### **23. Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council.

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

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

#### **25. VAT**

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

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

### Note 1 - Accounting Policies (Cont'd)

#### 26. Carbon Reduction Commitment Scheme

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

#### 27. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of associates/ subsidiaries and require it to prepare group accounts. In the Council's own single entity accounts, the interests of one company is recorded as 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.

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

For 2017/18, the Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

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

It is not anticipated that the above changes will have a material impact on the information provided in the financial statements.

The Code requires implementation of these from 1 April 2017 and therefore there is no impact on the 2016/17 Statement of Accounts.

### Note 3 – Prior Year Adjustment

There has been a prior year adjustment for the detail held in the Net Cost of Service within the Comprehensive Income and Expenditure Statement due to a change within the Code. The service cost information is now reported on a similar basis to the Council's budgetary reporting structure, rather than the as prescribed by the Code.

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

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

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

### Note 3 – Prior Year Adjustment (Cont'd)

	As previously Stated £000	Prior Year Adjustment £000	Restated £000
<b>Comprehensive Income and Expenditure - Gross Expenditure</b>			
Central Services	9,165	(9,165)	0
Cultural and Related Services	16,829	(16,829)	0
Educational Services	105,277	(105,277)	0
Environmental Services	17,471	(17,471)	0
Housing Services	50,995	(50,995)	0
Planning and Development Services	10,273	(10,273)	0
Roads and Transport Services	14,575	(14,575)	0
Social Work - Provision of Services	89,173	(89,173)	0
Social Work - Contribution to IJB	45,319	(45,319)	0
Corporate and Democratic Core	3,701	(3,701)	0
Non distributed costs	3,289	(3,289)	0
Corporate Services	0	75,018	75,018
Education	0	96,223	96,223
Infrastructure, Regeneration and Economic Development	0	69,881	69,881
Housing and Communities	0	9,025	9,025
Miscellaneous Services	0	8,401	8,401
Health and Social Care Partnership	0	136,765	136,765
Requisitions	0	2,586	2,586
<b>Net Cost of Service</b>	<b>403,518</b>	<b>31,832</b>	<b>435,350</b>
<b>Comprehensive Income and Expenditure - Gross Income</b>			
Central Services	1,448	(1,448)	0
Cultural and Related Services	881	(881)	0
Educational Services	4,111	(4,111)	0
Environmental Services	4,591	(4,591)	0
Housing Services	47,951	(47,951)	0
Planning and Development Services	7,195	(7,195)	0
Roads and Transport Services	5,439	(5,439)	0
Social Work - Provision of Services	64,716	(64,716)	0
Corporate and Democratic Core	220	(220)	0
Corporate Services	0	52,572	52,572
Education	0	4,769	4,769
Infrastructure, Regeneration and Economic Development	0	26,710	26,710
Housing and Communities	0	6,227	6,227
Miscellaneous Services	0	5,792	5,792
Health and Social Care Partnership	0	72,314	72,314
<b>Net Cost of Service</b>	<b>176,670</b>	<b>31,832</b>	<b>208,502</b>

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

### Note 3 – Prior Year Adjustment (Cont'd)

	As previously Stated £000	Prior Year Adjustment £000	Restated £000
<b>Comprehensive Income and Expenditure - Net Expenditure</b>			
Central Services	7,717	(7,717)	0
Cultural and Related Services	15,948	(15,948)	0
Educational Services	101,166	(101,166)	0
Environmental Services	12,880	(12,880)	0
Housing Services	3,044	(3,044)	0
Planning and Development Services	3,078	(3,078)	0
Roads and Transport Services	9,136	(9,136)	0
Social Work - Provision of Services	24,457	(24,457)	0
Social Work - Contribution to IJB	45,319	(45,319)	0
Corporate and Democratic Core	3,481	(3,481)	0
Non distributed costs	3,289	(3,289)	0
Corporate Services	0	22,446	22,446
Education	0	91,454	91,454
Infrastructure, Regeneration and Economic Development	0	43,171	43,171
Housing and Communities	0	2,798	2,798
Miscellaneous Services	0	2,609	2,609
Health and Social Care Partnership	0	64,451	64,451
Requisitions	0	2,586	2,586

### Note 4 – Critical Judgement in Applying Accounting Policies

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 1. Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect are detailed below:

**Holiday Entitlement** - Unused holiday entitlement earned at 31 March 2017 but not taken at that date has been quantified on the basis of a sample of all non term time staff. The sample is proportionate to the number of staff within each grade. The calculation in respect of unused annual leave for term time employees is based upon entitlement earned at the year end and no estimation was required for these staff.

**Public Private Partnership (PPP)** - The Council has entered into a PPP for the provision of educational buildings, their maintenance and related facilities. The Council controls the services provided under the scheme and ownership of the schools will pass to the Council at the end of the contract for no additional charge. The assets used to provide services at the schools are recognised on the Council's Balance Sheet.

**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.

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

### Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the authority's balance sheet as at 31 March 2017, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Potential effect
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will incur in relation to those assets. The current economic climate makes it uncertain that the Council will be able to sustain its current level of spending on maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of assets will fall. It is estimated that the annual depreciation charge for buildings would increase by £0.304m for every year that useful lives had to be reduced.
Provision – equal pay	The Council has set aside a provision of £0.750m 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 £0.075m to the provision needed.
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase by, changes to retirement ages, mortality rates and expected returns on pension assets held. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions applied.	The effect on the net liability can be measured. However, the assumptions interact in complex ways. During 2016/17 the appointed actuaries advised that the net liability had increased by £87.186m as a result of estimates being updated and an update to the assumptions.
Arrears and bad debts	As at 31 March 2017, the Council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £36.056m with a sliding scale of bad debt provision written against this, depending on the age of the debt.	If collection rates were to deteriorate, the provision for bad debts would require to be reviewed to consider the appropriate level of provision. However, based upon prior experience, the bad debt provision is considered adequate.

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

### Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Cont'd)

Item	Uncertainty	Potential effect
Fair Value Measurements	<p>When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council utilises relevant experts to identify the most appropriate valuation techniques (for example for surplus assets and non-current assets held for sale, the Council's estates valuer and for financial instruments the Council's treasury advisors). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 18, 20 and 29.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of financial instruments. Surplus assets and non-current assets held for sale have been based on the market value approach. Market conditions are such that similar properties are marketed, purchased and sold actively.</p> <p>The significant observable inputs used include current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland for surplus assets and non-current assets held for sale and discount rates for financial instruments.</p> <p>Significant changes in any of these would result in significantly lower or higher fair value measurement for financial instruments as detailed in note 29. Significant changes to the key inputs for non-financial assets would have a significant impact on the value of the properties. However as the properties are valued annually and form a small proportion in relation to the value of the Council's overall portfolio the impact of any changes would be limited.</p>



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

### Note 6 - Material Items of Income and Expense

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

Item	Nature	£000
Unitary Charge Payment	Public Private Partnership agreement for the provision of 3 secondary schools and one primary school	11,300
Insurances	Insurance premiums for all policies	2,235
Landfill Tax	A tax paid on the disposal of waste. It is payable to Her Majesty's Revenue and Customs (HMRC)	1,912
Housing Benefit paid	Benefit paid to support customers on low incomes with housing rent costs	45,419
Housing Benefit received	Benefit received to support customers on low incomes with housing rent costs	(43,407)
Care Homes	Cost of providing care home services by external providers	8,183
NHS Resource Transfer	Income received from NHS to support care in the community.	(8,819)
Supplementation	Residential Accommodation for adults and children with disabilities	11,546
Supplementation – supporting people	Support to allow clients to stay in their own homes	4,409
Day Support	Support to access day activities and assist with practical and life skill support	1,101
Home Care & Physical Disabilities External Suppliers	Support to allow clients to stay in their own homes	1,496

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

### Note 7 – Adjustments between funding accounting basis and funding basis under regulations

This note provides further breakdown of the adjustments summarised in the Movement in Reserves Statement on page 29. It is identified under the headings Usable and Unusable Reserves. Further detail of the reserves identified under the classification of usable is given in note 33 on page 96 and unusable is given in note 34 on page 97.

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 or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	11,025	13,082	0	70	0	0	24,177
	<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 7 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2016/17

	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Employee Statutory Adjustment Account £000	FIAA £000	Total Unusable Reserves £000
<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 7 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2015/16

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

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

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

2015/16

	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	(14,913)	0	0	(14,913)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0	0	21	21
Holiday Pay (transferred to the Accumulated Absences Reserve)	0	0	0	834	0	834
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	(18,738)	0	0	0	0	(18,738)
	<b>(18,738)</b>	<b>0</b>	<b>(14,913)</b>	<b>834</b>	<b>21</b>	<b>(32,796)</b>
<b>Adjustments between Capital and Revenue Resources</b>						
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	12,381	0	0	0	0	12,381
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,981	0	0	0	0	2,981
	<b>15,362</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,362</b>
<b>Adjustments to the Capital Resources</b>						
Disposal of non-current asset sale proceeds	(3,675)	0	0	0	0	(3,675)
Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve	7,632	(7,632)	0	0	0	0
Write out Revaluation Reserve of Disposals	317	(317)	0	0	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	2,814	0	0	0	0	2,814
Application of capital grants to finance capital expenditure	110	0	0	0	0	110
	<b>7,198</b>	<b>(7,949)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(751)</b>
<b>Total Adjustments</b>	<b>3,822</b>	<b>(7,949)</b>	<b>(14,913)</b>	<b>834</b>	<b>21</b>	<b>(18,185)</b>

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

### Note 8 – Events After the Balance Sheet Date

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

### Note 9 – Trading Operations

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

The Council has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are detailed below and these figures include an interest charge for the assets as noted within the accounting policies. It is the duty of a local Council to conduct each of its significant trading operations so that, taking every year with the two previous years, total revenue is not less than expenditure. The analysis for 2014/15 to 2016/17 is as follows:

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

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

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

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

### Note 9 – Trading Operations (Cont'd)

The Trading Operations require to budget for estimated ISA19 pension expenditure. In 2016/17 the actual ISA19 pension charge resulted in an increase to expenditure within the services, creating a reduced surplus. This adjustment does not bring cash into or take cash from the trading operation, but is a technical adjustment required for accounting regulations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

### Note 10 – Related Parties

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

#### Central and Scottish Government

The Council received £183.592m (2015/16 £190.148m) of revenue government grants and £6.641m (2015/16 £11.613m) of capital grants from the Scottish Government (with £0.495m due to the Council at the year end); £44.039m (2015/16 £46.506m) from the Department of Works and Pensions (with £0.233m owed by the Council at the year end); and other grants of £2.968m (2015/16 £2.405m) as shown in Note 12 Grant Income (with £0.089m due to the Council at the year end).

#### Strathclyde Pension Fund

The Council is an admitted body to the local government pension scheme and has made payments as shown in Note 15 Defined Benefit Pension Schemes. The balance owed to the pension fund at the year end was £2.155m.

#### Joint Boards

The Council is a member of the Joint Boards for Valuation 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 £61.535m (£45.319m 2015/16, part year).

#### Voluntary Sector

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

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

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

#### Key Management Personnel

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

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

### Note 10 – Related Parties (Cont'd)

#### Elected Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in the remuneration statement on pages 19 to 26. The Council maintains a register of interests for Members and reviews this for transactions carried out in the year with entities which Members have an interest. In the year ended 31 March 2017, the Council has not had any material transactions for anybody in which Members have an interest.

#### Senior Officers

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

### Note 11 – Agency Services

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

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



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

### Note 12 – Grant Income

The Council credited the following grants and other contributions to Taxation and Non-specific Grant Income within the Comprehensive Income and Expenditure Statement in 2016/17.

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

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

### Note 12 – Grant Income (Cont'd)

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

31 March 2016 £000	31 March 2017 £000
9 Food for thought	12
3 Food standards	3
25 Education Maintenance Allowance Admin	25
416 Education Maintenance Allowance	365
0 English for Speakers of Other Languages	12
22 School Milk	15
368 Private Sector Housing	364
0 STEM	135
0 Scottish Government - Transition Planning and Supp	86
44 Self directed support	0
17 Autism HSCP	0
61 Smarter Choices Smarter Places - Sustainability	35
47 Violence against woman	53
50 Waste Grant Debtors	0
33 Gaelic	47
90 Access to Education	0
6 Learning and Teaching	14
779 Scottish Attainment	1,674
0 Scottish Government - Innovation Fund	23
0 School Improvement Partnership grant	8
0 Numeracy Hub Champions Grant	5
72 Whole Systems Approach	0
86 Opportunities for all	0
5 Autism – Education	0
6 Town Centre	0
51 Business Gateway	75
25 Scottish Futures Trust	0
188 Youth Employment Grant	13
2 Vehicle Emission testing	4
<b>2,405</b>	<b>2,968</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 2016 £000	31 March 2017 £000
7 Turnberry Homes	7
3 Glasgow Airpath Flightpath Fund	0
33 Wheatley Group - Balloch Library Upgrade	0
0 New Build Haldane	395
0 New Build Second Avenue	38
0 HEEPS	340
<b>43</b>	<b>780</b>

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

### Note 13 – Operating Leases

#### Council as Lessee

#### Finance Leases

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

#### Operating Leases

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

31 March 2016	31 March 2017
£000	£000
706 Not later than one year	713
2,750 Later than one year and not later than five years	2,790
4,569 Later than five years	4,151
<b>8,025</b>	<b>7,654</b>

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.697m (2015/16 - £0.600m).

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

31 March 2016	31 March 2017
£000	£000
60 Not later than one year	65
175 Later than one year and not later than five years	134
0 Later than five years	0
<b>235</b>	<b>199</b>

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.064m (2015/16 - £0.058m).

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

31 March 2016	31 March 2017
£000	£000
214 Not later than one year	150
393 Later than one year and not later than five years	334
338 Later than five years	271
<b>945</b>	<b>755</b>

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.194m (2015/16 - £0.213m).

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

### Note 13 – Operating Leases (Cont'd)

#### Council as Lessor

##### Finance Leases

The Council has not entered into any finance leases.

##### Operating Leases

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

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

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

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £2.696m contingent rents were receivable by the Council (2015/16 £2.743m).

### Note 14 – Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £1.296m (£1.785m in 2015/16). These terminations were made as part of the redesign of services within the Council under voluntary severance and early retirement. There will be ongoing annual costs incurred by the Council for those staff leaving under early retirement due to ongoing pension costs

### Note 15 – Defined Benefit Pension Schemes

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

The Council participates in the following pension schemes:

**The Local Government Pension Scheme**, which is a defined benefit statutory scheme, operated as Strathclyde Pension Fund, and administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contribution rate is set by the Fund actuaries following valuation. The employer contribution rate for 2016/17 was 19.3%, and 2017/18 is set at 19.3%. In 2016/17, the Council paid an employer's contribution of £17.278m (2015/16 £16.358m).

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

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

**The Teachers' Pension Scheme (Scottish Teachers' Superannuation Scheme (STSS))** which is a defined benefit scheme administered by the Scottish Public Pension Agency. The scheme is technically a multi-employer defined benefit scheme and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of accounts, it is accounted for on the same basis as a defined contribution scheme.

The employer pays a set contribution rate of 17.2% which is effective from 1 September 2015, prior to this it was 14.9%. This is charged directly to the revenue account for the Education service. The amount paid over in respect of employer's contribution was £6.236m (2015/16 £5.887m) in respect of expenditure for teachers added years, £0.032m payments were made (2015/16 £0.032m).

The scheme is unfunded and all contributions (payable by members or employers) are paid to the Scottish Government, and the Scottish Government then meets the costs of all the benefits. A specific amount is held by the Scottish Government for this purpose. As a proportion of the total contributions into the Scottish Teachers Superannuation Scheme 2016/17, the Council's own contribution equates to 1.62%.

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

#### 1) Local Government Pension Scheme

Councils are also required to disclose the capital cost of discretionary increases in pension payments agreed by the Council. In 2016/17 the capitalised costs that would have arisen from the early retiral of West Dunbartonshire Council employees and from predecessor authorities were as follows:

	£000
2016/2017	8,367
In earlier years	54,794
<b>Total</b>	<b><u>63,161</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 15 – Defined Benefit Pension Schemes (Cont'd)

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

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

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

2015/16 £000	2016/17 £000
603,802 Fair value of plan assets	747,597
(702,748) Present value of defined benefit obligations	(925,362)
<b>(98,946)</b>	<b>(177,765)</b>
<b>Net assets in the Strathclyde Pension Fund</b>	
<b>Present Value of Unfunded Liabilities</b>	
(23,643) LGPS Unfunded	(28,355)
(22,770) Teachers' pensions	(26,324)
(8,381) Pre Local Government Reorganisation	(8,482)
<b>(153,740)</b>	<b>(240,926)</b>
<b>Net pension asset/(liability)</b>	

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

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £240.926m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £147.218m. However, the statutory arrangements for funding the deficit, means the financial position of the Council remains healthy.

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

The scheme assets have increased by £143.795m. This is due to asset returns being more favourable than anticipated.

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

#### 1) Pension Assets and Liabilities

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

	%	Years
Active Members	65.3%	23.3
Deferred Members	7.8%	23
Pensioner Members	20.6%	12.7
Pre-Local Government Re-organisation Members	6.3%	10
	<b>100%</b>	<b>18.5</b>

#### 2) Pension Assets and Liabilities

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

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

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

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

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

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

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

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

2015/16			Asset Category	2016/17		
Quoted prices in Active Markets £000	Prices not quoted in Active Market £000	Total £000		Quoted prices in Active Markets £000	Prices not quoted in Active Market £000	Total £000
219,674	476	220,150	Equity Securities	274,339	142	274,481
0	1	1	Debt Securities	0	7	7
0	58,733	58,733	Private Equity	0	61,638	61,638
0	64,865	64,865	Real Estate	0	90,174	90,174
5,459	233,642	239,101	Investment funds and unit trusts	8,681	284,295	292,976
146	0	146	Derivatives	63	100	163
20,162	644	20,806	Cash and Cash Equivalent	26,916	1,242	28,158
<b>245,441</b>	<b>358,361</b>	<b>603,802</b>	<b>Totals</b>	<b>309,999</b>	<b>437,598</b>	<b>747,597</b>

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

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

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

The actuarial valuation states that assets held on the valuation date were sufficient to cover 75.63% (2015/16 79.71%) of accrued liabilities at that date.



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

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

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

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

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

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

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

The local government pension scheme's assets consist of the following categories. As at 31 March 2017 assets are now held at bid value and the historic figures are at mid-market value.

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

#### Sensitivity Analysis

In order to quantify the impact of a change in the financial assumptions used, the actuaries have calculated and compared the value of the scheme liabilities as at 31 March 2017 on varying bases. The approach taken is consistent with that adopted to derive at the IAS19 figures provided. To quantify the uncertainty around life expectancy, the actuaries have calculated the difference in cost to the employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3% to 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

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

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

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

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

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

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

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

### Note 16 – External Audit Costs

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

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

### Note 17 – Expenditure and Funding Analysis

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

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

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

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

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

2015/16 £000		2016/17 £000
	<b>Expenditure</b>	
161,435	Employee benefits expenses	160,969
227,616	Other service expenses	238,677
2,950	Support service recharges	3,179
34,303	Depreciation, amortisation, impairment	32,302
26,804	Interest payments	24,745
2,586	Precepts and levies	2,554
861	Gain on the disposal of assets	(1,146)
<b>456,555</b>	<b>Total Expenditure</b>	<b>461,280</b>
	<b>Income</b>	
(202,042)	Fees, charges and other service income	(218,454)
(2,924)	Interest and investment income	(3,467)
(114,767)	Income from council tax and non-domestic rates	(114,385)
(121,833)	Government grants and contributions	(112,538)
<b>(441,566)</b>	<b>Total Income</b>	<b>(448,844)</b>
<b>14,989</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>12,436</b>

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

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

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

#### 2016/17

	Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Corporate Services	19,558	2,698	22,256
Education	82,642	11,244	93,886
Infrastructure, Regeneration and Economic Development	29,132	3,830	32,962
Housing and Communities	1,621	648	2,269
Housing Revenue Account	(18,617)	15,772	(2,845)
Miscellaneous Services	(3,687)	2,093	(1,594)
Health and Social Care Partnership	61,515	4,641	66,156
Requisitions	2,621	0	2,621
<b>Net Cost of Services</b>	<b>174,785</b>	<b>40,926</b>	<b>215,711</b>
Other Income and Expenditure	(177,446)	(25,829)	(203,275)
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(2,661)</b>	<b>15,097</b>	<b>12,436</b>
Opening General Fund and HRA Balance as at 31 March 2016	(17,420)		
<b>Closing General Fund and HRA Balance as at 31 March 2017</b>	<b>(20,081)</b>		

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

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

#### 2015/16

	Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Corporate Services	19,301	3,145	22,446
Education	83,085	8,369	91,454
Infrastructure, Regeneration and Economic Development	27,255	13,116	40,371
Housing and Communities	1,729	1,069	2,798
Housing Revenue Account	(17,001)	14,334	(2,667)
Miscellaneous Services	4,695	714	5,409
Health and Social Care Partnership	60,482	3,969	64,451
Requisitions	2,586	0	2,586
<b>Net Cost of Services</b>	<b>182,132</b>	<b>44,716</b>	<b>226,848</b>
Other Income and Expenditure	(185,359)	(26,500)	(211,859)
<b>(Surplus) or Deficit</b>	<b>(3,227)</b>	<b>18,216</b>	<b>14,989</b>
Opening General Fund and HRA Balance as at 31 March 2015	(14,193)		
<b>Closing General Fund and HRA Balance as at 31 March 2016</b>	<b>(17,420)</b>		

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

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

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

#### 2016/17

	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other Differences £000	Total £000
Corporate Services	1,689	1,009	0	<b>2,698</b>
Education	9,616	1,792	(164)	<b>11,244</b>
Infrastructure, Regeneration and Economic Development	2,504	1,326	0	<b>3,830</b>
Housing and Communities	79	569	0	<b>648</b>
Housing Revenue Account	15,571	202	(1)	<b>15,772</b>
Miscellaneous Services	3	2,200	(110)	<b>2,093</b>
Health and Social Care Partnership	2,841	1,800	0	<b>4,641</b>
Requisitions	0	0	0	<b>0</b>
<b>Net Cost of Services</b>	<b>32,303</b>	<b>8,898</b>	<b>(275)</b>	<b>40,926</b>

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

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

#### 2015/16

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

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

### Note 18 – Property, Plant and Equipment

#### 1) Movements in 2016/17

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
<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	(55,658)
- To Net cost of Service	0	(525)	(16)	0	0	(1)	2,469	(22)	1,906
Disposals	(3,911)	0	(241)	0	0	0	0	0	(4,152)
Assets reclassified to/from Held for Sale	0	(593)	0	0	0	0	(2,845)	0	(3,438)
Other Movements	0	26,484	52	0	0	745	179	(27,401)	59
<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>277,551</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 18 – Property, Plant and Equipment (Cont'd)

#### 2) Movements in 2015/16

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
<b>Cost/Valuation at 1 April 2015</b>	<b>496,345</b>	<b>354,762</b>	<b>48,318</b>	<b>45,498</b>	<b>87,542</b>	<b>65</b>	<b>6,827</b>	<b>14,731</b>	<b>1,054,088</b>
Additions	20,890	6,389	1,886	2,144	8,602	398	142	28,011	68,462
Revaluations:									
- To Revaluation Reserve	(2,662)	(701)	79	0	0	6	381	1,066	(1,831)
- To Net cost of Service	0	(15)	(1,620)	0	0	0	374	(317)	(1,578)
Disposals	(2,147)	(319)	0	0	0	(6)	0	0	(2,472)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	573	0	573
Other Movements	2,974	(505)	(10)	0	1,803	1,100	815	(6,662)	(485)
<b>As at 31 March 2016</b>	<b>515,400</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>1,116,757</b>
<b>Depreciation/Impairment at 1 April 2015</b>	<b>(129,974)</b>	<b>(129,787)</b>	<b>(2,894)</b>	<b>(30,856)</b>	<b>(30,164)</b>	<b>0</b>	<b>(276)</b>	<b>(49)</b>	<b>(324,000)</b>
Depreciation charge	(13,924)	(9,541)	(416)	(3,687)	(4,335)	0	(4)	0	(31,907)
Depreciation:									
- To Revaluation Reserve	0	300	20	0	0	0	0	0	320
Impairments:									
- To Revaluation Reserve	(311)	264	0	0	0	0	(23)	0	(70)
- To Net Cost of Service	0	(775)	(23)	0	0	0	0	0	(798)
<b>As At 31 March 2016</b>	<b>(144,209)</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>(356,455)</b>
<b>Net Book Value at 31 March 2015</b>	<b>366,371</b>	<b>224,975</b>	<b>45,424</b>	<b>14,642</b>	<b>57,378</b>	<b>65</b>	<b>6,551</b>	<b>14,682</b>	<b>730,088</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>

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

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

#### 3) Capital Commitments

As at 31 March 2017, the Council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for non housing and housing projects in 2016/17 budgeted to cost £25.931m (2015/16 £48.588m) and £1.519m (2015/16 £1.771m) respectively. The main commitments are:

<b>General Services</b>	<b>£000</b>
Our Lady and St. Patrick's High School - new build	450
Bellsmyre co-location project	670
Kilpatrick High School – new build	217
Integrated Housing Management System	812
Balloch campus project	10,931
Office Rationalisation - New Dumbarton Office	9,052
Office Rationalisation - Bridge Street	315
Office Rationalisation - Data Centre	171
ICT Modernisation and Infrastructure	181
UCT Security and DR	100
Building Upgrade Works	1,170
Schools Regeneration works	811
Replacement of Elderly Care Homes and Day Care Centres	539
Energy Efficient Street Lighting Apparatus	185
Local Economic Development - Dumbarton TC and Waterfront	133
Local Economic Development - Mitchell Way	22
Local Economic Development - Clydebank Town Centre	123
Local Economic Development - Vale Workshops	49
<b>HRA</b>	
New Council House Build Programme	900
Demolitions	252
CCTV	60
Energy Efficiency	307

#### 4) Revaluations

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

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

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

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

2015/16 £000		2016/17 £000
	<b>Cost or Valuation</b>	
87,563	At 1 April 2016	87,563
	<u>Revaluations</u>	
0	To Revaluation Reserve	0
0	Additions	0
<b>87,563</b>	<b>At 31 March 2017</b>	<b>87,563</b>
	<b>Accumulated Depreciation and Impairment</b>	
(8,092)	At 1 April 2016	(11,683)
(3,591)	Depreciation Charge	(3,591)
	<u>Depreciation written out</u>	
0	To revaluation reserve	0
0	Impairment losses/(reversals) recognised	0
<b>(11,683)</b>	<b>At 31 March 2017</b>	<b>(15,274)</b>
<b>79,471</b>	<b>Opening Net Book value</b>	<b>75,880</b>
<b>75,880</b>	<b>Closing Net Book value</b>	<b>72,289</b>

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

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

### Note 19 – Intangible Assets

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

Where appropriate, the carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.016m charged to revenue in 2016/17 was charged to Information Services. The charge to Information Services is then absorbed as an overhead across all the service headings in the Net Cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

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

### Note 19 – Intangible Assets (cont'd)

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

### Note 20 – Assets Held for Sale

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

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

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

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

### Note 21 - Heritage Assets

2015/16 £000		2016/17 £000
<b>1,370</b>	<b>Balance at 1 April 2016</b>	<b>1,406</b>
36	Additions	0
<u>1,406</u>	<b>Balance at 31 March 2017</b>	<u>1,406</u>

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

### Note 22 – Capital Expenditure and Capital Financing

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

31-Mar-16		31-Mar-17
£000		£000
<b>377,806</b>	<b>Opening Capital Financing Requirement</b>	<b>412,449</b>
	<b>Capital Investment</b>	
68,511	Property, Plant and Equipment	84,370
<b>68,511</b>		<b>84,370</b>
	<b>Less Sources of Finance</b>	
2,814	Receipts from sale of assets	5,451
15,675	Government Grants and other Contributions	8,213
2,981	Revenue Contributions	5,910
12,398	Loan Fund Principal Repayments	12,970
<b>33,868</b>		<b>32,544</b>
<b>412,449</b>	<b>Closing Capital Financing Requirement</b>	<b>464,275</b>
0	Increase in Underlying Need to Borrow (Supported)	0
34,643	Increase in Underlying Need to Borrow (Unsupported)	51,826
<b>34,643</b>	<b>Movement in Capital Financing Requirement</b>	<b>51,826</b>

### Note 23 – Impairment Losses

During 2016/17, the Council has recognised impairment losses of £2.844m (2015/16 £3.704m) relating to non value adding enhancement of various assets. These impairment losses have been charged as appropriate within the Comprehensive Income and Expenditure Statement and the Revaluation Reserve.

### Note 24 – Private Finance Initiatives and Similar Contracts

#### Schools PPP Scheme

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

The Council has rights to use the schools for core educational purposes between the hours of 7am and 6pm during term time and 8.30am and 4pm during holiday periods. In addition school facilities are available on request for Community/Other Educational Use at specified times outwith the above. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

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

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

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

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

#### Property, Plant and Equipment

The school buildings are recognised on the Council's balance sheet within property, plant and equipment balance. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 18.

#### Payments

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

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

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

### Note 25 – Inventories

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

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

### Note 26 – Debtors

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
		<b>Central government bodies</b>		
0		Grant Income	23	
4,001		VAT Recoverable	4,636	
<u>2,232</u>	6,233	Other Debtors	<u>3,881</u>	8,540
	44	Other local authorities		674
	36	NHS Bodies		17
	433	Public Corporations and trading funds		305
		<b>Other Entities and individuals</b>		
10,031		Arrears of local taxation	10,890	
<u>18,636</u>	<u>28,667</u>	Other Debtors	<u>15,630</u>	<u>26,520</u>
	<b>35,413</b>			<b>36,056</b>

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

2015/16 £000	2016/17 £000
<b>14,989</b>	<b>12,436</b>
<b>Net deficit on the Provision of Services</b>	
<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	
(34,303) Depreciation, amortisation and impairment	(32,301)
(861) Net gain on fixed assets	1,146
(14,913) Movement in pension liabilities	(10,146)
(15) Movement in inventories	224
2,383 Movement in debtors	1,756
(727) Movement in creditors and provisions	2,438
(24) Other non-cash movements	(597)
<u>(48,460)</u>	<u>(37,480)</u>
<b>Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities</b>	
21 Financing movements	17
15,738 Investing movements	8,124
<u>15,759</u>	<u>8,141</u>
<b>(17,712) Net cash flow from Operating Activities</b>	<b>(16,903)</b>
69,727 Purchase of property, plant and equipment and intangible assets	86,112
(2,814) Proceeds from sale of property, plant and equipment and intangible assets	(5,451)
(18,139) Other receipts from investing activities	(10,063)
<u>48,774</u>	<u>70,598</u>
<b>Net cash outflows from investing activities</b>	<b>70,598</b>
(95,120) Cash receipts of short-term and long-term borrowing	(144,709)
1,795 Repayment of PPP liabilities	1,980
63,029 Repayment of short-term and long-term borrowing	87,291
<u>(30,296)</u>	<u>(55,438)</u>
<b>Net cash inflows from financing activities</b>	<b>(55,438)</b>

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

### Note 28 – Net Cash and Cash Equivalents

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

### Note 29 – Financial Instruments

#### 1) Types of Financial Instrument

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

	<b>Long-term</b>		<b>Current</b>	
	<b>31-Mar-16</b>	<b>31-Mar-17</b>	<b>31-Mar-16</b>	<b>31-Mar-17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Debtors</b>				
Loans and receivables	58	45	37,739	37,196
<b>Borrowing</b>				
Financial liabilities at amortised cost	241,009	228,095	89,855	158,119
<b>Other long term liabilities</b>				
PPP and finance leases	84,640	82,160	1,657	2,156
<b>Creditors</b>				
Financial liabilities at contract amount	0	0	36,642	36,317

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

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

The Council has considered the Code requirements for accounting for financial instruments and the following events have not taken place in 2016/17:

- reclassification of financial assets carrying value between fair value and amortised cost;
- transfer of financial assets where part or all of the financial assets does not qualify for de-recognition;
- pledging of financial assets as collateral or liabilities or contingent liabilities, as a result no carrying or fair value exists;
- recording of impairment losses in a separate account which would require a reconciliation of changes during the year;
- default on any loans payable during 2016/17;
- breaches of long term loan agreements resulting in the liability being classed as current; or
- offsetting of financial assets and liabilities where a legally enforceable right exists and intent to settle is on net basis.



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

### Note 29 – Financial Instruments (Cont'd)

#### 1) Types of Financial Instrument

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

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

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

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

##### Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2017 have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- Non-PWLB loans (Level 2) - For non-PWLB loans payable, the fair value of market loans are calculated using estimated interest rates of 1.41% which is the average discount rate applied to market loans for calculation of premature repayment. The fair value of local Council loans are calculated using estimated interest rates of 0.32% which is the average discount rate applied to local Council loans for calculation of premature repayment. Discount rates have been applied to provide the fair value under PWLB debt redemption procedures.
- PFI/Finance leases (Level 3) – These are not the liability of the Council as the debt is held by the PFI/lease provider. Fair value have been calculated at level 3 on a simple proxy basis. The same NPV methodology has been applied as for PWLB and non-PWLB debt.

##### Financial Assets

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

##### Policy Type Assets

- Long term debtors – Level 2.

##### Creditors

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

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

- There were no transfers between input levels 1 and 2 or transfers in or out of level 3 during the year.

##### Changes in the Valuation Technique

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

31-Mar-16		31-Mar-17	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000	£000	£000
<b>Debtors</b>			
37,797	37,797	37,241	37,241
			Loans and Receivables

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

### Note 29 – Financial Instruments (Cont'd)

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

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

31-Mar-16		31-Mar-17	
Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Borrowing</b>			
330,864	443,633	386,214	532,346
<b>Other Long Term Liabilities</b>			
86,297	121,939	84,316	156,101
<b>Creditors</b>			
36,642	36,642	36,317	36,317

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

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

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

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

	31-Mar-16			31-Mar-17		
	Financial Assets: Loans & receivables £000	Financial Liabilities: amortised cost £000	Total £000	Financial Assets: Loans & receivables £000	Financial Liabilities: amortised cost £000	Total £000
Interest (investment)	202	0	202	177	0	177
Interest payable and similar charges						
Interest/expense*	0	(19,750)	(19,750)	0	(19,283)	(19,283)
Loss on de-recognition	0	(50)	(50)	0	(17)	(17)
<b>Net (Gain)/loss in year</b>	<b>0</b>	<b>(19,800)</b>	<b>(19,800)</b>	<b>0</b>	<b>(19,300)</b>	<b>(19,300)</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 29 – Financial Instruments (Cont'd)

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. During 2016/17 these required the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and the Local Government Investments (Scotland) Regulations 2010. Overall these procedures require the Council to manage risk in the following ways:

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

These are required to be reported and approved prior to the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is reported to Members to assess the effectiveness of controls established.

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

- the authorised limit for 2016/17 was set at £609.300m. This is the maximum limit of external borrowing;
- the operational boundary was expected to be £558.525m This is the expected level of debt during the year;
- the maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Council's net debt; and
- the maximum exposures to the maturity structure of debt is detailed with refinancing and maturity risk.

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

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

### Note 29 – Financial Instruments (Cont'd)

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

##### Credit Risk

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

The Council's maximum exposure to credit risk in relation to investments in banks and building societies of £11.256m cannot be assessed on a general basis as the risk of any institution failing to make interest payments or repay principle sums is specific to each individual institution, however, recent experience has shown that the institutions invested in at the year end are unlikely to default on their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2017 that this was likely to happen.

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

	Amount at 31.03.17 £000	Historical experience of non- payment adjusted for market conditions at 31.03.17 %	Estimated maximum exposure to default and uncollectibility £000
Customers and other income	26,792	8.18	1,581

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

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

The Council does not generally allow credit for customers, such that £8.588m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	1,477
Three to six months	268
Six months to one year	1,787
More than one year	5,056
	<u>8,588</u>

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

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

### **Note 29 – Financial Instruments (Cont'd)**

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

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

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

##### **Liquidity risk**

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

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

##### **Refinancing and Maturity Risk**

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

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

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

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

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

### Note 29 – Financial Instruments (Cont'd)

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

##### Refinancing and Maturity Risk (Cont'd)

The maturity analysis of financial liabilities is as follows:

	<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	36,317	2,156	158,119	196,592
Between one and two years	0	1,946	33,060	35,006
Between two and five years	0	7,978	24,923	32,901
More than five years	0	72,236	170,112	242,348
	<b>36,317</b>	<b>84,316</b>	<b>386,214</b>	<b>506,847</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.

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

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

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

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

	<b>£000</b>	<b>%</b>
Fixed Interest Debt	383,386	99.3%
Variable Interest Debt	2,828	0.7%
	<b>386,214</b>	

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

### Note 29 – Financial Instruments (Cont'd)

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

##### Market risk (Cont'd)

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2017, with all other variables held constant:

	£000
<b>Impact on tax payers and rent payers</b>	
Increase on interest payable on variable debt borrowings	5
Increase in interest receivable on variable rate investments	(229)
Increase in government grant receivable for 'loan charges'	(53)
Impact on Income and Expenditure Account	<u>(277)</u>
Share of overall impact due credited to the HRA	<u>(146)</u>
<b>Other accounting presentational changes</b>	
Decrease in fair value of fixed rate investments:	0
Decrease in fair value of fixed rate debt borrowings (disclosure confined to notes to the core financial statements)	(91,347)

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

##### Foreign Exchange Risk

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

### Note 30 – Creditors

2015/16		2016/17
£000		£000
5,049	Central government bodies	6,147
8,889	Other local authorities	11,150
158	NHS Bodies	293
145	Public Corporations and trading funds	384
22,401	Other Entities and individuals	<u>18,343</u>
<u>36,642</u>		<u>36,317</u>

### Note 31 – Provisions

	Equal Pay £000
<b>Opening Provision</b>	2,243
Released	(1,401)
Used in year	<u>(92)</u>
<b>Closing Position</b>	<u>750</u>

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

### Note 31 – Provisions (Cont'd)

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

### Note 32 – Reserves and Earmarked Balances

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

- (1) The General Fund balance stands at £13.118m on 31 March 2017, of which £8.055m is earmarked for ringfenced purposes, leaving an unearmarked balance of £5.063m.

The main earmarked income held for future specific purposes:

	<b>£000</b>
Welfare Reform	101
Community Loans Fund	101
Private Sector Housing Grants	300
Voluntary Early Retirement / Voluntary Severance	1,972
Budget Setting 2016/17 - 2017/18	2,201
Transformational projects	1,411
Education Development	110
Developing Young Workforce/Youth Employment	215
Clydebank Property Company	227
GIRFEC	168
Business Gateway	492
Jobs Growth	300
Other Committed Spend	457
	<b>8,055</b>

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

The earmarked balance held for future specific purposes is:-

	<b>£000</b>
Regeneration of the stock	5,617
Welfare Reform	500
	<b>6,117</b>



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

### Note 33 – Usable Reserves

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

<b>31-Mar-16</b>		<b>31-Mar-17</b>
<b>£000</b>		<b>£000</b>
11,203	General Services	13,118
6,217	Housing Revenue Account	6,963
0	Capital Receipts Reserve	0
484	Capital Grants Unapplied	466
3,824	Capital Reserve	3,633
527	Other Reserves	499
<u>22,255</u>	<b>Total Usable Reserves</b>	<u>24,679</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.

#### Capital Grant Unapplied Reserve

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

#### Capital Items Replacement Fund (Other)

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

#### Capital Reserve

This reserve holds funds which are retained for the funding of the Public Private Partnership (PPP) unitary charge on a specific annual phased amount.

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

### Note 34 – Unusable Reserves

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

<b>31-Mar-16</b>		<b>31-Mar-17</b>
<b>£000</b>		<b>£000</b>
227,034	Capital Adjustment Account	232,656
122,980	Revaluation Reserve	137,666
(153,740)	Pension Reserve	(240,926)
(3,002)	Employee Statutory Adjustment Account	(3,658)
	Financial Instruments Adjustment	
(16,099)	Account	(15,392)
<b>177,173</b>	<b>Total Unusable Reserves</b>	<b>110,346</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.

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

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

### Note 34 – Unusable Reserves (Cont'd)

#### Revaluation Reserve

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

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

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

2015/2016 £000		2016/2017 £000
132,632	Opening Balance	122,980
2,306	Unrealised Gains on Revaluation of Assets	126,849
(4,003)	Impairments and Losses on Revaluation of Assets	(102,276)
	Write off Revaluation Reserve Balance re	
(323)	Disposals	(466)
(7,632)	Depreciation due to Revaluation of Assets	(9,421)
<u>122,980</u>	<b>Closing Balance</b>	<u>137,666</u>

#### Pension Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the comprehensive income and expenditure as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements requires benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

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

### Note 34 – Unusable Reserves (Cont'd)

#### Employee Statutory Adjustment Account

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

2015/2016 £000		2016/2017 £000
(3,836)	Opening Balance	(3,002)
834	Staff Accrual Movement	(656)
<u>(3,002)</u>	<b>Closing Balance</b>	<u>(3,658)</u>

#### Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account as at 31 March 2017 will be charged to the General Fund over the next forty-four years.

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

### Note 35 – Contingent Assets or Liabilities

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

The Council 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.

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

### **Note 35 – Contingent Assets or Liabilities (Cont'd)**

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

### **Note 36 – Financial Guarantee**

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

## Movement on the Housing Revenue Account Statement

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

Re-stated 2015/16 £000		2016/17 £000
(4,570)	<b>Balance on the Housing Revenue Account at the End of the Previous Year</b>	(6,217)
2,113	<b>Total Comprehensive Income and Expenditure</b>	1,412
	<b>Adjustments to the revenue resource</b>	
(379)	Pension Scheme Adjustments	(198)
12	Financial Instruments Adjustment	9
19	Holiday Pay Adjustment	(3)
(11,439)	Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure	(13,082)
<u>(11,787)</u>		<u>(13,274)</u>
	<b>Adjustments between Revenue and Capital Resources</b>	
(30)	Net gain or loss on sale of non-current assets	(351)
5,623	Statutory Repayment of Debt (Loans Fund Advances)	6,093
2,434	CFCR	5,374
<u>8,027</u>		<u>11,116</u>
<u>(3,760)</u>	<b>Total Statutory Adjustments 2016/17</b>	<u>(2,158)</u>
	0 Transfers to/from Other Statutory Reserves	0
<u>(1,647)</u>	<b>(Increase)/Decrease in Year</b>	<u>(746)</u>
<u>(6,217)</u>	<b>Balance on the Housing Revenue Account at the end of the Current Year</b>	<u>(6,963)</u>

## Housing Revenue Account Income and Expenditure Statement

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

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(37,713)	Dwelling Rents (net of voids)	(38,794)
(280)	Other Rents	(277)
(2,125)	Other Income	(1,554)
<b>(40,118)</b>		<b>(40,625)</b>
	<b>Expenditure</b>	
12,386	Repairs and Maintenance	11,836
8,995	Supervision and Management	9,025
13,973	Depreciation and Impairment	15,571
1,113	Bad/Doubtful Debts	999
984	Other Expenditure	349
<b>37,451</b>		<b>37,780</b>
	<b>Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement</b>	
<b>(2,667)</b>		<b>(2,845)</b>
	<b>HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement</b>	
(2,534)	Recognised Capital Income (Grants, Contributions and Donations)	(2,489)
30	Gain or Loss on the Sale of HRA Non Current Assets	351
6,914	Interest Payable and Similar Charges	6,053
463	Amortisation of Premiums and Discounts	435
(93)	HRA Interest and Investment Income	(93)
<b>4,780</b>		<b>4,257</b>
<b>2,113</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>	<b>1,412</b>

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

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

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

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

### Note 2 – Dwelling Rents

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

### Note 3 –Other Rents

This is the total income received from travelling person site rentals, lock-ups and shops less voids chargeable for the year, but excludes irrecoverables and bad debts. Lost rents from lock-ups in 2016/17 were £0.076m (£0.080m in 2015/16).

### Note 4 - Rent arrears

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

### Note 5 - Provision for Bad Debts

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



## Council Tax Account

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

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. 2016/17 represents the fourth year of operation of the Council Tax Reduction Scheme in Scotland. The Council Tax Reduction Scheme represents a new discount introduced across Scotland following the abolition of Council Tax Benefits as part of the UK government's welfare reform programme. The resultant total net income within the Council Tax Account is transferred to the Comprehensive Income and Expenditure Statement.

2015/16 £000		2016/17 £000
46,613	Gross council tax	46,669
	Less:	
(8,907)	Council Tax Reduction Scheme Discount*	(8,658)
(5,685)	Other discounts and reductions	(5,675)
(867)	Provision for bad and doubtful debts	(830)
(440)	Adjustments for prior years	86
<b>30,714</b>	<b>Transfer to General Fund</b>	<b>31,592</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	24	12	0	21	5	5/9	17
Band A	7,919	483	45	4,546	109	6,290	3,658	2/3	6,068
Band B	16,898	547	(17)	7,698	184	14,318	5,886	7/9	14,653
Band C	7,493	180	(5)	2,776	62	6,583	1,826	8/9	7,099
Band D	5,859	96	17	1,756	33	5,325	650	1	5,805
Band E	4,448	38	(44)	898	25	4,129	213	1 2/9	5,219
Band F	1,651	11	(9)	217	13	1,570	47	1 4/9	2,316
Band G	781	3	(10)	91	8	741	19	1 2/3	1,260
Band H	65	1	(1)	3	9	58	0	2	116
<b>Total</b>									<b>42,553</b>
<b>Provision for bad debt</b>									<b>(714)</b>
<b>Council Tax Base</b>									<b>41,839</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 2016/17 was £1,163.

	2015/16 £ per year	2016/17 £ 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		1,421
1,680 Band F		1,680
1,938 Band G		1,938
2,326 Band H		2,326

##### Discounts, Reliefs and Exemptions

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

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

## Non Domestic Rates Account

### Non-Domestic Rates Income £82.793m (2015/16 £84.053m)

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

Non-Domestic Rates are pooled for Scotland as a whole and redistributed to authorities on a basis which reflects population. West Dunbartonshire Council received £82.793m (2015/16 £84.053m) from the national pool. West Dunbartonshire Council's allocation from the pool now reflects the Council's duty to collect Scottish Gas utilities on behalf of all Scottish Councils. The Council's Revenue Support Grant has been adjusted to compensate for this change. In 2012/13 the Scottish Government introduced Business Rates Incentivisation Scheme (BRIS), to incentivise Councils to grow their potential business rates tax base and as a result increase rates income, a proportion of which is to be retained by Councils. Following a review of the original BRIS by a joint Scottish Government/COSLA Review Group the original scheme was suspended and a revised scheme was introduced in 2014/15. The amount of revised BRIS local targets will be linked only to the buoyancy element of the total estimated NDRI for any one year. This ensures that each Council will have the ability to influence their own local tax base. Local targets for 2016/17 were 0.9% and indications suggest the Council is not due any additional income for the year. Local provisional targets for 2017/18 are 1.7%.

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

2015/16 £000		2016/17 £000
84,959	Gross rates levied	87,880
	<u>Less:</u>	
(7,601)	Reliefs and other deductions	(7,397)
(850)	Provision for bad and doubtful debts	(879)
76,508	Net non-domestic rate income	79,604
(293)	Adjustments for prior years	(346)
76,215	Total Non Domestic Rate Income (before retention)	79,258
0	Non Domestic Rate Income Retained by the Council (BRIS)	0
<b>76,215</b>	<b>Contribution to National Non Domestic Rate Pool</b>	<b>79,258</b>
84,053	Distribution from National Non Domestic Rate Pool	82,793
<b>(7,838)</b>	<b>Net contribution to/(from) National Non Domestic Rate Pool</b>	<b>(3,535)</b>
<b>84,053</b>	<b>Net Non Domestic Rate Income to Comprehensive Income &amp; Expenditure Statement</b>	<b>82,793</b>

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

Analysis of rateable Values:	£	An explanation of the nature and amount of each rate fixed
Rateable value at 1/4/16	172,530,915	The amount paid for non-domestic rates is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ announced each year by the government.
Running roll (full year RV)	203,065	
Rateable value at 31/3/17	172,733,980	The national non-domestic rate poundage set by the First Minister for Scotland for 2016/17 was £0.484.
Less: partially exempt	754,550	
Less: wholly exempt	4,335,500	
<b>Net rateable value at 31/3/17</b>	<b>167,643,930</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 2017. The fund does not represent assets of the Council and has not been included within the Balance Sheet on page 30.

### Income and Expenditure Account

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

### Balance Sheet as at 31 March 2017

2015/16		Note	2016/17
£000	Fixed Assets		£000
2,909	Investment properties	1	3,187
	<b>Current Assets</b>		
298	Investments – West Dunbartonshire Council		344
0	Debtors	2	3
	<b>Current Liabilities</b>		
(25)	Creditors falling due within one year	3	(3)
<u>3,182</u>	<b>Total assets</b>		<u>3,531</u>
	<b>Funds</b>		
2,909	Capital Adjustment Account		3,187
273	General Fund		344
<u>3,182</u>			<u>3,531</u>

### 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**

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

### **Note 3 Analysis of Sundry Creditors**

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

## Sundry Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds, which may be used for various purposes depending on the terms of the Trust. In all cases, the funds do not represent assets of the Council and they have not been included within the Balance Sheet on page 29. Under the provisions of the "2005 Act" and the "Accounts Regulations" above, all registered charities in Scotland are required to prepare financial statements which must be externally scrutinised. The trust funds below are registered, under one registration, with the Office of the Scottish Charity Regulator. Management has reviewed the current arrangements for the trust funds to ensure the current arrangements reflect the needs of the Council and ensure that all obligations are met. Responsibility for the compliance with the new regulations was delegated to the Strategic Lead - Resources.

### Receipts and Payments Account

2015/16			2016/17		
Receipts	Payments	Surplus/ (Deficit)	Receipts	Payments	Surplus/ (Deficit)
£000	£000	£000	£000	£000	£000
1	0	1	0	0	0
		<b>Dunbartonshire Educational Trust Scheme 1962</b>			
		Endowments amalgamated to form trust			
0	0	0 <b>McAuley Prize for Mathematics</b>	0	0	0
		Provide prizes for those studying maths & computing			
1	0	1 <b>Alexander Cameron Bequest</b>	1	0	1
		To encourage and support one-off community activities in Clydebank			
0	0	0 <b>Dr A K Glen Fund</b>	0	0	0
		Provide outings for Pensioners resident in Dumbarton			
0	0	0 <b>War Memorial Dumbarton</b>	0	15	(15)
		For upkeep of war memorials			
0	0	0 <b>Halkett Memorial Trust</b>	0	3	(3)
		For young writers competition and painting competition			
0	0	0 <b>Vale of Leven Fund</b>	0	0	0
		For the people of the Vale of Leven			
0	0	0 <b>UIE Award</b>	0	0	0
		For students studying apprenticeships or training in industry			
<b>2</b>	<b>0</b>	<b>2 Total</b>	<b>1</b>	<b>18</b>	<b>(17)</b>

### Statement of Balances as at 31 March 2017

	Restated Balance as at 1/4/16 £000	Surplus/ (deficit) for year £000	Balance as at 31/3/17 £000
<b>Bank and Cash</b>			
Dunbartonshire Educational Trust Scheme 1962	86	0	86
McAuley Prize for Mathematics	21	0	21
Alexander Cameron Bequest	155	1	156
Dr A K Glen Fund	26	0	26
War Memorial Dumbarton	15	(15)	0
Halkett Memorial Trust	3	(3)	0
Vale of Leven Fund	8	0	8
UIE Award	24	0	24
<b>Total</b>	<b>338</b>	<b>(17)</b>	<b>321</b>
<b>Investments</b>			
Dunbartonshire Educational Trust Scheme 1962	3	0	3
<b>Total</b>	<b>3</b>	<b>0</b>	<b>3</b>
<b>Overall Total</b>	<b>341</b>	<b>(17)</b>	<b>324</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 2017.

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

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

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

The WDLT and the CPC have been included as subsidiaries.

HSCP has been included as a joint venture.

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

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

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

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

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

The effects of inclusion of these entities and the Common Good and Trust Funds on the Group Balance Sheet is to increase reserves and Net Assets by £14.901m – representing the Council's share of net assets in these entities.

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

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

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

### **Group Accounting Policies: Disclosure of differences with main Statement of Accounting Policies**

The financial statements in the Group Accounts are prepared in accordance with the accounting policies set out in Note 1 on pages 32 to 51 with additions and exceptions noted below:

- **Group Income and Expenditure Account**
  - Proceeds from disposal of fixed assets – profits and losses from the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account within the net cost of services. The proceeds are then appropriated out after net operating expenditure. For those proceeds associated with the disposal of the Council's assets, appropriation is to the Group Reserves. For those proceeds associated with the disposal of associates' assets, appropriation is to the Group Income and Expenditure Reserve.
- **Group Balance Sheet**
  - Inventories – valuation methods vary slightly across the Group. The Council uses weighted average cost. The difference in valuation methods does not have a material impact on the results of the group given the levels of stock held within the organisations; and
  - Pensions – West Dunbartonshire Leisure Trust complies with the Financial Reporting Standard FRS102 concerning the disclosure of information on pensions. 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.

## Group Accounts (Cont'd)

### Group Comprehensive Income and Expenditure Statement

Restated 2015/16 Gross Expenditure £000	Restated 2015/16 Gross Income £000	Restated 2015/16 Net Expenditure £000		2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
			<b>Service</b>			
75,009	52,460	22,549	Corporate Services	72,732	50,353	22,379
95,830	4,760	91,070	Educational Services	97,960	5,437	92,523
65,701	26,411	39,290	Infrastructure, Regeneration and Economic Development	54,179	23,939	30,240
9,025	6,227	2,798	Housing and Communities	7,457	5,188	2,269
37,451	40,118	(2,667)	Housing Revenue Account	37,780	40,625	(2,845)
8,401	5,792	2,609	Miscellaneous Services	4,829	6,423	(1,594)
136,742	72,314	64,428	Health and Social Care Partnership	149,690	83,549	66,141
2,586	0	2,586	Requisitions	2,621	0	2,621
6,617	2,708	3,909	Subsidiaries	6,428	2,597	3,831
<b>437,362</b>	<b>210,790</b>	<b>226,572</b>	<b>Net Cost of Service (1)</b>	<b>433,676</b>	<b>218,111</b>	<b>215,565</b>
			861 (Gain) / loss on Disposal of Fixed Assets			(1,146)
			<b>861 Other Operating Expenditure (2)</b>			<b>(1,146)</b>
			(30,714) Council Tax			(31,592)
			(84,053) Non-Domestic Rates			(82,793)
			(106,095) Revenue Support Grant			(100,799)
			(15,738) Recognised Capital Income (Grants, Contributions & Donations)			(8,229)
			<b>(236,600) Taxation and Non-specific Grant Income (3)</b>			<b>(223,413)</b>
			(203) Interest Earned			(177)
			18,909 External Interest Payable / Similar Charges			18,437
			836 (Gain)/Loss early settlement of borrowing			846
			(2,721) Surplus on Trading Undertakings not included in net cost of services			(3,284)
			7,625 Pension Interest Cost/Expected Return on Pension Assets			5,984
			<b>24,446 Finance/Investment Income and Expenditure (4)</b>			<b>21,806</b>
			<b>15,279 (Surplus)/Deficit on Provision of Services</b>			<b>12,812</b>
			<b>(5) = (1)+(2)+(3)+(4)</b>			
			(1,671) Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(1,589)
			2,091 (Surplus)/Deficit arising from revaluation of property, plant and equipment			(24,382)
			(863) (Surplus)/Deficit on revaluation of available for sale assets			(691)
			(80,453) Actuarial (gains)/losses on pension fund assets and liabilities			79,726
			<b>(80,896) Other Comprehensive (Income) and Expenditure (6)</b>			<b>53,064</b>
			<b>(65,617) Total Comprehensive (Income) and Expenditure (5)+(6)</b>			<b>65,876</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>2016/17</b>							
<b>Opening Balance at 1 April 2016</b>	(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
Other Comprehensive Expenditure and Income	(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>
<b>2015/16 Restated</b>							
<b>Opening Balance at 1 April 2015</b>	(19,059)	(5,407)	(24,466)	(118,823)	(6,896)	(125,719)	(150,185)
<b>Movement in reserve 2015/16</b>							
(Surplus) or deficit on provision of services	14,989	290	15,279	(76,535)	257	(76,278)	(60,999)
Other Comprehensive Expenditure and Income	(18,185)	(1,105)	(19,290)	18,185	(3,513)	14,672	(4,618)
<b>Net Increase/(Decrease) before Transfers to Other Statutory Reserves</b>	<b>(3,196)</b>	<b>(815)</b>	<b>(4,011)</b>	<b>(58,350)</b>	<b>(3,256)</b>	<b>(61,606)</b>	<b>(65,617)</b>
Transfers to/from other statutory reserves	0	0	0	0	0	0	0
<b>Closing Balance at 31 March 2016</b>	<b>(22,255)</b>	<b>(6,222)</b>	<b>(28,477)</b>	<b>(177,173)</b>	<b>(10,152)</b>	<b>(187,325)</b>	<b>(215,802)</b>

## Group Accounts (Cont'd)

### Group Balance Sheet

Restated 2015/16 £000		2016/17 £000
768,691	Property, Plant and Equipment	833,933
45	Intangible Assets	29
8,708	Investment in associates	11,095
58	Long Term Debtors	44
501	Long term Investments	501
1,406	Heritage Assets	1,406
<b>779,409</b>	<b>Total Long Term Assets</b>	<b>847,008</b>
653	Asset Held for Sale	7,345
933	Inventories	1,158
35,009	Short Term Debtors	37,643
15,031	Cash and Cash Equivalents	14,925
<b>51,626</b>	<b>Current Assets</b>	<b>61,071</b>
(4,643)	Provisions	(750)
(4,788)	Cash and Cash Equivalents	(2,718)
(37,779)	Short Term Creditors	(39,277)
(86,724)	Short Term Borrowing	(157,557)
<b>(133,934)</b>	<b>Current Liabilities</b>	<b>(200,302)</b>
<b>697,101</b>	<b>Total Assets less Current Liabilities</b>	<b>707,777</b>
(744)	Liabilities in Associates	(1,644)
(325,649)	Long Term Borrowing	(310,254)
(710)	Provision for Liability	(627)
(154,151)	Net Pensions Liability	(244,546)
(43)	Capital Grants Receipts in Advance (conditions)	(780)
<b>(481,297)</b>	<b>Long Term Liabilities</b>	<b>(557,851)</b>
<b>215,804</b>	<b>Total Assets Less Liabilities</b>	<b>149,926</b>
	<b>Represented by:</b>	
28,479	Usable Reserves	33,035
187,325	Unusable Reserves	116,891
<b>215,804</b>	<b>Total Reserves</b>	<b>149,926</b>

The closing position for 2015/16 has been restated due to changes in FRS102 resulting in a reduction in reserves of £0.715m.

The unaudited Financial Statements were issued on 28 June 2017 and the audited Financial Statements were authorised for issue on 27 September 2017.

Stephen West  
Strategic Lead - Resources  
West Dunbartonshire Council  
27 September 2017

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

### **Group Cashflow Statement**

There is no impact of the incorporation of the associates within the group cash flow statement, therefore, no cash flow statement is noted within the Group Accounts. The cash flow of the group is equal to the cash flow of the Council, as shown on page 31.

## Group Accounts (Cont'd)

### Notes to the Group Accounts

#### Note 1 - Details of combining entities

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

**Strathclyde Partnership for Transport** is the statutory body responsible for formulating the public transport policy on behalf of the 12 local authorities in the West of Scotland. In 2016/17, the Council contributed £1.642m (2015/16 £1.642m) or 4.39% (2015/16 4.39%) of the Board's estimated running costs and its share of the year end net asset of £8.240m (2015/16 £7.865m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, Consort House, West George Street, Glasgow G2 1HN.

**Strathclyde Concessionary Travel Scheme Joint Board** oversees the operation of the concessionary fares scheme for public transport on behalf of the 12 local authorities in the West of Scotland. The costs of the scheme are funded through requisitions from the 12 councils and by the Scottish Executive via a 'section 70' grant. In 2016/17, the Council contributed £0.178m (2015/16 £0.178m) 4.19% (2015/16 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.071m (2015/16 £0.070m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, Consort House, West George Street, Glasgow G2 1HN.

**Dunbartonshire and Argyll and Bute Valuation Joint Board** was formed in 1996 at local government re-organisation by an Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of West Dunbartonshire, East Dunbartonshire and Argyll and Bute. The Board's running costs are met by the three authorities, with surpluses and deficits on the Board's operations also shared between the councils. In 2016/17, the Council contributed £0.708m (2015/16 £0.718m) or 26.95% (2015/16 26.95%) of the Board's estimated running costs and its share of the year end net liability of £1.643m (2015/16 £0.775m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, Garshake Road, Dumbarton G82 3PU.

**The West Dunbartonshire Health & Social Care Partnership** - the Public Bodies (Joint Working) Act (Scotland) 2014 sets out the arrangements for the integration of health and social care across the country. The Scottish Government approved the Integration Scheme for West Dunbartonshire which details the 'body corporate' arrangement by which NHS Greater Glasgow & Clyde Health Board and West Dunbartonshire Council agreed to formally delegate health and social care services for adults and children (including criminal justice, social work services) to a third body, which is described in the Act as an Integration Joint Board. The Integration Joint Board for West Dunbartonshire is known as the West Dunbartonshire Health & Social Care Partnership Board (HSCP Board) and started operations on 1 July 2015. The Board's running costs are met by the two bodies mentioned above, with surpluses and deficits on the Boards operations also shared between them. In 2016/17, the Council contributed £61.515m towards estimated running costs and its share of the year end net asset of £2.784m is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Chief Financial Officer to the Integrated Joint Board, Garshake Road, Dumbarton G82 3PU.

## Group Accounts (Cont'd)

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

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

**West Dunbartonshire Leisure Trust** was formed in December 2011 and started trading on 5 April 2012. The Trust is a charitable company registered in Scotland and provides leisure facilities within the West Dunbartonshire area to the general public and operates sports centres, leisure centres, swimming pools, halls and community education centres owned by the Council. The Trust is paid a management fee by the Council for the provision of these services. The Trust's net liabilities at 31 March 2017 was £1.888m (2015/16 £1.115m net asset) and its surplus for the year was £0.205m (2015/16 £0.268m 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 2017 was £3.482m and its deficit for the year was £0.289m (2015/16 £0.078m surplus). The accounts of the Company are published separately and can be obtained from the Company's Headquarters, Titan Enterprise, 1 Aurora Avenue, Queen's Quay, Clydebank G81 1BF which is also the Company's principal place of business.

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

	<b>Strathclyde Partnership for Transport £000</b>	<b>Strathclyde Concessionary and Travel Scheme Joint Board £000</b>	<b>Dunbartonshires and Argyll and Bute Valuation Joint Board £000</b>	<b>West Dunbartonshire Health &amp; Social Care £000</b>	<b>Total £000</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	(1,918)	0	(1,955)	0	<b>(3,873)</b>
Current Liabilities	(2,262)	(43)	(27)	0	<b>(2,332)</b>
<b>2015/16</b>					
Surplus/ (Deficit) on					
Operating Activities	461	(1)	(112)	806	<b>1,154</b>
Non Current Assets	6,736	0	203	0	<b>6,939</b>
Current Assets	4,637	90	196	806	<b>5,729</b>
Non Current Liabilities	(1,809)	0	(1,142)	0	<b>(2,951)</b>
Current Liabilities	(1,703)	(20)	(32)	0	<b>(1,755)</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>2016/17</u></b>			
Surplus/ (Deficit) on Operating Activities	205	59	<b>264</b>
Non Current Assets	130	4,177	<b>4,307</b>
Current Assets	3,097	472	<b>3,569</b>
Non Current Liabilities	(3,620)	(627)	<b>(4,247)</b>
Current Liabilities	(1,495)	(540)	<b>(2,035)</b>
<b><u>2015/16</u></b>			
Surplus/ (Deficit) on Operating Activities	268	78	<b>346</b>
Non Current Assets	195	4,669	<b>4,864</b>
Current Assets	2,800	245	<b>3,045</b>
Non Current Liabilities	(411)	(710)	<b>(1,121)</b>
Current Liabilities	(1,469)	(432)	<b>(1,901)</b>

**Dumbarton Common Good and Trust Funds** are held in Trust by West Dunbartonshire Council. Although the Council does not contribute to these funds financially, they have been included within the Council's Group through materiality by nature. Net income in 2016/17 was £0.071m (2015/16 £0.058m) for the Common Good and net decrease in funds of £0.017m (2015/16 £0.002m increase) for the Trust Funds. Copies of the accounts may be obtained from West Dunbartonshire Council, Garshake Road, Dumbarton G82 3PU.

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

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

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

## Group Accounts (Cont'd)

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

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

**Clydebank Municipal Bank** is a company limited by shares set up based upon the Companies Act 1908 and 1913. It acts as banker for a number of private individuals/organisations. The Council provides services to the bank and funds any annual losses incurred. The bank's year end is 5 April. The principal business of the Municipal Bank is to accept deposits from private account holders and to invest funds with West Dunbartonshire Council. The chairman and directors of the bank are Elected Members of the Council. As per the bank's unaudited financial statements at 31 March 2017, 2,451 accounts were held with the bank (2015/16 2,443), with a total amount on deposit of £1.127m (2015/16 £0.925m), with £0.661m being invested with the Council (2015/16 £0.511m). Interest paid by the Council to the bank in the year was £0.020m (2015/16 £0.018m).

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

**West of Scotland Loans Fund** is a consortium of 12 local authorities incorporated as a company limited by guarantee in June 1996. In this respect, each member local Council provides a level of loan finance for companies in their area and this is augmented by European Regional Development Funding (ERDF).

#### Note 3 – Financial Impact of Consolidation

The effect of inclusion of the entities on the Group Balance Sheet is to increase reserves and net assets by £14.901m (2015/16 £16.378m) 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 £149.926m (2015/16 £215.802m).

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

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

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

2015/16 £000	2016/17 £000
7,865 Passenger Transport Authority	8,240
70 Concessionary Travel Board	71
(775) Valuation Joint Board	(1,643)
806 West Dunbartonshire Health & Social Care	2,784
1,115 West Dunbartonshire Leisure Trust	(1,888)
3,772 Clydebank Property Company	3,482
3,525 Common Good and Trust Funds	3,855
<b>16,378 Total</b>	<b>14,901</b>

## **Glossary of Terms**

While much of the terminology used in this report is self explanatory, the following additional definitions and interpretation of the terms used are provided for assistance. The Glossary of Terms does not comprise part of the audited financial statements.

### **1. Employee Costs**

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

### **2. Property Costs**

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

### **3. Supplies and Services**

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

### **4. Transport and Plant Costs**

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

### **5. Administration Costs**

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

### **6. Payments to Other Bodies**

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

### **7. Other Expenditure**

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

### **8. Loan Charges**

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

### **9. Specific Government Grants**

This includes grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred e.g. National Priority Action Fund, Benefits Administration.



## **Glossary of Terms (Cont'd)**

**10. General Income**

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

**11. Capital Expenditure**

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, finance leases, or utilising the income from the sale of existing assets.

**12. Capital Financed from Current Revenue**

This is expenditure incurred in creating, acquiring or improving assets where that expenditure is charged directly to the revenue account.

**13. Deferred Asset**

The deferred asset represents the net value of the premium paid/discounts received by the Council on the early repayment of external long term loans.

**14. Useable Capital Receipts Reserve**

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

**15. Pension Interest Cost**

The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement.

**16. Expected Return of Pension Assets**

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

**17. CIPFA**

Chartered Institute of Public Finance and Accountancy

**18. LASAAC**

Local Council (Scotland) Accounts Advisory Committee

**19. Budget**

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

## **Glossary of Terms (Cont'd)**

### **20. Precepts**

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

### **21. Intangible Assets**

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

### **22. Corporate and Demographic Core**

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

### **23. Non Distributing Costs**

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

### **24. Revaluation Reserve**

This fund is a store of gains on the revaluations of fixed assets. It is a reserve held for technical accounting purposes and is not available for distribution.

### **25. Capital Adjustment Account**

This fund is a store of capital resources set aside to meet past expenditure. It is an account held for technical accounting purposes and is not available for distribution.

### **26. Financial Instrument Adjustment Account**

This account is used to balance for differences in statutory requirements and proper accounting practices for borrowing and lending. It is an account held for technical accounting purposes and is not available for distribution.

### **29. Associate Body**

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

### **30. Entity**

A body that is delivering a service or carrying on a business. It should have a separate legal personality and is legally obliged to prepare its own financial statements.

### **31. Statutory Additions**

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

## **Glossary of Terms (Cont'd)**

**32. Capital Items Replacement Fund**

Reserve earmarked for specific purposes within Education.

**33. Available for Sale Reserve**

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

**34. Current Service Costs (Pension)**

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

**35. Past Service Costs/Gains (Pension)**

This relates to posts/gains from years prior to the current year and arise from decisions made in year. In 2016/17 this relates to the capitalised cost of early retirements on efficiency grounds.

**36. Curtailments (Pension)**

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

**37. Interest Cost (Pensions)**

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

**38. Expected Return on Assets (Pensions)**

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

**39. Public Private Partnership (PPP)/Public Finance Initiative (PFI)**

A contract between the Council and a private organisation for the provision of new Educational buildings maintenance and related facilities.

**40. Available for Sale Assets**

These assets are in relation to Financial Instruments and include:

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

**41. Heritage Assets**

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

**42. PPE**

Property, Plant and Equipment.

## **Glossary of Terms (Cont'd)**

**43. CAA**

Capital Adjustment Account.

**44. IAS19**

International Accounting Standard 19 (employee benefits).

**45. FRS17**

Financial Reporting Standard 17 (retirement benefits).

**46. SHQS**

Scottish Housing Quality Standards

## **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 2017 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, the Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non-domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services 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 2016/17 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 of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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 Strategic Lead - Resources 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.

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

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Lead - Resources and the overall presentation 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&I) 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.

### **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 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Report on other requirements**

#### **Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable 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 auditable 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  
Assistant Director  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2017





**DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**Trustees' Annual Report**

**Introduction**

The Trustees present the annual report together with the Financial Statements and the Auditor's Report for the year ended 31 March 2017.

**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. The pre-election trustees were in place as at the year end (31<sup>st</sup> March 2017). However, during the audit of the Financial Statements, 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	Bailie Denis Agnew  Councillor Jim Brown  Councillor Gail Casey  Councillor Diane Docherty  Councillor Jim Finn  Provost William Hendrie  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

**DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

Trust Funds	Charity Number	Pre-Election Trustees	Post Election Trustees	Local Authority	Contact Address
Halkett Memorial Trust	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
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

**DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

Trust Funds	Charity Number	Pre-Election Trustees	Post Election Trustees	Local Authority	Contact Address
War Memorial Dumbarton	SC025070	Councillor George Black	Councillor Karen Conaghan	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU
		Councillor David McBride	Councillor David McBride		
		Councillor Tommy Rainey	Councillor Iain McLaren		
		Councillor Ian Murray	Councillor Brian Walker		
Vale of Leven Fund	SC025070	Councillor Jonathan McColl	Councillor Jonathon McColl	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU
		Councillor Martin Rooney	Councillor Sally Page		
		Councillor Hazel Sorrell	Councillor Martin Rooney		
		Councillor James Bollan	Councillor James Bollan		
		Councillor Michelle McGinty	Councillor Ian Dickson		
		Councillor John Millar	Councillor Caroline McAllister		
		Councillor Gail Robertson	Councillor John Millar		
Dunbartonshire Education Trust Scheme 1962	SC025070	Provost Douglas McAllistair	Councillor Karen Conaghan	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Garshake Road, Dumbarton, G82 3PU
McAuley Prize for Mathematics	SC025070	Councillor John Mooney	Councillor John Mooney	West Dunbartonshire Council	
		Councillor Michelle McGinty			
		Councillor David Kinniburgh	Councillor Graham Archibald	Argyll & Bute Council	
		Councillor Henry	Councillor John Jamieson	East Dunbartonshire Council	
		Councillor Gotts		East Dunbartonshire Council	
		Councillor Jamieson		East Dunbartonshire Council	
		Councillor Barry McCulloch	Councillor Gillian Fannan	North Lanarkshire Council	
		Councillor Jean Jones	Councillor Thomas Johnston	North Lanarkshire Council	

## **DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **Trustees' Annual Report (continued)**

#### **Objectives and Activities**

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**

- Dunbartonshire Educational Trust Scheme 1962- awards educational prizes and bursaries;
- McAuley Prize for Mathematics - provides prizes for those studying maths and computing;
- Alexander 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;
- War Memorial Dumbarton - for the upkeep of war memorials;
- Halkett Memorial Trust - for the advancement of art by supporting painting activities and competitions within primary schools in the area;
- 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; and
- UIE Award - for students studying apprenticeships or training in industry.

Following approval of revised governance arrangements by West Dunbartonshire Council in December 2015 and August 2016, the Office of the Scottish Charity Regulator (OSCR) agreed to approve the changes detailed below.

All trusts have now been advertised on West Dunbartonshire Council's website and details have been passed to West Dunbartonshire Community and Volunteering Service (WDCVS) to publicise them.

##### **Alexander Cameron Bequest**

It was agreed that officers should publicise the availability of the Alexander Cameron Bequest and seek to disburse available funds arising from investment income attained.

##### **War Memorial Dumbarton**

It was agreed that the funds should be disbursed in full. As a result of this, prior to the 31 March 2017, the full value of the Trust was disbursed to renovate the War Memorial in Levensgrove Park as part of the Council's wider plan to rejuvenate the park. This has resulted in the funds being disbursed in full and steps have been taken to wind up the Trust.

##### **Halkett Memorial Trust**

It was agreed that the funds should be disbursed in full. As a result, prior to 31 March 2017, the full value of the Trust was disbursed by providing the funds held to the Council's Educational Service to provide prizes for art competitions within and amongst primary schools located within the West Dunbartonshire area. This has resulted in the funds being disbursed in full and steps have been taken to wind up the Trust.

##### **Vale of Leven Fund**

It was agreed that the funds should be disbursed in full. The publicising of the availability of the Trust has been undertaken during 2016/17. This could provide support to appropriate voluntary organisations within the Vale of Leven area which undertake activity aligned to the Trust's purpose. The funds have not yet been disbursed in full.

##### **Dr A K Glen Fund**

It was agreed to publicise the availability of the Trust during 2016/17 and seek to disburse available funds arising from investment income attained.

#### **Structure and Governance**

Dr AK Glen and West Dunbartonshire Trust Funds are registered with the Office of the Scottish Charity Regulator (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.

## **DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **Trustees' Annual Report (continued)**

#### **Structure and Governance (continued)**

It was agreed at Council on 31 August 2016 that the Trust Funds would be delegated to sub-committees as follows:

<b>Trust</b>	<b>Delegation</b>
Alexander Cross Cameron Bequest	Alexander Cross Cameron Committee
War Memorial Dumbarton	Dumbarton Trust Sub-Committee
Halkett Memorial Trust	Comprising members from Corporate Services 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 Trust 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 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.

#### **Management of Funds and Investment Policy**

Decisions regarding the management of the Dr AK Glen & West Dunbartonshire 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 0.37%.

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 £4,473 but the expected proceeds are £2,587. As yet the funds have not been received.

## **DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **Trustees' Annual Report (continued)**

Dunbartonshire Educational Trust Scheme 1962 receives income from external investment i.e. 3% Clydeport and 4% Clydeport Consolidated Stock. These investments are managed by West Dunbartonshire Council and achieved investment income of £12.

In 2016/17 the following grants were awarded:

- £15,532 from War Memorial Dumbarton to West Dunbartonshire Council to renovate the War Memorial in Levensgrove Park as part of the Council's wider plan to rejuvenate the park.
- £2,653 from Halkett Memorial Trust to West Dunbartonshire Council to provide prizes for art competitions within and amongst primary schools located within the West Dunbartonshire area.

### **Financial Review**

The total sum available to the Trusts is £324,031.

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 has remained the same as the previous year.

The Trusts held cash and bank balances at 31 March 2016 of £321,226.

Reserves are held by the Council on behalf of the Trusts and revenue income, generated from capital 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<sup>th</sup> September 2017 by:

Councillor Jonathon McColl  
West Dunbartonshire Council  
27 September 2017

**DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**Statement of Receipts & Payments Account for the Year Ended 31 March 2017**

<b>Receipts</b>	<b>Payment</b>	<b>Surplus/ (Deficit)</b>		<b>Receipts</b>	<b>Payment</b>	<b>Surplus/ (Deficit)</b>
<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>		<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>
<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>
1,162	0	1,162	Dunbartonshire Educational Trust Scheme 1962	330	0	330
90	0	90	McAuley Prize for Mathematics	80	0	80
659	0	659	Alexander Cameron Bequest	570	0	570
63	0	63	War Memorial Dumbarton	55	15,352	(15,297)
11	0	11	Halkett Memorial Trust	9	2,653	(2,644)
51	0	51	Vale of Leven Fund	44	0	44
100	0	100	UIE Award	86	0	86
107	0	107	Dr AK Glen	93	0	93
<b>2,243</b>	<b>0</b>	<b>2,243</b>	<b>Total</b>	<b>1,267</b>	<b>18,005</b>	<b>(16,738)</b>

**DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**Statement of Balances as at 31 March 2017**

Opening Balance	Surplus/ (Deficit)	Restated	Closing Balance	Note	Cash and Bank	Opening Balance	Surplus/( Deficit) for year	Closing Balance
2015/16	2015/16	2015/16	2015/16			2016/17	2016/17	2016/17
£	£	£	£			£	£	£
84,584	1,162	0	85,746		Dunbartonshire Educational Trust Scheme 1962	85,746	330	86,076
21,286	90	0	21,376		McAuley Prize for Mathematics	21,376	80	21,456
153,735	659	0	154,394		Alexander Cameron Bequest	154,394	570	154,964
15,234	63	0	15,297		War Memorial Dumbarton	15,297	(15,297)	0
2,633	11	0	2,644		Halkett Memorial Trust	2,644	(2,644)	0
8,274	51	0	8,325		Vale of Leven Fund	8,325	44	8,369
24,072	100	0	24,172		UIE Award	24,172	86	24,258
25,903	107	0	26,010		Dr AK Glen	26,010	93	26,103
<b>335,721</b>	<b>2,243</b>	<b>0</b>	<b>337,964</b>		<b>Total Cash and Bank</b>	<b>337,964</b>	<b>(16,738)</b>	<b>321,226</b>
					<b>Investment</b>			
4,798	(107)	(1,886)	2,805	5	Dunbartonshire Educational Trust Scheme 1962	2,805	0	2,805
<b>4,798</b>	<b>(107)</b>	<b>(1,886)</b>	<b>2,805</b>		<b>Total Investment</b>	<b>2,805</b>	<b>0</b>	<b>2,805</b>
<b>340,519</b>	<b>2,136</b>	<b>(1,886)</b>	<b>340,769</b>		<b>Overall Total</b>	<b>340,769</b>	<b>(16,738)</b>	<b>324,031</b>

The restatement in 2015/16 relates to an investment in Dunbartonshire Educational Trust Scheme 1962 which was redeemed in 2015/16 but the proceeds of redemption have not yet been received. The previously stated market value of £4,473 has been written down to the expected redemption proceeds of £2,587

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 28<sup>th</sup> June 2017 and the audited accounts were authorised for issue on 27<sup>th</sup> September 2017.

Signed on behalf of the Trustees by:-

Councillor Jonathon McColl  
West Dunbartonshire Council  
27 September 2017



# DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### 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 2016/17;
- The Trusts received interest of £1,267 from the Council at 31 March 2017, 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 2016/17 the following grants were awarded:

- £15,532 from War Memorial Dumbarton to West Dunbartonshire Council to renovate the War Memorial in Levensgrove Park as part of the Council's wider plan to rejuvenate the park.
- £2,653 from Halkett Memorial Trust to West Dunbartonshire Council to provide prizes for art competitions within and amongst primary schools located within the West Dunbartonshire area.

#### Note 4 – Cash and Bank Balances

During the year the Trust's balances were held by the Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust 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.

#### 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. In addition to stock held, there are funds held in investments for redeemed stocks where funds have not yet been received by the Trusts. This had a market value of £4,473 in 2015/6 when they were redeemed. The expected redemption amount receivable is £2,587. Proceeds from the stock redeemed has not yet been received and therefore as the statement of balances is on a cash basis the amount receivable is still included in the investment balance.

<b>Purchase Price as at 31 March 2016</b>	<b>Market Price as at 31 March 2016</b>	<b>Investment</b>	<b>Purchase Price as at 31 March 2017</b>	<b>Market Price as at 31 March 2017</b>
<b>£</b>	<b>£</b>		<b>£</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 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 2017 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. 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 2017 and its 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 of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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 responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charities and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation 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&I) 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.

#### **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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### **Report on other requirements**

#### **Opinion on other prescribed matter**

I am required by the Accounts Commission to express an opinion on the following matter. 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.

Paul Craig CA  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
27 September 2017

Paul Craig 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 and Performance Review Committee: 27 September 2017**

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#### **Subject: Audit Scotland – Annual Audit Reports**

#### **1. Purpose**

- 1.1** To advise Committee of the findings of the Council's external auditors in relation to:
- (a) the audit of the Council and its Annual Accounts for 2016/17; and
  - (b) the Financial Statements for the Charitable Trusts managed by the Council.

#### **2. Recommendations**

**2.1** Committee is invited to:

- (a) note the findings of these audits as detailed in the appended reports from our auditors dated 27 September 2017; and
- (b) note that these reports will also be reported to Council in October 2017.

#### **3. Background**

- 3.1** 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.

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

##### West Dunbartonshire Council Audit Report

- 4.1** Audit Scotland, as the Council's external auditors, has issued a report dated 27 September 2017 which details the main issues arising from the audit of the Council and its Annual Accounts. The full report is appended to this report (Appendix 1).
- 4.2** The report identifies 6 recommendations for improvement together with management responses.
- 4.3** The Audit Opinion is detailed on page 7 of the report which advises that Audit Scotland expect to issue an unqualified opinion on the Council's Annual Accounts.
- 4.4** The report also appends (see Appendix 2) the proposed independent auditor's report and the draft letter of representation (ISA 580) which the Strategic Lead - Resources is required to sign and submit to Audit Scotland.

- 4.5** The draft (unaudited) Annual Accounts for 2016/17 were reported to Council on 28 June 2017.
- 4.6** 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 increase in the Council's General Fund of £2.453m comprising £0.481m of free reserves and £1.972m additional earmarked funds.
- 4.7** It is anticipated that the report on the 2016/17 audit will be presented to Council on 25 October 2017.

West Dunbartonshire Council Registered Charitable Trusts Audit Report

- 4.8** Audit Scotland has also issued a report dated 27 September 2017 which details the main issues arising from the audit of the financial statements of the Charities. The full report is appended to this report (Appendix 3).
- 4.9** This report identifies 4 significant findings, together with management responses.

**5. People Implications**

- 5.1** There are no people implications.

**6. Financial and Procurement Implications**

- 6.1** There are no financial or procurement implications.

**7. Risk Analysis**

- 7.1** There was no requirement to carry out a risk analysis.

**8. Equalities Impact Assessment**

- 8.1** As this report presents the findings of Audit Scotland, another public body, there is no requirement to carry out an equality impact assessment. However, any actions required to address any concerns raised in the Audit report may require to be subject to Equalities Impact Assessment.

**9. Consultation**

- 9.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.
- 9.2** The draft Financial Statements referred to in this report have been publicised in the required manner.

**10. Strategic Assessment**

- 10.1** Good financial governance is essential to the delivery of each of the Council's Strategic Priorities.

.....  
**Stephen West**  
**Strategic Lead - Resources**  
**Date: 19 September 2017**

---

**Person to Contact:** Gillian McNeilly, Finance Manager, Garshake Road  
Telephone (01389) 737194  
E-mail: [gillian.mcneilly@west-dunbarton.gov.uk](mailto:gillian.mcneilly@west-dunbarton.gov.uk)

**Appendices:** Appendix 1 – Audit Scotland’s Annual Audit Report to West  
Dunbartonshire Council and Controller of Audit (Council);  
Appendix 2 – West Dunbartonshire Council – Annual Audit  
Report; and  
Appendix 3 – Audit Scotland’s Annual Audit Report to  
those charged with governance (Registered Charities).

**Background Papers:** Council report – 28 June 2017: Draft Annual Accounts 2016/2017

**Wards Affected:** All





# West Dunbartonshire Council

Proposed 2016/17 Annual Audit Report

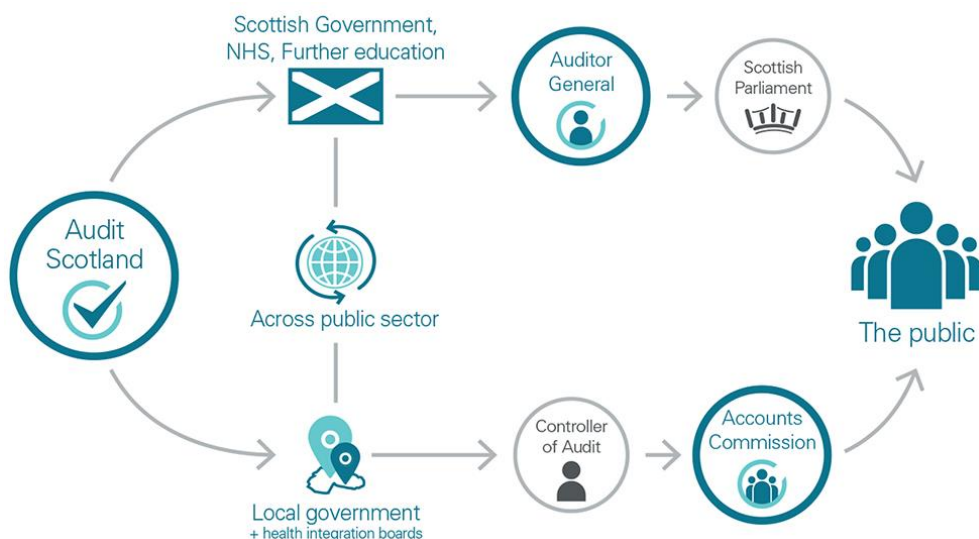


To Members of the West Dunbartonshire Council and the Controller of Audit  
27 September 2017

## 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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## Audit of the 2016/17 annual accounts

- 1 The financial statements of West Dunbartonshire Council give a true and fair view of the state of its affairs and of its net expenditure for the year.
- 2 Our audit opinions are all unqualified. These cover the financial statements, management commentary, remuneration report and the annual governance statement.
- 3 Unqualified opinions have been issued for all the trusts administered by the Council.

## Financial management

- 4 Financial management is effective with a budget process focussed on the Council's priorities. The Council has a good track record of delivering services within budgets over the last three years.
- 5 The key financial controls operated effectively in the year.

## Financial sustainability

- 6 The Council's financial position is sustainable but challenging in the foreseeable future
- 7 The Council's approach to financial planning is helping it to prepare for the challenges it will face, but savings of £11 million are still to be identified over the period to 2019/20.

## Governance and transparency

- 8 There are effective governance arrangements in place which support its stewardship of resources and scrutiny of performance.
- 9 The Council is open and transparent in the way it conducts its business.

## Value for money

- 10 The latest performance data reported nationally is mixed, with 23% of the council's indicators in the top quartile (2014/15: 22%) and 35% in the bottom quartile (2014/15: 25%). The council has reported improvements in performance in 2016/17.
- 11 As part of the five year national programme, a Best Value audit of the Council will be reported in June 2018.

# Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of West Dunbartonshire Council.
2. The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. This report presents:
  - findings from the audit of the 2016/17 financial statements
  - our review of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 were:
  - an interim audit of the Council's main financial systems and governance arrangements
  - audit work covering the Council's arrangements for securing Best Value relating to financial management and financial sustainability
  - an audit of the Council's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.
4. West Dunbartonshire Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing

effective governance arrangements and ensuring financial management is effective.

**5.** Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.

**6.** As public sector auditors, we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within West Dunbartonshire Council to manage its performance and use of resources. Additionally, we report on the Council's best value arrangements. In doing this, we aim to support improvement and accountability.

**7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

**8.** This report raises matters from the audit of the annual report and accounts, together with identified risks and control weaknesses. Communicating risks and weaknesses does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.

**9.** Our annual audit report contains an action plan at [Appendix 1 \(page 30\)](#). It sets out specific recommendations, responsible officers and dates for implementation.

**10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

**11.** 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).

**12.** We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

# Part 1

## Audit of 2016/17 annual report and accounts



### Main judgements

**The financial statements of West Dunbartonshire Council give a true and fair view of the state of its affairs and of its net expenditure for the year.**

**Unqualified audit opinions on the Council's annual report and accounts.**

**Unqualified audit opinions on the trusts administered by the Council.**

### Unqualified audit opinions

**13.** The annual report and accounts for the year ended 31 March 2017 were approved by the Audit Committee on 27 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, remuneration report and annual governance statement.

**14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

### Audit of charitable trusts administered by West Dunbartonshire Council

**15.** Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate audit and auditor's report is required for 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 & West Dunbartonshire Charitable Trusts, a registered charity which incorporates seven trust funds.

**16.** 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 position 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.

The Council's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

17. We received the trusts' accounts in line with the agreed timetable and after completing our audit we issued an unqualified audit opinion on the 2016/17 financial statements of the relevant charities registered by the Council.

### Submission of the Council's annual report and accounts for audit

18. We received the unaudited annual report and accounts on 20 June 2017 which was in advance of the audit timetable set out in our 2016/17 Annual Audit Plan. The Council's group accounts include the financial results of West Dunbartonshire Integration Joint Board within its area.

19. Working papers were provided within the agreed timetable. While they were of a reasonable standard, we are working with the Council on areas of improvement for next year.

### Risk of material misstatement

20. [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. Also, included within the appendix are wider audit dimension risks, how we addressed these and conclusions.

### Materiality

21. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

22. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

23. On receipt of the annual report and accounts we reviewed our original materiality calculations. Minor changes were made to the materiality levels we reported in our annual audit plan as reported in [Exhibit 2](#). This had no impact on our audit approach.

## Exhibit 2

### Materiality values

Materiality level	As stated in our annual audit plan	Amount finally determined
<b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£4.035 million	£4.335million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	£2.018 million	£2.167 million



Materiality level	As stated in our annual audit plan	Amount finally determined
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the reporting threshold amount. This has been calculated at 1% of overall materiality.	£0.040 million	£0.040 million

Source: Audit Scotland Annual Audit Plan 2016/17

## How we evaluate misstatements

**24.** During the audit a number of errors were identified, both by ourselves and by officers, which exceeded our reporting threshold (£0.040 million). Following discussions with officers, all of these errors have been amended in the audited financial statements.

**25.** The net effect of these small value adjustments is to reduce the net cost of services recorded in the comprehensive income and expenditure account by £2.453 million. This, increases the general fund balance reported in the movement in reserves fund from £10.665 million to £13.118 million

**26.** The most significant errors identified in the audit are included in [Exhibit 3](#). This includes items that do not impact the general fund balance reported in the unaudited accounts relating to the duplication of council dwelling assets, the understatement of common good fund land assets, and the understatement of the liability for untaken annual leave. The errors have now been corrected in the updated accounts. The impact of this is a £0.931 million increase in the deficit on provision of services reported in the comprehensive income and expenditure account. However these changes have no impact on the general fund balance as they are mitigated in the movement in reserves statement in accordance with statutory adjustments prescribed in the 2016/17 local government accounting code (the “Code”).

**27.** It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality.

## Significant findings

**28.** International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. 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).

## Exhibit 3

### Significant findings from the audit of West Dunbartonshire Council

Issue	Resolution
<b>1. Valuation of non-current assets</b> Council dwellings recorded in the unaudited financial statements were overstated by £13.7 million. This was due to inclusion of elements of council dwellings reported in the asset register not	The audited accounts have been updated to reflect this. <a href="#">Action plan (appendix 1, point 1)</a>

Issue	Resolution
<p>being eliminated following the 5 yearly revaluation in 2016/17. The financial statements have been adjusted to eliminate this duplication.</p> <p>Whilst our testing in other categories of non current assets did not identify any other duplication, there is a risk that other categories of non current assets recorded in the asset register could have an element of duplication.</p>	
<p><b>2. Untaken annual leave accrual</b></p> <p>Our review of the untaken annual leave accrual identified errors within the calculations. The net effect resulted in a £0.931 million increase to the 2016/17 untaken annual leave accrual. Whilst they were of a different nature, the previous external auditor identified errors in the annual leave accrual in previous years.</p>	<p>The audited accounts have been updated to reflect this.</p> <p><a href="#">Action plan (appendix 1, point 2)</a></p>
<p><b>3. 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 were omitted from the asset register and the unaudited accounts.</p>	<p>The audited accounts have been updated to reflect this.</p> <p><a href="#">Action plan (appendix 1, point 3)</a></p>
<p><b>4 International Accounting Standard (IAS19) pension liability</b></p> <p>The pension liability represents the difference between the expected future payments to be made to former employees of the council and their spouse in the form of pension payments and the underlying value of pension fund assets to meet this cost. The calculation of the liability is assessed by professional actuaries each year and is an estimated figure.</p> <p>There has been an increase in the 'net liability arising from defined benefit obligation' of £87.186 million to £240.926 million at 31 March 2017. This is due to a reduction in the net discount rate increasing the assessed value of liabilities, as a higher value is placed on benefits paid in the future. Although the liability will continue to vary, this information is necessary for the council to ensure the pension fund remains affordable and adequately funded.</p>	<p>The triennial valuations of the pension fund carried out by Strathclyde Pension Fund assures that the pension fund remains adequately funded. The financial statements have been prepared on the basis of these assumptions.</p>
<p><b>5. Equal pay</b></p> <p>The council continues to review its equal pay claims and are currently seeking to settle claims outwith the formal employment tribunal process, with offers having been paid to 393 individuals. Following a review of settlements by the council, the provision in the unaudited accounts was reduced by £0.501 million to £0.750 million.</p>	<p>The audited accounts have been updated to reflect this. The Council considers the remaining provision of £0.750 million is sufficient to meet all known equal pay claims against the Council.</p>
<p><b>6. Termination pay accrual</b></p> <p>The unaudited financial statements included a</p>	<p>It has been agreed with officers that these costs will be taken out of provisions. Instead, an earmarked balance from the general fund will be identified to</p>

Issue	Resolution
<p>provision for termination costs of £1.972 million. Supporting working papers were provided showing how the figure was calculated, however following discussion with officers it was apparent that the calculation did not demonstrate whether a constructive obligation to meet these costs existed at the year end.</p> <p>This is due to the nature of future savings currently planned where the specific impact on employees is not yet known at this time. This means that this sum doesn't meet the requirements of accounting standards to be treated as a provision.</p>	<p>continue to reflect a prudent approach to planning for the future impacts of required future savings.</p> <p><a href="#">Action plan (appendix 1, point 4)</a></p>

## Going concern

**29.** The financial statements of the Council, its group and the associated charitable trusts have been prepared on the going concern basis.

## Management commentary, annual governance statement and remuneration report

**30.** The [Code of Audit Practice 2016](#) requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

**31.** Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

## Other findings

**32.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

## Objections and Whole of Government Accounts

**33.** 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. No objections were submitted on the accounts.

**34.** The Council submitted a consolidation pack for the whole of government accounts audit on 27 July 2017. This was in accordance with the prescribed timescales for submission.

# Part 2

## Financial management



### Main judgements

**Financial management is effective with a budget setting process focused on the Council's priorities.**

**The Council has a good track record of delivering services within its budgets and over the last three years has consistently contained its expenditure within annual budgets. However, there was significant capital programme slippage in 2016/17 which continued a trend over recent years.**

**The Council has effective internal controls in place within the main financial systems. We did not identify any significant internal control weaknesses.**

**The Council has high borrowing levels relative to other Scottish Councils. Good management of the loan debt enabled interest charges to reduce in 2016/17 despite increases in borrowing during the year.**

### Financial performance in 2016/17

**35.** The *Local Government in Scotland: Financial overview 2015/16* (November 2016) 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.

**36.** In February 2016, the Council approved a budget of £214.913 million for 2016/17. During the year there were revisions to the budget which adjusted this to £214.136 million. We noted that the Council's budget and savings plan is aligned to the Council priorities. This is consistent with good practice.

**37.** The Council has a good track record in delivering services within budget over recent years. Members are regularly informed of the year end outturn and the reasons for any significant movements from the previous reporting period. The £2.407 million underspend against budget was in line with the provisional out-turn submitted to the Scottish Government.

**38.** The Council's spending has remained in line with its overall budget. The most significant variance was an £0.874 million underspend in Education, Learning and Attainment.

**39.** Within the Council detailed scrutiny of financial performance is performed at service committees, and at meetings of the Council. From our review of the budget reports and attendance at Council meetings we concluded that they provided an overall picture of the budget position at service level. Also, the reports forecast out-turn position for the year and include good narrative explanations for significant variances against budget.

**Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.**

## Housing Revenue Account

**40.** 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.

**41.** The HRA recorded a surplus of £0.746 million in 2016/17 (2015/16: £1.647 million surplus), resulting in a closing HRA balance of £6.963 million. A large element of this balance (£6.117 million) is earmarked for regeneration of the housing stock. The remaining balance of £0.846 million is available for general use by the HRA and is in line with the reserves policy of 2% of expenditure.

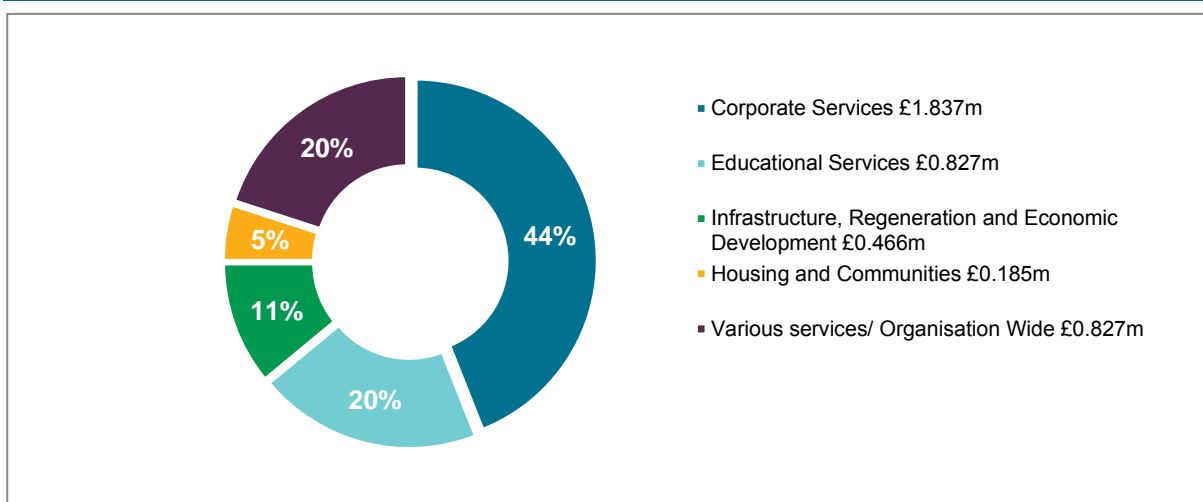
## Efficiency savings

**42.** With reduced funding from government and increased demand for services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

**43.** The Council and service committees routinely receive budget monitoring reports including savings plans which have been risk assessed. The planned savings for 2016/17 was £4.9 million. [Exhibit 4](#) demonstrates that the Council achieved actual savings of £4.1 million (84% of this total) in 2016/17. The shortfall was mainly due to delays in realising efficiencies planned through shared services.

### Exhibit 4

Efficiency savings 2016/17 by service



Source: Outturn reports: West Dunbartonshire Council 2016/17

## Borrowing in 2016/17

**44.** The Council's outstanding loans at 31st March 2017 were £383.496 million, an increase of £57.419 million on the previous year. The increase in borrowing was required to help finance the council's significant capital programme in 2016/17.

**45.** Interest payable and similar charges on borrowing, excluding PPP fell by £0.291 million in 2016/17 to £12.621 million. This was achieved through prioritising temporary borrowing at lower interest rates as naturally maturing debt of £87.144 million was repaid during the year. This resulted in the average interest on loans

held at the year end reducing from 3.64% at 31 March 2016 to 2.99% at 31 March 2017.

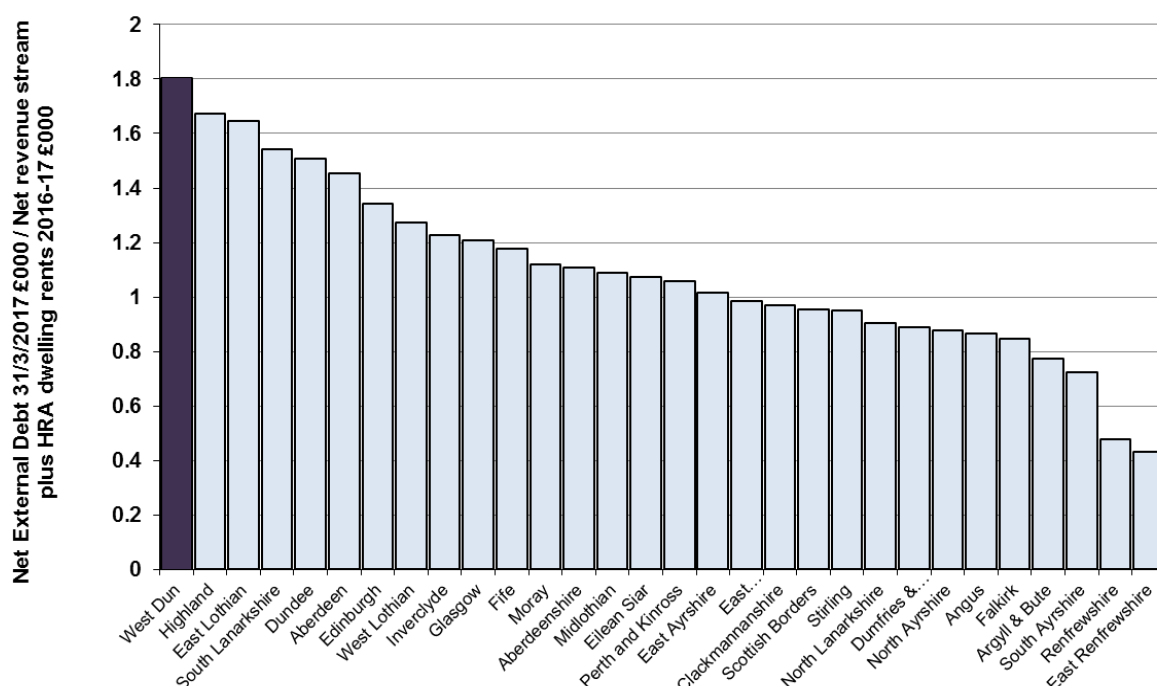
**46.** The Council entered into a PPP contract for three new community learning centres in 2009/10 and a primary school in 2011/12, with the contract running up to 2038/39. Over the remaining life of this contract, the council expects to pay £272.033 million in unitary charges covering service costs, interest payments and repayment of debt. This is built in to long term financial plans to ensure that the unitary charges are affordable over the life of the contracts. The council receives Scottish Government revenue support funding of £7.257 million annually to support its PPP commitments, which amounts to £159.654 million over the remainder of the contract.

**47.** The capital balance outstanding on PPP contracts at 31 March 2017 was £84.316 million, a reduction of £1.980 million from the previous year. The interest charge reduced slightly from £6.833 million in 2015/16 to £6.662 million in 2016/17. This is equivalent to a rate of 7.7% of the PPP finance lease liability at the beginning of the financial year.

**48.** Total external debt was within the authorised limit and operational boundary set within the council's treasury management strategy. [Exhibit 5](#) shows that the Council's net borrowing, as a proportion of net revenue stream including dwelling rents, continues to be amongst the highest in Scotland. It is recognised that the Council's borrowing figure includes debt associated with both the HRA and the Council's Public Private Partnership (PPP) assets which not all Scottish local authorities will have.

## 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



Source: Audit Scotland database July 2017 – unaudited 2016/17 accounts (excluding Orkney and Shetland)

**49.** The presentation of local government accounts mean that it is not always possible to show the General Fund and HRA debt separately against the rest of Scotland. This is an important distinction, as the cost of servicing HRA debt will affect council house rents, whereas the cost of servicing General Fund debt will need to be met from the net revenue stream (i.e. general revenue grants, NDR and council tax) that are typically used to fund services.

**50.** An analysis of the debt outstanding for the Council shows: the General Fund debt to annual net revenue stream at a factor of 1.26; and the HRA debt as a proportion of HRA income at 4.85. The Council considers the affordability of capital investment each year as part of the integrated budget setting process and considers affordability of debt in terms of the proportion of the annual revenue which is used for loan charges. This is projected long term into the future to identify peaks and allow elected members to make informed decisions as to affordability into the long term. The HRA position is significantly higher than the General Fund position, however much of this debt is recent borrowing to fund the attainment of the Scottish Housing Quality Standard and the Council has a 30 year strategic plan for the HRA which is tested each year to ensure the planned capital investment does not breach affordability rules set by the Council.

**51.** The Council need to balance the delivery of their capital programme to ensure it can service the medium to long term debt incurred to finance it. We note that the Council's treasury strategy and capital plan consider the affordability in relation to the capital plan over the next 10 years and beyond.

### **LOBO debt included within borrowing**

**52.** In response to correspondence received at a national level Audit Scotland are reporting, within each council's annual audit report, the extent to which the Council has Lender Option Borrower Option (LOBO) loans. A LOBO loan is typically a long term loan where the interest rate is initially fixed but the lender has the option to propose or impose on pre-determined future dates, a new fixed interest rate. The borrower has the option to either pay the revised interest rate or to repay the loan.

**53.** Eleven LOBOs were taken out by the Council between April 2000 and September 2014, with one of these being repaid early in 2016.

**54.** Seven of these loans, with a value of £52.400 million relate to: five pre-existing loans that were re-negotiated with Barclays between 2005 and 2006 at the best rates available at the time (rather than repay these and incur premiums); one for £5 million was a pre-existing loan held with another financial institution that was purchased by Barclays and terms were re-negotiated in 2006; with the final loan for £8 million being a new loan taken out in 2008. In five of these loans there has been just one step in interest rates since inception, one loan has had two steps, while the new loan taken out in 2008 had no steps included in the terms of the loan. In all cases interest has been paid at a fixed interest rate for a number of years and will continue to do so until the loans are terminated.

**55.** In June 2016 Barclays advised the Council that they were waiving their right to either increase the interest rates on these loans or call in the loan early, thus the Barclays loans are no longer classed as LOBO loans and are now fixed rate loans at their current rates with their stated maturities.

**56.** The loan that was repaid early in 2016 incurred a premium of £0.121 million but this is more than offset by the actual savings of £0.647 million that will accrue to the Council over the period of the replacement loan.

**57.** The total value of the Council's market loans with financial institutions is £87.600 million and comprise the seven Barclays loans with a combined value of £65.400 million and the remaining three LOBOs which have a value of £22.200 million and were taken out in 2000, 2003, and 2014 respectively.



**58.** . We are satisfied that the use of LOBOs was undertaken in line with the council's treasury management policy, which is reviewed and approved annually by councillors and that the potential for debt restructuring is kept under regular review.

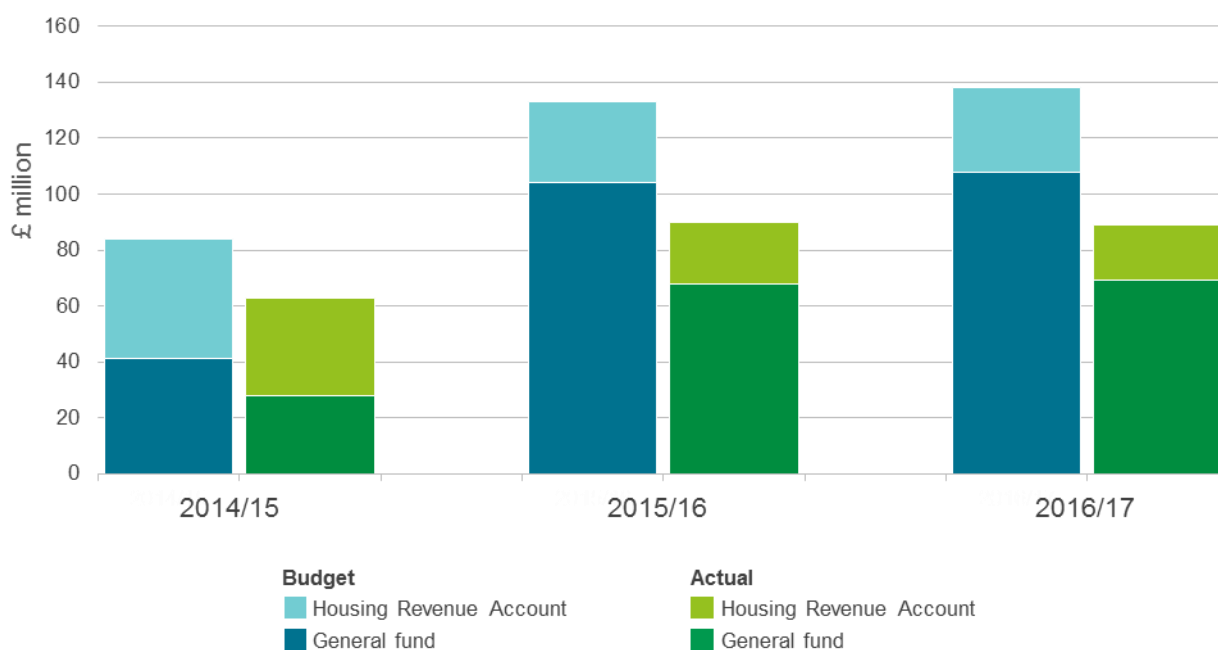
### Capital programme 2016/17

**59.** Total capital expenditure in 2016/17 was £88.667 million, of which £68.655 million related to general services and £20.012 million related to the housing revenue account. The scale of the programme has increased substantially since 2014/15 which makes its management more challenging.

**60.** There was slippage in 2016/17 of £50.888 million (36.9% of budget). This continues a trend of significant slippage in the council's capital programme as outlined in [Exhibit 6](#). This consisted of general fund capital slippage of 36.7% and HRA capital fund slippage of 37.7%.

## Exhibit 6

### Capital expenditure compared to budget (General Fund and HRA)



Source: West Dunbartonshire Council annual accounts 2014/15 to 2016/17

**61.** The slippage arose due to a variety of circumstances, the most significant of which are noted below:

- Queens Quay regeneration (£8.2 million) – delays due to complex design solutions and regulatory services required further information and clarification on the remediation strategy. The delay in approving the remediation strategy resulted in the road construction consent also being delayed.
- New Balloch campus (£3.6 million) – surveys identified the presence of asbestos on the site, resulting in a remediation strategy needing to be developed and further approval by the Council's Planning & Environmental Health departments.



- Levensgrove park (£3.3 million) – this project is mainly financed from external funding and could not start until the funding was confirmed. Funding has subsequently been confirmed and work will commence in 2017/18.
- Council office rationalisation (£2.8 million) – remediation works were required to the new Dumbarton office arising from the discovery of a significant gas storage tank on site.
- New build social housing programme 2016/17 (HRA: £2.9 million) – the tender resulted in higher than anticipated costs, resulting in a delay until additional grant income was secured. Work subsequently commenced on site and is due to be completed in September 2018.

**62.** Much of the slippage is due to circumstances that were outwith the control of the council and all delayed projects have been carried forward into 2017/18 capital budgets. This is also likely to be due to the significant amount of capital expenditure profiled into 2016/17. We are satisfied that there was frequent reporting of the capital programme progress to members which highlighted the capital programme slippage. However, slippage may also be indicative of poor project management or problems with the profiling of capital expenditure. There is a risk that continued slippage could impact service delivery in the future.

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## Recommendation 5

**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.**

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## Equal Pay

**63.** In September 2017, the Accounts Commission published its findings from an audit of equal pay across local government.

**64.** The audit found that councils underestimated the challenges involved in implementing the Single Status Agreement (SSA), and some of the approaches taken by councils did not always prioritise pay equality and were later found to be discriminatory. West Dunbartonshire Council implemented single status in March 2009 and reports that between 2004/05 and 2015/16 it has spent £19.8 million compensating workers who had been unfairly paid and settling equal pay claims.

**65.** Almost 27,000 equal pay claims across Scotland remain live and the council still had 441 live claims lodged with the employment tribunal at March 2017. Workers could potentially still make new claims against councils. The national report highlighted that all councils need to be confident that they have fair and transparent pay arrangements and take necessary action, such as regular equal pay audits, to deliver pay equality in line with their public sector equality duty.

**66.** West Dunbartonshire Council continues to process the existing equal pay claims and the level of provision required to settle them has reduced since the unaudited accounts were presented following detailed consideration, and claimants' representatives withdrawing from acting. The Council are currently seeking to settle claims outwith the formal employment tribunal process, with offers having been made to 393 individuals. The Council consider that the revised provision of £0.750 million incorporated in the financial statements is sufficient to settle all lodged equal pay tribunal claims.

## Financial capacity within the Council

**67.** The Section 95 officer is the Strategic Lead – Resources. He is a member of the corporate management team and has direct access to the chief executive and Council members. We concluded that the Section 95 officer has appropriate status within the Council.

**68.** Following a restructuring exercise in August 2016, the finance team decreased in size by 6.9 FTE, although four of these related to long term vacancies. While the Council considers there are sufficient numbers of qualified staff, the Council will continue to review the knowledge and experience of all staff as part of its approach to workforce planning.

**69.** With the recent Council elections there have been a number of new members elected. It is important that they receive adequate training on how the council works and how it is financed if they are to exercise their scrutiny responsibilities effectively. We reviewed the induction training and materials provided to new members and concluded that it was fit for purpose.

## Internal controls

**70.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of 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.

**71.** Our findings were included in our interim audit report that was presented to the Audit & Performance Review Committee in June 2017. We concluded that the key controls were operating effectively. No significant control weaknesses were identified which could affect the Council's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

**72.** The Governance Statement notes that the council's revised Code of Good Governance was approved by the Audit & Performance Review Committee on 8 March 2017. An assessment of the Council's compliance with the Code of Good Governance was reported to the Audit & Performance Review Committee on 21 June 2017.

## Prevention and detection of fraud

**73.** We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Council's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, fraud prevention and fraud response plan.

**74.** Based on the evidence reviewed by us, we concluded that the Council has satisfactory arrangements in place for the prevention and detection of fraud.

## National Fraud Initiative

**75.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated 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 error.

**76.** The latest position on NFI investigations by the Council is summarised in [Exhibit 7](#).

**Exhibit 7**  
National Fraud Initiative

**Total number of matches**



**6427**

**Number recommended for investigation**



**1155**

**Completed/closed investigations**



**817**

Source: NFI website

**77.** The Council engaged positively in the NFI exercise and has reviewed data matches timeously. To date, the 2016/17 NFI exercise has identified 17 fraud or errors with estimated savings of £0.035 million. We concluded that the Council has satisfactory arrangements in place for investigating and reporting data matches identified by the National Fraud Initiative.

# Part 3

## Financial sustainability



### Main judgements

**The Council's new administration is working on proposals for its strategic priorities which will be reflected in the 2018/19 budget.**

**The Council's financial position is sustainable but challenging in the foreseeable future. It recognises that plans to use £2 million of its general fund to balance the 2017/18 budget are not sustainable in the long term.**

**The Council's approach to financial planning is helping it to prepare for the challenges it will face, but savings of £11 million are still to be identified over the period to 2019/20.**

### Setting strategic priorities

**78.** Following the local government elections in May the administration of the Council changed. The new administration is currently working with officers towards agreeing the Council's new strategic priorities. The priorities will be reflected in a new Strategic Plan and the 2018/19 budget, to be set next February. The Council sees working with local partners as key to delivering services in the future. This is discussed further in section 5 of this report.

**79.** The revised strategic priorities and how effectively these are reflected in the Council's plans and performance monitoring will be reviewed as part of next year's audit.

### Financial planning

**80.** Although councillors only approve the budget for a single year, this is supported by indicative future spending plans (covering a three year rolling period) that forecast the impact of relevant pressures on the Council.

**81.** The council has a robust approach to medium term financial planning. The council has developed a medium-term financial strategy which is reviewed each year. The current financial strategy (approved in October 2016) covers the period to March 2020. While this does not cover the longer term period, it provides a clear link to the rolling three year budget, and provides information on projected revenue and capital balances together with cost driver data and anticipated levels of spending. The strategy also discloses the council's approach to scenario planning and the impact of the various scenarios on projected budget gaps. 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. We note that the Council's treasury strategy and capital strategy consider affordability in relation to the capital plan over the next 10 years and beyond.

**Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.**

## Recommendation 6

**The council should develop a financial strategy that covers the long term period that links spending to the Council's strategies.**

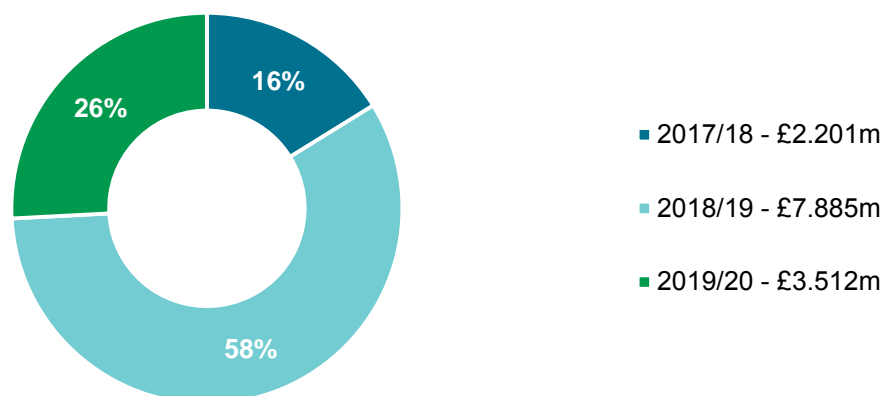
### Funding position

**82.** The Council is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demand for services, increasing costs of services and reductions in central government funding.

**83.** A break even budget for 2017/18 based on spending of £212 million was approved by the Council in February 2017. The cumulative budget gap over the three year period to 2019/20 is £11.397 million as outlined in [Exhibit 8](#) below. The funding gap for 2018/19 reported below incorporates the funding gap of £2.201 million for 2017/18 which is being financed from reserves. The council recognises that the use of reserves to fund services is not sustainable over the longer term.

### Exhibit 8

Funding gap 2017/18 – 2019/20



Source: West Dunbartonshire Council 2017/18 budget – February 2017

**84.** The funding gap incorporates existing savings requirements approved over previous years which are embedded within annual budgets. As outlined in paragraph 43, the Council delivered most of its efficiency savings target in 2016/17. However, there is a risk to future service delivery if the Council does not address the projected funding gap. This will continue to be addressed in the Council's medium term financial planning and long term financial strategy.

### Reserves

**85.** One of the key measures of the financial health of a local authority is the level of reserves held. The Council's usable reserves increased from £22.255 million in 2015/16 to £24.679 million in 2016/17 as shown in [Exhibit 9](#). The increase was primarily due to the £1.696 million surplus generated by the general fund during the year together with the surplus of £0.746 million generated by the HRA.

## Exhibit 9

### Usable reserves

Reserve	31 March 2016	31 March 2017
	£' million	£' million
General fund	£11.203	£13.118
Housing revenue account reserve	£6.217	£6.963
Capital grants unapplied account	£0.484	£0.466
Capital reserve	£3.824	£3.633
Other reserve	£0.527	£0.499
<b>Total usable reserves</b>	<b>£22.225</b>	<b>£24.679</b>

Source: West Dunbartonshire Council 2016/17 Annual Accounts

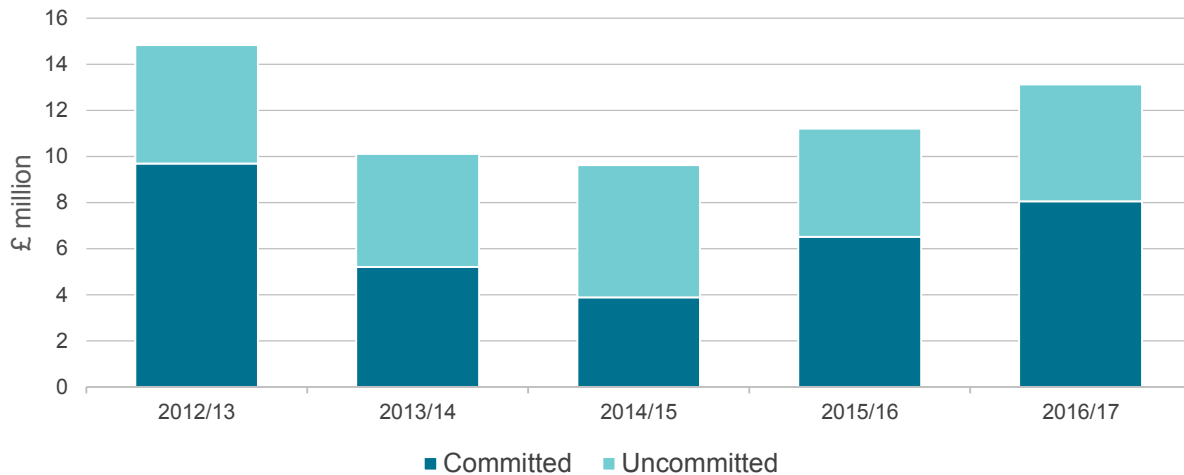
**86.** The general fund balance is the largest usable reserve and accounts for £13.118 million (53%) of usable reserves. This reserve has no restrictions on its use. Its main purpose is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows.

**87.** 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 (net of requisitions) to safeguard assets and services against financial risk. This equates to £4.1 million for 2016/17. At 31 March 2017 the council's uncommitted general fund balance level was £5.063 million. The committed element of the general fund balance at 31 March 2017 is £8.055 million.

**88.** [Exhibit 10](#) provides an analysis of the general fund reserve over the last five years split between committed and uncommitted reserves. This shows that the general fund balance has shown small increases over the last few years. As previously noted, committed balances include £2.2 million to be used to help fund budgeted expenditure in 2017/18 and £1.972 million is being held to fund future termination costs.

## Exhibit 10

### Analysis of general fund over last five years

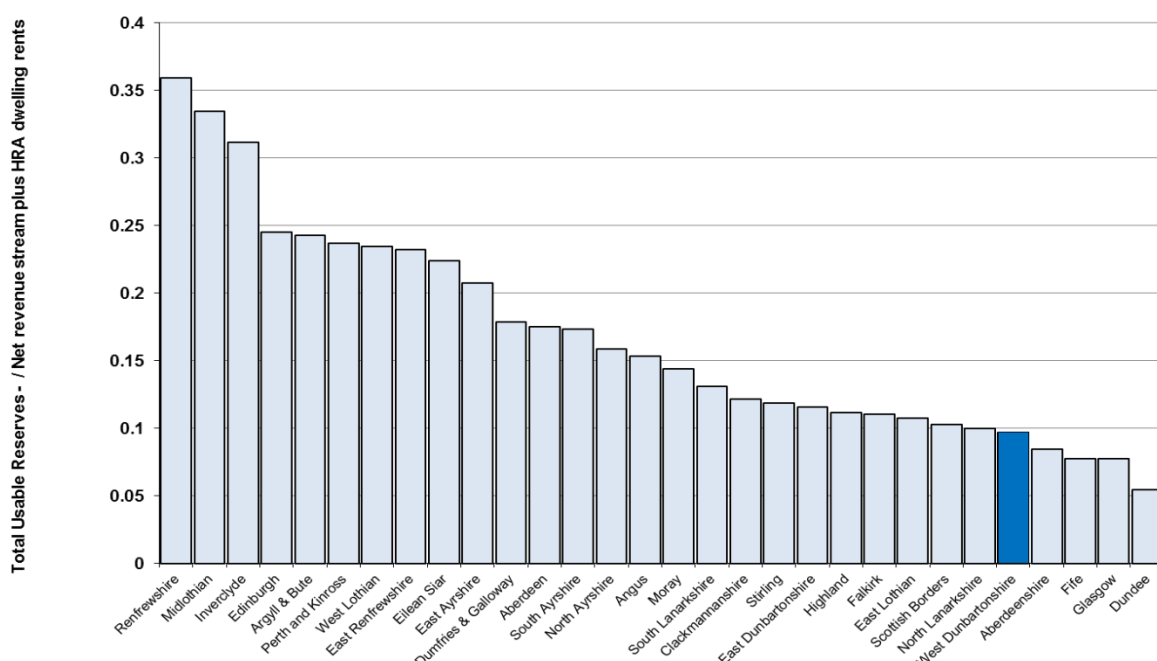


Source: West Dunbartonshire annual accounts – 2012/13 to 2016/17

**89.** Despite the in year increase, [Exhibit 11](#) highlights that the Council's usable reserves (as a proportion of net revenue stream plus housing rents income) is in the lowest quartile in Scotland. The Council, like all local authorities, faces ongoing financial pressures. Ensuring 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.

## Exhibit 11

### Usable reserves as a proportion of net revenue stream including dwelling rents



Source: Audit Scotland database July 2017 (excluding Orkney and Shetland) – unaudited accounts, WDC based on audited figures

# Part 4

## Governance and transparency



### Main Judgements

**The Council has effective governance arrangements in place which support its stewardship of resources and scrutiny of performance.**

**The Council is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Council and its committees.**

### Governance arrangements

**90.** Members and management of the Council are responsible for establishing arrangements to ensure that its 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. We concluded that the council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision-making.

**91.** The council's corporate governance framework is centred on the full council, supported by five standing committees and appropriate sub-committees. Council and committee meetings are well attended by elected members and papers are subjected to a good level of scrutiny.

**92.** The Audit and Performance Review Committee oversees the development of the council's best value and continuous improvement activity as well as the performance management activity of the council. The committee is well attended by elected and lay members and appropriate council officers are in attendance.

### Internal audit

**93.** Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.

**94.** We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

**95.** To avoid duplication of effort, we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's work in the following areas: Accounts Receivables, Payroll and Cash and Bank. Also, we considered internal audit report findings as part of our wider dimension work.

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

**96.** Citizens should be able to hold the council to account for the services provided. Transparency means that citizens have access to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources.

**97.** There is evidence from a number of sources which demonstrates the Council's commitment to transparency. Members of the public can attend meetings of the full Council and other committees. Minutes of these committee meetings and supporting papers are readily available on the Council's website.

**98.** The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint.

**99.** Arrangements should be put in place to ensure that all senior officer interests are documented on an annual basis to help demonstrate that there are no conflicts of interests. We note that internal audit is currently carrying out audit work to ensure that this is addressed.

**100.** The Council publishes its annual accounts 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.

**101.** Overall, we concluded that the Council conducts its business in an open and transparent manner.

## Integration of health and social care

**102.** The West Dunbartonshire Health & Social Care Partnership Board (hereafter referred to as the West Dunbartonshire Integration Joint Board) has been operational since 1 July 2015 and 2016/17 is therefore the second year that financial statements have been prepared for the Board.

**103.** The West Dunbartonshire Integration Joint Board (IJB) is provided in partnership with NHS Greater Glasgow & Clyde. The financial transactions of the WDIJB have been consolidated into the Council's group accounts.

**104.** The Council has good arrangements in place to identify all financial transactions that relate to the IJB. There are also proper arrangements in place to agree the council's share of the IJB budget and to provide officers with appropriate financial information to enable West Dunbartonshire IJB to monitor its financial budget.

**105.** The Council have notified the IJB of its funding for 2017/18, which incorporates the IJBs share of the council's efficiency requirements. This has been agreed with the IJB and was approved at its meeting in March 2017.

**106.** The IJB approved its second Strategic Plan, covering a three year period 2016-2019 in August 2016. The Strategic Plan sets out the Board's commissioning priorities for the medium term period with a commitment to the delivery of effective clinical and care governance and Best Value.

**107.** It is still too early for the council or its partners to demonstrate any significant examples of new ways of working that promote integration or the impact or improvements to services. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of IJBs being established. This is due in spring 2018. We plan to use this to assess progress once the work on this report has been completed.

## Local scrutiny plan

**108.** The 2017/18 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was submitted to West Dunbartonshire Council in June 2017.

**109.** 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.

## Equalities

**110.** The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

**111.** The Council approved their Equalities Mainstreaming and Outcomes Report 2017-2021 in April 2017.

**112.** The report contain details confirming the extent of progress achieved in delivering equality outcomes and a revised set of equality outcomes for delivery over the next four years.

**113.** We reviewed the current equalities reports and concluded the board has met its statutory duty to:

- publish information on progress made in mainstreaming equality within the council
- report on progress made towards achieving equality outcomes published in 2013
- publish annual employee information and details of the progress made in gathering and using information to better meet the duty
- publish updated gender pay gap information.

**114.** We concluded, on the basis of evidence reviewed, that the Council is proactive in ensuring that equality is mainstreamed. Equality outcomes for the next four years have been determined and the Council will be reporting progress in 2019.

# Part 5

## Value for money



### Main judgements

As part of the five year national programme, a Best Value audit of the Council will be reported in June 2018.

The Council has effective arrangements for reporting on its performance. The latest performance data reported nationally is mixed, with 23% of the council's indicators in the top quartile (2014/15: 22%) and 35% in the bottom quartile (2014/15: 25%). The Council's Annual Report and Year End Performance 2016/17 document shows improvements in performance since 2015/16.

### Best Value

**115.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be 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. Audit work will be starting in October 2017 for the Council's BVAR report, scheduled to be discussed by the Accounts Commission in June 2018. The scope of the work will be discussed with senior officers soon.

**116.** The Best Value audit work carried out this year focussed on the Council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management. The findings of this work are reported earlier in this report. The effectiveness of the Council's Best Value arrangements in other areas will be assessed as part of the planned BVAR next year.

### Shared services

**117.** The Accounts Commission and Auditor General have highlighted the benefits to the people who use council services, communities and public sector organisations of working well together. Audit Scotland's recent report, Local government in Scotland: Performances and Challenges 2017, however, identified limited evidence of councils collaborating or sharing services.

**118.** The Council has established a Change Board which is responsible for the delivery of the "Delivering for the Future" strategy, the council's capital plan and any other strategic change projects as determined by the board. The board consists of the Strategic Leadership Group and is chaired by a Strategic Director. The Board meets monthly with project sponsors reporting on progress using an established project template.

Value for money is concerned with using resources effectively and continually improving services.

**119.** One workstream monitored by the Change Board is the shared services project “Developing Services through Partnerships” which focuses on changing how the council works through developing partnerships and sharing resources.

**120.** Discussions are underway with various councils and public sector organisations to consider sharing opportunities across a range of council services. The Council has successfully agreed partnership working with the Loch Lomond and Trossachs National Park and provides internal audit and grounds maintenance services.

**121.** The Council agreed in June 2016 to establish a Shared Services Joint Committee (SSJC) with Inverclyde Council and East Dunbartonshire Council. A Lead Officer Group has also been established.

**122.** The SSJC has met twice in 2016/17, with a strategic business case for the sharing of roads and transportation services approved by the SSJC in March 2017.

**123.** Following this, a consultant has been appointed and a project programme has been issued. For roads and transportation services a detailed business plan is being developed. Opportunities for further sharing of services are currently being scoped.

**124.** Progress was delayed during 2016/17, however since the year end there has been increased activity as noted earlier. The Council should ensure they continue to build on the progress made to realise efficiencies and the benefits of sharing resources.

### Following the public pound

**125.** Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

**126.** Leisure services in West Dunbartonshire are provided through an arms length external organisation (ALEO), the West Dunbartonshire Leisure Trust. The Council maintains ownership of the material property assets and a service level agreement is in place to manage the delivery of leisure services. Whilst we have not carried out any audit work this year, in previous years we confirmed that the Council had appropriate governance arrangements in place in respect of community grants, economic development grants and funding provided to procure services from the local third sector.

**127.** The Council has appropriate arrangements for ensuring compliance with the Code of Guidance on funding external bodies and following the public pound.

### Performance management

**128.** The Council is committed to having a strong framework in place for monitoring and reporting performance. A corporate self-evaluation model is in place which is based on the Public Sector Improvement Framework and operates in conjunction with service specific self-evaluation activity. The council also participates in the Local Government Benchmarking Framework (LGBF) which brings together performance indicators for a range of services as well as service costs and customer satisfaction. Regular performance monitoring against strategic priorities and service plans is undertaken at the monthly Performance and Monitoring Group, chaired by the Chief Executive.

**129.** The Council’s priorities are set out in its strategic plan 2012-2017 and are supported by a series of objectives. Progress against these objectives is assessed using a range of performance indicators with the progress reported in the council’s public performance report and through a series of booklets, each focusing on specific areas. Any performance indicators which relate to services provided by

the Health and Social Care Partnership (HSCP) and are now reported separately through the HSCP annual performance report.

**130.** We have concluded that the Council has robust and effective performance management arrangements.

**131.** The performance management framework uses [\*How Good is Our Council\*](#), and this is now in established use across all services. The Council provides corporate support, including facilitated events for all services, to maintain consistent standards in the process.

## Overview of performance targets

**132.** The Council participates in the [\*Local Government Benchmarking Framework\*](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

**133.** The most recent National Benchmarking Overview Report 2015/16 by the Improvement Service was published in February 2017 and covered the 2015/16 reporting period. This report was submitted to the Audit and Performance Review committee in March 2017.

**134.** This identified areas where the Council is performing well; areas where improvement is required, as well as comparing the Council's performance to a Scotland wide benchmark for each performance indicator (PI). Overall, this showed mixed performance by the Council.

**135.** Of the indicators measured as part of the 2015/16 reporting period, the council performed better than the Scotland figure for 25 PIs. This represents 32% (51% in 14/15). Compared to other council's, 18 were ranked in the top quartile. This represents 23% (22% in 2014/15). Areas performing well include attainment levels within Children's Services, satisfaction levels within adult social care, and net costs for waste service per premises.

**136.** Areas in the bottom quartile include the cost of parks and open spaces per 1,000 population; percentage of income due from Council Tax received by the end of the year, and the percentage of procurement spent on local small/medium enterprises. In total, there were 27 indicators which fell into the bottom quartile. This represents 35% (25% in 2014/15). Each service reviews the indicators which fall within their remit, which aids in informing actions incorporated into delivery plans to sustain or improve performance.

**137.** The annual report and year end performance for 2016/17 was reported to the Council in August 2017 and demonstrated an improvement in performance in 2016/17. This provides a balanced scorecard of the Council's progress in achieving their objectives and the extent to which performance is improving. The report demonstrates the Council's progress against 74 reported Statutory Performance Indicators (SPIs) (70 were reported in 2015/16) and 28 Strategic Plan performance indicators (PIs).

**138.** The analysis of SPIs showed that: 51 (69%) met or exceeded target in 2016/17 compared to 37 (53%) in 2015/16; 18 (24%) narrowly missed target in 2016/17 compared to 28 (40%) in 2015/16; and 5 (7%) of indicators significantly missed target in both years. Information for three further SPIs was not available when the report was produced.

**139.** Analysis of PIs showed that: 17 (61%) met or exceeded target in 2016/17, compared to 12 (44%) in 2015/16; 6 (21%) narrowly missed target in 2016/17 compared to 11(41%) in 2015/16; and 5 (18%) significantly missed the target in 2016/17, an increase of one from 2015/16. Information on four further PIs was not available when the report was published.

## Statutory performance indicators (SPIs)

**140.** 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.

**141.** For 2016/17 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.

**142.** The annual report and suite of performance information was reported to the Council in August 2017. This clearly demonstrates whether or not performance targets are being met.

**143.** Overall we concluded that the Council's arrangements for publication are satisfactory.

## National performance audit reports

**144.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Council. These are outlined in Appendix 3.

**145.** The Audit & Performance Committee have processes in place for considering 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 2016/17

### 2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p><b>1. 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 yearly revaluation 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>	<p>Procedures should be in place to ensure that, following revaluation, all previous expenditure and aggregate depreciation is incorporated into the revalued amount.</p> <p>The fixed asset register should also be reviewed to ensure these errors are not repeated in other categories.</p>	<p>We will review the asset register to ensure any such issues are removed ahead of the 2017/18 accounts. We will review year end procedures to ensure valuations are agreed with the valuer.</p> <p>Finance Manager – G McNeilly.</p> <p>By 31 March 2018.</p>
10	<p><b>2. Untaken annual leave accrual</b></p> <p>Our review of the untaken annual leave accrual identified significant errors within the calculations. The net effect resulted in a £0.931 million increase to the 2016/17 untaken annual leave accrual. The previous external auditor identified errors in the annual leave accrual in previous years.</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>Procedures will be reviewed and a checking process implemented.</p> <p>Finance Manager – G McNeilly.</p> <p>By 30 April 2018.</p>
10	<p><b>3. Common Good Fund</b></p> <p>The audit identified two areas</p>	<p>The Council should review its procedures to ensure the</p>	<p>We will review the asset register to ensure any such</p>





**Page  
no.**

**Issue/risk**

**Recommendation**

**Agreed management  
action/timing**

	<p>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 not all common good land has been identified or attributed a fair value.</p>	<p>Common Good fixed asset register is up to date and complete.</p>	<p>issues are removed ahead of the 2017/18 accounts. We will review year end procedures to ensure valuations are agreed with the valuer.</p> <p>Finance Manager – G McNeilly.</p> <p>By March 2018.</p>
11	<p><b>4. 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>	<p>The council should review how they correctly account for the termination pay accrual.</p>	<p>The termination pay accrual accounting treatment will be considered at each financial year-end to determine correct treatment.</p> <p>Strategic Lead, Resources - S West</p> <p>31 May 2018.</p>
17	<p><b>5. 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>Budgetary control reports provided to Council and Committee advises as to impact of slippage and any mitigation available. Post project reviews are also undertaken to identify any lessons which will be applied to future projects.</p> <p>The capital plan is reviewed on an annual basis and profiles are reviewed. We will consider optimum bias.</p> <p>Strategic Lead, Resources - S West.</p> <p>31 January 2018.</p>





**Page  
no.**

**Issue/risk**

**Recommendation**

**Agreed management  
action/timing**

21	<p><b>6. 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 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>	<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>	<p>The long term finance strategy will be extended to cover a 10 year period.</p> <p>Strategic Lead, Resources - S West.</p> <p>31 January 2018.</p>
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# 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 opinion on the financial statements.

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 in order 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 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 Risk of 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 Risk of fraud over expenditure</b>  The Code of Audit Practice requires consideration of risk of	Analytical procedures on expenditure streams  Detailed testing of expenditure transactions focusing on the	Sample testing of expenditure transactions to confirm that these were in the normal course of business.

Audit risk	Assurance procedure	Results and conclusions
<p>fraud over expenditure (excluding payroll costs which are already a core part of all annual audits).</p>	<p>areas of greatest risk.</p>	<p>We obtained satisfactory explanations for any significant 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 the material account areas of non-current assets, provisions and pension liabilities. 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>Review of the work of an actuary.</p> <p>Review of the pension assumptions used by the actuary.</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 two financial years. There is a risk that the accrual may be understated in the council's balance sheet.</p>	<p>Review the 2016/17 untaken annual leave accrual during the audit of the 2016/17 financial statements.</p> <p>Ensure inclusion of untaken annual leave for those on maternity leave and long term sick leave.</p>	<p>We addressed this and reported this within significant findings to management at <a href="#">Exhibit 3</a></p>
<p><b>6 Financial statements audit</b></p> <p>To reduce the risk of missing sign-off deadlines for the financial statements, it is essential that there is a process in place within the finance department for responding timeously to audit queries.</p>	<p>Liaised with finance staff in advance of the financial statements audit.</p>	<p>The sign off deadlines for the 2016/17 financial statements were met.</p>
<p><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>		
<p><b>7 Financial sustainability</b></p> <p>At the time of writing the Annual Audit Plan, West</p>	<p>Review financial monitoring reports and the financial position.</p>	<p>We concluded that the Council's financial position is sustainable but challenging in the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Dunbartonshire Council had identified a funding gap of £2 million in 2017/18. This incorporates management adjustments and increase to council bandings. It was approved by members that reserves should be used to address this funding gap. West Dunbartonshire Council has an internally agreed prudential target of 2% of net expenditure. The use of reserves to close the funding gap in 2017/18 poses a significant risk that this prudential target will be breached.</p>	<p>Undertake specific audit work on financial planning and governance. This will include the robustness of long term financial planning.</p>	<p>foreseeable future.</p> <p>While efficiency savings initiatives have been identified over recent years and most of those relating to 2016/17 were achieved, further savings of £11 million still require to be identified over the period to 2019/20.</p>
<p><b>8 Capital management</b></p> <p>In 2016/17, the capital budget for West Dunbartonshire Council (including HRA) was £138 million.</p> <p>Last year external audit reported on significant underspends in the council's capital programme. In 2016/17, gross capital expenditure is projected to be underspent against the original budget by £35 million (26% underspend).</p> <p>There is a risk that the council's ability to deliver efficient and effective services and contribute to a prosperous, sustainable and inclusive economy for its area is affected due to delays in investment or improvements to the asset base.</p>	<p>On-going monitoring of capital budget, plans and monitoring reports and inclusion in annual report.</p>	<p>Significant slippage in the capital programme is reported and reflected in the Action Plan at appendix 1.</p>
<p><b>6 Elected members</b></p> <p>The 2017 local government elections will result in a number of new elected members. There is a risk that there is a loss of skills and experience amongst members and this may have a detrimental impact on the council's decision-making processes. To ensure members understand their roles and have the necessary skills to make informed decisions and provide effective scrutiny, development and training will be required. The Audit Scotland publication, How</p>	<p>Review of the council's induction and training arrangements for councillors following the elections.</p> <p>Participation in induction training by Audit Scotland staff.</p> <p>Assess the effectiveness of decision making and scrutiny arrangements as part of the ongoing BV audit work.</p>	<p>Our review of the council's induction and training arrangements, together with participation at this by Audit Scotland, enables us to conclude that appropriate arrangements are in place.</p>





















Audit risk	Assurance procedure	Results and conclusions
<p>Councils Work provides guidance in this area: <a href="http://www.audit-scotland.gov.uk/about-us/accounts-commission/how-councils-work-roles-and-working-relationships-in-councils-are-you">http://www.audit-scotland.gov.uk/about-us/accounts-commission/how-councils-work-roles-and-working-relationships-in-councils-are-you</a></p>		

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# Appendix 3

## Summary of performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

### Local government relevant reports

[\*The National Fraud Initiative in Scotland\*](#) – June 2016

[\*Social work in Scotland\*](#) – September 2016

[\*How councils work – Roles and working relationships in councils\*](#) – November 2016

[\*Local government in Scotland: Financial overview 2015/16\*](#) – November 2016

[\*Local government in Scotland: Performance and challenges 2017\*](#) – March 2017

# West Dunbartonshire Council

## Proposed 2016/17 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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West Dunbartonshire Council  
Garshake Road  
Dumbarton  
G82 3PU

27 September 2017

## West Dunbartonshire Council 2016/17 Annual Audit Report

1. 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. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our proposed annual report on the 2016/17 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified
2. 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 2017 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to Audit and Performance Review 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.
4. 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.
5. As part of the completion of our audit we seek written assurances from the Strategic Lead - Resources on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Strategic Lead - Resources with the signed financial statements prior to the independent auditor's opinion 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 2017 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, the Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non-domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services 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 2016/17 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 of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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 Strategic Lead - Resources 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.

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

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Lead - Resources and the overall presentation 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&I) 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.

## **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 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable 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 auditable 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  
Assistant Director  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2017

## APPENDIX B: Letter of Representation (ISA 580)

Fiona Mitchell-Knight, Assistant Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Fiona

### **West Dunbartonshire Council Annual Accounts 2016/17**

1. This representation letter is provided in connection with your audit of the financial statements of West Dunbartonshire Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of West Dunbartonshire Council, as at 31 March 2017 and its expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Audit and Performance Review Committee, the following representations given to you in connection with your audit of West Dunbartonshire Council for the year ended 31 March 2017.

### **General**

3. I acknowledge my responsibility and that of West Dunbartonshire Council for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by West Dunbartonshire Council have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Management Commentary to the financial statements, including the Remuneration Report, presents a balanced picture of West Dunbartonshire Council and is consistent with the financial statements.
5. 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 identified in the auditor's report to those charged with governance (ISA260).

### **Regularity of Financial Transactions**

6. The financial transactions of West Dunbartonshire Council are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### **Financial Reporting Framework**

7. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2016/17, and 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, including all relevant presentational and disclosure requirements.

8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of West Dunbartonshire Council and its group for the year ended 31 March 2017.

### **Accounting Policies & Estimates**

9. All material accounting policies adopted are as shown in the Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the UK 2016/17.
10. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

### **Going Concern**

11. I have assessed the council's ability to carry on as a going concern and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

### **Related Party Transactions**

12. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the UK 2016/17.

### **Events Subsequent to the Date of the Balance Sheet**

13. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
14. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

### **Corporate Governance**

15. I acknowledge as Strategic Lead - Resources my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
16. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the UK 2016/17. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2017, which require disclosure.

## **Fraud**

17. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

## **Assets**

18. The assets shown in the Balance Sheet at 31 March 2017 were owned by West Dunbartonshire Council, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

19. All liabilities have been provided for in the financial records, including the liabilities for all purchases to which title has passed prior to 31 March 2017.

## **Carrying Value of Assets and Liabilities**

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the UK 2016/17. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

## **Provisions**

21. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2017 and of which West Dunbartonshire Council could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2017.

## **Integration Joint Boards**

22. West Dunbartonshire Integration Joint Board has been consolidated within the West Dunbartonshire financial statements for 2016/17 in accordance with IAS 27 Consolidated and Separate Financial Statements and the Code of Practice on Local Authority Accounting in the UK 2016/17. The Integration Joint Board figures used in the consolidation process were based on the unaudited accounts for West Dunbartonshire Integration Joint Board. We do not anticipate any material changes to the unaudited figures used in the consolidation.

Yours sincerely

Strategic Lead - Resources





West Dunbartonshire Council  
Garshake Road  
Dumbarton  
G82 3PU

27 September 2017

## West Dunbartonshire Council Registered Charitable Trusts Report to those charged with governance on the 2016/17 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 2017 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 2016/17 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 2017 (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 2016/17. 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 ISA580 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. **Missing governance documents:** The McAuley Prize for Mathematics is specifically covered by a Statutory Instrument in 1996 whereby the administration of that specific endowment was to pass from the former Strathclyde Regional Council to the Governors of the Dunbartonshire Educational Trust who administer it. This trust did not incur any expenditure in 2016/17.

**Resolution:** The Council will pursue the issue regarding missing documentation of the McAuley Bequest through the Governors of the Dunbartonshire Educational Trust

13. **Missing title documents for investments:** As reported by the previous external auditor, no supporting documentation has been provided to detail the title for the investment held by the Dunbartonshire Educational Trust Scheme 1962. As a result of this, it is not possible to ascertain whether the charity has title for the investments and it is not possible to confirm the £218 market price of the investments detailed in the financial statements.

**Resolution:** Officers have contacted Clydeport Authority requesting copies of the original investment. This will be followed up with Clydeport Authority to obtain copies of original investment documents.

14. **Redemption value of investments redeemed in previous year.** As noted in the Trustees Annual Report, the Dunbartonshire Educational Trust Scheme 1962 redeemed 2 1/2% Consolidated Stock and 3 1/2% Conversion Stock in 2015/16. These were valued at £4,473 in the 2015/16 accounts pending receipt of redemption proceeds. £2,587 was received in 2015/16 from the proceeds of this disposal, but this was made out to Glasgow City Council. The value of this investment has been reduced from £4,473 to £2,587 and is included within the investment balance of £2,805 in the Trust's statement of balances at 31 March 2017.

**Resolution:** Officers have contacted Glasgow City Council, however, they advised that they did not accept the payment and that funds remain with the broker. Officers are currently pursuing.

15. **Dormant trusts:** The War Memorial Dumbarton Trust fund and the Halkett Memorial Dumbarton Trust fund were fully dispersed in 2016/17 following approval by trustees. The remaining trusts have been dormant for a number of years and an assessment was made in 2015/16 that no tangible benefits were being derived from the trusts. The previous auditors were advised that new governance documents were being sought and plans would be approved to either disperse or actively manage all of the funds. The current position for each of the trusts has been summarised below.

- **Vale of Leven Fund** - Trust deeds were updated. Actively marketed and agreed to close once funds have been depleted. However no applications received to date.
- **UIE Award** - Ongoing Trust is being actively marketed. However no applications have been received for a number of years and officers plan to revise the trust deed.
- **DR AK Glen** - Trust deeds were updated. The Trust has met in 2017/18 and grants have been agreed.
- **Alexander Cameron Bequest** - Trust deeds were updated. The Trust has met in 2017/18 and grants have been agreed.
- **Dunbartonshire Educational Trust Scheme 1962** - Ongoing discussions with OSCR to update the trust deed but this has not yet been resolved. The Trust has not met since the previous year to agree the next course of action.
- **McAuley Prize for Mathematics** - The Trust deed has not been updated. The Trust has not met since the previous year to agree the next course of action.

**Resolution:** Officers will continue to promote the ongoing Trusts and pursue a resolution to revitalise the Educational Trust.

## **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
  - War Memorial Dumbarton
  - Halkett Memorial Trust
  - Vale of Leven Fund
  - UIE Award
  - Dunbartonshire Education Trust Scheme 1962.

## APPENDIX B: Proposed Independent Auditor's Report

### 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 2017 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. 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 2017 and its 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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 responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charities and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation 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&I) 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.

### **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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Report on other requirements**

#### **Opinion on other prescribed matter**

I am required by the Accounts Commission to express an opinion on the following matter. 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.

Paul Craig CA  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
27 September 2017

Paul Craig is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

## APPENDIX C: Letter of Representation (ISA 580)

Paul Craig, Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

27 September 2017

Dear Paul

### **Charitable Trusts administered by West Dunbartonshire Council - Annual Accounts 2016/17 - Dr A K Glen Trust (Registered Charity SC018701) and West Dunbartonshire Trust Funds (Registered Charity SC025070)**

1. This representation letter is provided in connection with your audit of the financial statements of the registered charitable trust listed above where West Dunbartonshire Council is a trustee for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position of each of these registered charitable trusts as at 31 March 2017 and its income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where West Dunbartonshire Council is a trustee, the following representations given to you in connection with your audit for the year ended 31 March 2017.

#### **General**

3. I acknowledge my responsibility and that of West Dunbartonshire Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered trusts listed above have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustees Annual Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I am not aware of any uncorrected misstatements.

#### **Financial Reporting Framework**

6. The Annual Report and Financial Statements have been prepared on a receipts and payments basis as per applicable regulations and the founding documents of each Trust.
7. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
8. Disclosure has been made in the financial statements of all matters necessary for them to present fairly the transactions and state of affairs of each registered charitable trust for the year ended 31 March 2017.



## **Accounting Policies & Estimates**

9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

## **Going Concern**

10. A number of the trusts have been dormant in recent years. The Trustees have assessed the ability of the registered charitable trust to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

## **Related Party Transactions**

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24.

## **Events Subsequent to the Balance Sheet Date**

12. There have been no material events since the date of the statement of balances which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the statement of balances no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

## **Corporate Governance**

14. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

## **Fraud**

15. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

## **Assets**

16. The cash fund and investments shown in the statement of balances at 31 March 2017 were owned by the registered charitable trust. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.

Yours sincerely



Stephen West

Accountable Officer



## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by Strategic Lead - Resources**

**Audit and Performance Review Committee: 27 September 2017**

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#### **Subject: Audit Action Plans**

#### **1. Purpose**

**1.1** The purpose of this report is to advise the Committee of:

- Recently issued Internal Audit action plans; and
- Progress made against action plans previously issued contained within Internal Audit and External Audit reports.

#### **2. Recommendations**

**2.1** It is recommended that Members consider and note the contents of this report.

#### **3. Background**

**3.1** When audit reports are issued by External and Internal Audit departmental management agree an action plan in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored and reported to the Audit and Performance Review Committee.

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

##### Action Plans

**4.1** The Appendices to this report will be run in the days leading up to the committee meeting so as to provide as up to date a position as possible in the progress of actions. Appendix A contains Internal Audit action plans recently agreed and issued. Appendix B details the outstanding actions on previously issued Internal Audit reports. Appendix C details the outstanding actions for External Audit reports, including the Local Scrutiny Plan for 2017/18.

**4.2** To put the action plans into context and highlight the risks being mitigated, a summary for recently issued reports included at Appendix A is provided at paragraphs 4.3 to 4.5 below.

##### Project 119 (Fine Art Collection)

The audit tested the following areas in relation to the Council Fine Art Collection:

- Policies & Procedures;
- Storage & Security of Collection;
- Valuations;
- Insurance Arrangements;
- Loans;
- Shared Arrangements; and
- Inventories.

The actions identified are required to mitigate risks in relation to:

- The “Acquisition and Disposal Policy - Clydebank Museum and Art Gallery”, which requires to be updated;
- An agreement to share a painting with other local authorities; and
- Accession of paintings into the collection.

#### **4.4 Project 120 (ICT Disaster Recovery / Business Continuity Controls)**

The audit sought to address the following key questions:

- Are WDC’s ICT Disaster Recovery plans up to date?
- Have the arrangements been tested?
- What arrangements are in place for building resilience into the systems development and implementation processes, particularly with large corporate systems?

The actions identified are required to mitigate risks in relation to:

- Plans and timescales to effectively test failover preparedness to the primary DR site;
- Plans and timescales to effectively test DR arrangements for the main telephony systems and for large departmental and corporate systems;
- Access to key DR documentation in the event of a complete failure of the primary datacentre;
- Re-evaluation of the prioritisation and recovery time objectives of key systems;
- Factor in DR capacity planning into large system procurement exercises; and
- Logging of DR/Failover arrangements.

#### **4.5 Project 121 (Purchasing Card Audit)**

The purchasing card processes were reviewed to ensure compliance and effectiveness on a sample basis.

The actions identified are required to mitigate risks in relation to:

- Differences in details between those found on application forms system;
- Cancelling of cards;

- Delays in the expenditure approval process;
- Approver authorisation limits;
- Receipts scanning and retention; and
- Storing of application and termination forms.

#### Basis of work and recommendation categories

**4.6** The key areas of work performed by both Internal Audit and External Audit are carried out according to a risk based approach that determines the nature, extent and timing of the required audit assignments.

**4.7** Recommendations have timescales for completion in line with the following categories:

<b>Category</b>	<b>Expected implementation timescale</b>
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the department's risk register	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed
<u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management.	Generally, complete implementation of recommendations within twelve months of action plan being agreed

## **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 failure to implement actions within the agreed timescale may result in weaknesses in internal control arrangements remaining unresolved longer than is desirable.

## **8. Equalities Impact Assessment (EIA)**

- 8.1** A screening has been carried out and found no issues relevant to equalities duties.

## **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 Assuring Our Success through strong financial governance and sustainable budget management.

.....  
**Stephen West**  
**Strategic Lead - Resources**  
**Date: 21 September 2017**

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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:** A - Internal Audit Reports (Recently Issued)  
B - Internal Audit Reports (Previously Issued)  
C – External Audit Reports






**Background Papers:** Internal Audit Reports  
External Audit Reports

**Wards Affected:** All Wards


# Appendix A


## Internal Audit Reports (Recently Issued)

Generated on: 21 September 2017


Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

### Project 119. Fine Art Collection (Report Issued August 2017)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/516	<p><u>1. Policy Review</u> The 'Acquisition and Disposal Policy - Clydebank Museum and Art Gallery' which incorporates the Fine Art collection is almost five years old and requires updating. It is recommended that the policy is reviewed and updated at least every five years with the date of the next review date documented within the policy.</p> <p>(Low Risk)</p>	<p>The date of review of the 'Acquisition and Disposal Policy Clydebank Museum and Art Gallery' was Aug 2015. At that time officers examined the policy to ensure it met with current National Guidelines. As no changes were identified at either a national or local Level no changes to the policy were required at that time.</p> <p>Since this time Libraries and Cultural Services</p>		<div><div></div>28%</div>	30-Nov-2017	30-Nov-2017	Gill Graham	This work has begun. We are currently reviewing the existing The Acquisition and Disposal Policy as part of renewing our national Museum Accreditation status.


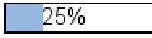


Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
		has moved to form part of Communication, Culture and Communities and new Delivery Plans have been developed. In light of this and the recommendations resulting from this audit we plan a review and (where required) an update of the existing The Acquisition and Disposal Policy this autumn (2017).						
CS/IAAP/517	<p><u>2. Joan Eardley Painting</u> It is recommended that advice be sought from Legal Services with a view to seeking up to date / definitive confirmation that two Local Authorities have withdrawn from the agreement for the Joan Eardley painting which was previously shared with three other Local Authorities. Thereafter, there is no requirement to make contact with the parties concerned who have withdrawn to seek permission to display the painting.</p> <p>Low Risk)</p>	<p>We currently hold historic letters / emails from a variety of sources giving conflicting information with regard ownership (or withdrawal of ownership) from both council's. Having previously sought information on the status of the agreement, it was apparent that there was poor communication within these authorities and their current cultural managers were unable to provide definitive clarification.</p> <p>Advice will now be sought from WDC Legal to word an appropriate letter to be sent to both Authorities seeking written clarification and</p>		<div><div>25%</div></div>	30-Sep-2017	30-Sep-2017	Gill Graham	There is no action update at this point however this action is still anticipated to meet its target.








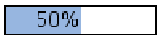
Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
		confirmation that they have withdrawn from the agreed ownership.						
CS/IAAP/518	<p><u>3. Accession Paintings to Collection</u></p> <p>It is recommended that arrangements be made to accession the following paintings into the Fine Art Collection: The painting 'Last Tribute to N' by the Artist William Baillie which is currently located within a staff room in the Education corridor at Garshake Road. The painting 'HMS Hood' by the Artist John Sampson which is currently located in Clydebank Town Hall. The painting 'Launch of the Queen Elizabeth' by the Artist Charles Cundell which is currently located in Clydebank Town Hall.</p> <p>(Low Risk)</p>	<p>We can confirm that no member of the service recognises the painting titled 'Last Tribute to N' by the Artist William Baillie and it has never formed part of the collection. The reverse label suggests that originally formed part of the SRC Education Collection. This painting will now be accessioned into the Fine Art Collection and fall under its policies.</p> <p>It's believed that the paintings: 'HMS Hood' by the artist John Sampson and 'Launch of the Queen Elizabeth' by the artist Charles Cundell; formally hung in the Provost suite at Clydebank Town Hall and were removed without during the works to relocate the Elected Members rooms from Rosebery Place to the Town Hall. These did not form part of the Fine Art Collection and its thought that they may have been part of the 'Provost's Collection'. Clarification will be sought on this and the</p>		<div> <div></div> <div>100%</div> </div>	31-Aug-2017	31-Aug-2017	Gill Graham	<p>These paintings are all now accessioned into the Fine Art Collection and is stored appropriately within the fine art &amp; at Clydebank Town Hall. They now come under the Collections Management and insurance policies.</p>

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
		paintings will also be accessioned into the Fine Art Collection and fall under its policies.						



**Project 120. ICT Disaster Recovery/Business Continuity Controls (Report Issued August 2017)**




Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/519	<u>1. Underlying Technical Controls required to facilitate automatic failover to DR site still to be configured/tested</u> Management must set in place plans and timescales to effectively test failover preparedness to the primary DR site.  (Medium Risk)	This work has several dependencies including location, other organisations and 3rd party suppliers and elements will be completed/tested at different times with view to solution being in place during 2018.			30-Jun-2018	30-Jun-2018	Brian Miller	Sep 17 - 1 milestone of 4 complete - data centre commissioned and handed over to WDC
CS/IAAP/520	<u>2. DR Plans for the main telephony delivery systems have yet to be implemented/tested</u> Management must set in place plans and timescales to effectively test DR arrangements for the main telephony systems.  (Medium Risk)	ICT will develop the implementation plan for this test by the end of October			31-Oct-2017	31-Oct-2017	Brian Miller	Sep 17 - This is still delayed by our third party providers as they still have to check with SWAN  Aug 17 - 2 milestones outstanding - this is being delivered by our third party provides as part of the ICT Modernisation project. The supplier has delayed this as they now have to check with SWAN in order to understand the implications on them due to the infrastructure being shared.



CS/IAAP/521	<p><u>3. Systems without parallel DR arrangements are not fully tested</u> Management must put in place effective plans and timescales to effectively test DR arrangements for large departmental and corporate systems.</p> <p>(Medium Risk)</p>	<p>ICT Management will deliver a testing schedule for these systems by 30th Nov 2017 ICT will implement the above testing schedule by 30th June 2018</p>		<div><div></div>0%</div>	30-Jun-2018	30-Jun-2018	James Gallacher; Patricia Kerr	
CS/IAAP/522	<p><u>4. Access to key DR documentation unavailable in the event of a complete loss of main datacentre</u> Management must identify an area where key DR documentation can be reached in the event of a complete failure of the primary datacentre.</p> <p>(Medium Risk)</p>	<p>DR documentation will be included on Resilient Direct secure website.</p>		<div><div>100%</div></div>	30-Jun-2017	30-Jun-2017	Patricia Kerr	Documentation was loaded to resilience direct website in June 17 when the issue was identified.
CS/IAAP/523	<p><u>5. Recovery time objectives for systems listed in the DR documents may not be practical</u> Management should re-evaluate the prioritisation and recovery time objectives of key systems listed in the DR documentation to manage user expectation.</p> <p>(Low Risk)</p>	<p>Each Strategic Lead is currently reviewing the Business Continuity plan for their service areas. CCS will then provide a critical friend role to ensure plans dovetail across the Council.</p>		<div><div></div>0%</div>	31-Dec-2017	31-Dec-2017	James Gallacher; Patricia Kerr	On track.
CS/IAAP/524	<p><u>6. DR Capacity planning should be factored into large ICT development and implementation processes</u> Management should factor DR capacity planning into</p>	<p>ICT will undertake an initial exercise to advise system owners / managers what their current resilience set up is and advise them of</p>		<div><div></div>0%</div>	31-Dec-2017	31-Dec-2017	James Gallacher	On track.



	large system procurement exercises.  (Low Risk)	the impact in the event of failure for them to consider in their service planning and budget review processes. Thereafter, system owners will be prompted to consider resilience and DR for their systems during system upgrade and replacement projects. The outcome of the BC review will be considered by ICT management to identify gaps in DR capability.						
CS/IAAP/525	<u>7. Lack of formal DR testing schedule at primary DR site</u> ICT should maintain a log of incidents where DR/Failover arrangements have been successful in a live setting In the event of no live incidents, then ICT should implement a DR testing schedule  (Medium Risk)	ICT management will maintain a log of live failover incidents by 31st August 2017 ICT will update the DR policy to reflect a testing schedule where live failovers have not occurred by 31st December 2017			31-Dec-2017	31-Dec-2017	Brian Miller	Aug 17 - 1 of 2 milestones completed. A new log has been created capturing instances of ICT downtime and instances where live failover has taken place

#### Project 121. Purchasing Card Audit (Report Issued August 2017)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/526	<u>1. Consistency of data between application forms and the RBS system</u> Once a card is set up on the RBS system a check should be done to ensure all the details are correct. In addition if a user wishes	New filing system and master cardholder and approver list now in operation, utilising One Card reporting functionality. Final reconciliation to be concluded as schools			30-Aug-2017	30-Aug-2017	Stella Kinloch	Complete.

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	to amend any details there must be a written request (either via email or online form and a copy of this should be retained.)  (Medium risk)	return from summer break.						
CS/IAAP/527	<u>2a. Terminating Purchase Cards when employees leave</u> As part of the employee leaving process a procedure should be added to ensure that any purchase cards an employee holds are terminated.  (Low risk)	Improved master cardholder list with weekly notification of leavers from HR to be reviewed and necessary actions to cancel and confirm return of purchase cards to Finance Service Centre. (Immediate procedure improvement)		<div><div>100%</div></div>	14-Aug-2017	14-Aug-2017	Stella Kinloch	Complete.
CS/IAAP/528	<u>2b. Terminating Purchase Cards when employees leave</u> As part of the employee leaving process a procedure should be added to ensure that any purchase cards an employee holds are terminated. (Low risk)	Further development required with Workforce Management System to identify staff with CPC to have automated notifications where staff move location, section or terminate employment to ensure robust management of CPC distribution and manager notifications.		<div><div>0%</div></div>	30-May-2018	30-May-2018	Stella Kinloch	WMS system development agreed by P&T Board. Development Scheduled for Dec 2017. Manual records held until system development complete. Workflow and online forms to be updated early 2018.
CS/IAAP/529	<u>3. Timely card approval for monthly processing</u> To encourage a culture shift in the promptness of monthly processing routines, delays by card holders/approvers should be highlighted to their Strategic Leads.	Review of One Card integrated workflow to scope use of automated reminders to cardholders and approvers with outstanding tasks. Escalation of outstanding tasks to Senior Service Managers.		<div><div>0%</div></div>	31-Dec-2017	31-Dec-2017	Stella Kinloch	RBS workflow testing underway initial testing due to be completed 29th September. ICT review and agreement from Security Officer to be completed.

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	(Low risk)	Further ICT review and testing required.						
CS/IAAP/530	<p><u>4. Approvers within their authorised limits</u> When an application is received a cross reference should be done between the Authorised Signatory list and the approval form to ensure the approver is on the list and the card limit isn't higher than their authorised limit. If at any point a new approver is requested this check should be done again.</p> <p>(Low risk)</p>	Authorised signatories list will be cross-referenced with one card approvers to ensure appropriate levels are adhered.		<div><div>100%</div></div>	24-Aug-2017	24-Aug-2017	Stella Kinloch	Updated process to review all card holders and approvers cross reference with authorised signatory list and where card limits are reviewed.
CS/IAAP/531	<p><u>5. Include receipts for approval</u> A reminder should be sent to all card holders that they must scan their receipts into RBS before sending their transactions for review. An approver should not approve a transaction without first viewing the receipt on the system. If for any reason a user is not able to scan in a receipt then the approver should make a note on the system stating that they have viewed the hard copy of the receipt this receipt must be retained in line with the period defined within the Council's retention policy, which is 6 years plus current and must be accessible should</p>	<p>Additional note to be added to online guidance.</p> <p>Further communications to be issued reminding all SLs and Approvers of responsibilities associated with use of Purchase Cards</p>		<div><div>100%</div></div>	31-Aug-2017	31-Aug-2017	Stella Kinloch	Online guidance update completed. Communication providing links to updated guidance to be sent to all Approvers - draft completed.

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	there be a request to see it. (Low risk)							
CS/IAAP/532	<u>6. Complete application form details</u> All three of the forms should be fully completed and a copy retained on file before sending the applications to RBS. (Low risk)	Process amended that only on all forms completed will purchase cards be requested. Checklist must be complete prior to processing.		<div><div>100%</div></div>	24-Aug-2017	24-Aug-2017	Stella Kinloch	Checklist now created to ensure all forms required are completed and submitted prior to sending any RBS application. FSC process updated.
CS/IAAP/533	<u>7. Storing of Termination Forms</u> A copy of the completed termination form should be kept for every card that is cancelled. (Low risk)	Process for termination amended and checklist to be completed.		<div><div>100%</div></div>	24-Aug-2017	24-Aug-2017	Stella Kinloch	FSC process updated with termination checklist created, to be completed including saving all relevant termination paperwork and signs off completed actions required within RBS system.











## Appendix B

### Internal Audit Reports (Previously Issued)

Generated on: 21 September 2017



Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

#### Project 102. Procurement - approved contractors list (Report Issued August 2016)



Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/455	<u>3. Formal Tendering Arrangements</u> Formal tendering arrangements need to be put in place for all works that it is anticipated will cost in excess of £50K (cumulative) in accordance with the Council's Financial Regulations. Evidence should be maintained of the appointment of contractors where the value of the contract is between £2,000 and £50,000. This will include evidence of at least three quotes obtained under the	Following the meeting with Building Services on 11 May 2016, CPU will work with Building Services to ensure that the relevant tender process or framework call off is carried out and contracts put in place.		<div><div>66%</div></div>	31-Mar-2017	31-Mar-2017	David Aitken; Martin Feeney; Annabel Travers	Procurement and departmental resources have been recruited to assist in accelerating the required level of procurement activity.  The targeted contract award dates for the outstanding requirements have been extended to the end of December 2017.



Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	quick quote process. (High Risk)							

### Project 107. Home Care (Report Issued November 2016)



Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/472	<u>3. Mobile phones capped at £50 a month</u> It is recommended that the £50 monthly monetary cap is reviewed to manage the risk of WDC incurring excessive costs from the inappropriate use of phones allocated to home carers. This can be reviewed with ICT when assessing potential opportunities from the new Vodafone contract. (Low Risk)	The standard operation policy for the use of phones will be reviewed by the end of March 2017.			31-Mar-2017	30-Nov-2017	Lynne McKnight	Mobile phone bills monitored. Clear message to all staff regarding appropriate use of mobile phones. Costs anticipated to reduce when changeover to new supplier is completed later this year, and cap will be reviewed in accordance with this..

### Project 110. Use of ICT in Education Controls (Report Issued January 2017)



Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/489	<u>1. Control Documentation</u> Appropriate working documentation should be maintained and its whereabouts communicated to all relevant staff to keep up to date with the quickly changing environment.	Structured documentation will be developed and communicated to the relevant staff			31-Dec-2017	31-Dec-2017	Brian Miller	Sep 17 - 4 of 6 milestones completed - All ICT data now on new resilient data file servers

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	(Low Risk)							
CS/IAAP/490	<p><u>2. Manage the means used to communicate important information more effectively</u></p> <p>A process should be established to communicate more effectively how staff handle particular data types.</p> <p>(Medium Risk)</p>	<p>All information will be communicated to staff via strategy meetings: BGE (Broad General Education) Education Leaders Secondary Head Teachers</p> <p>Information will be posted on intranet policy documents and WDC Educators</p>			31-Dec-2017	31-Dec-2017	Laura Mason	Key messages have been communicated to Education Leaders at the Education Leaders Conference on 07/09/2017, the Education Leaders meetings on 19/01/2017, 22/06/2017 & 11/09/2017, the Secondary Leaders meetings on 20/01/2017, 03/03/2017, 21/04/2017 & 02/06/2017, and the Broad General Education Leaders meetings on 28/02/2017 25/04/2017 & 06/06/2017. (11 of 12 milestones complete).
CS/IAAP/491	<p><u>3. Introduce protective monitoring</u></p> <p>ICT Management should investigate and advise on the introduction of additional Intrusion Detection Systems/Intrusion Prevention Systems in the Education ICT Infrastructure environment as well as additional anti-malware measures to prevent emerging threats and zero day ransomware/malware attacks.</p> <p>(Medium Risk)</p>	<p>Replacement security software will be identified and procured in new financial year</p> <p>Further work on IPS (Intrusion Prevention System) and IDS (Intrusion Detection System) will be developed and implemented where practical</p>			31-Mar-2018	31-Mar-2018	Brian Miller	Sep 17 - 2 of 5 milestones complete. 1 milestone has date extended due to non acceptance by cabinet office of PSN submission and continuing remediation works within corporate and education estates. This has not affected the overall date of project completion. Anti Malware solution has been procured and we are awaiting delivery.


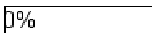
**Project 111. Overtime Payments for Winter Weather Monitoring: Investigation (Report Issued December 2016)**

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/495	<p><u>3. Two stage management approach for winter duties</u> It is recommended that Roads Management review this process within the existing employment terms and conditions and conduct an options appraisal in order to ascertain if there is a more cost efficient / beneficial way of delivering the service.3.</p> <p>(Medium Risk)</p>	A review of these arrangements will be considered as part of the roads shared service modelling.			31-Mar-2017	31-Mar-2018	Ronnie Dinnie	The shared service joint committee has been established The detailed business plan will not be completed until Autumn 2017. Therefore this action will not be achieved until the final business plan has been agreed. In the interim period contractual arrangements have been put in place that grade 8 and above staff do not receive overtime payments for this duty. An option appraisal was carried out in determining this course of action by the department in conjunction with HR and agreed by all parties. Work is ongoing to develop detailed business plan for Roads which is on target for completion by November 2017.

**Project 112. Use of Consultants (Report Issued March 2017)**


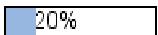
Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/496	<p>All services within the Council should ensure that a performance review is carried out within one month following the completion of each consultancy contract.. A Performance Review Certificate should be completed as evidence of the review.</p> <p>(Low Risk))</p>	<p>A formal review at the end of a period of consultancy work is good practice and should enable officers to confirm if objectives / targets / outputs / outcomes have been met as well as recording the consultant's performance against KPIs and any lessons learned.</p> <p>A Performance Review Certificate to facilitate this will be developed based on the Supplier Relationship Management policy and will be completed within one month of the end of each consultancy contract.</p>			30-Jun-2017	30-Jun-2017	Annabel Travers	Due to be completed in 06/10/17.


**Project 115. Capital Expenditure / Capital Programme (Report Issued May 2017)**

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/505	<p><u>1. Post Project Review</u></p> <p>Building on the good practice introduced of post project reviews, consideration should be given to whether a long term approach to such reviews can be added to the existing process, e.g. a further review after five</p>	<p>We will consider options and take a report to the Strategic Asset Management Group (SAMG).</p>			31-Mar-2018	31-Mar-2018	Jennifer Ogilvie	This is planned to be taken to the September SAMG meeting

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	years. (Low Risk)							


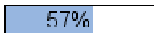
**Project 117. Stocks & Stores (Report Issued May 2017)**

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/507	<p><u>1. Continuous Stock Taking</u></p> <p>The current system of perpetual stock counts undertaken by Building Services should be expanded to ensure all of the service's stocks, including vehicle impress stock, are counted at least once throughout the year. The top 20% of items by value should be subject to a second count. This can be achieved by increasing the number of counts to 12 with one held each month. The listing of stock to be checked should be downloaded at the start of each month with the physical count of items selected undertaken as soon thereafter but no later than three working days following the download of the list. All differences between the physical counts and the records in the Servitor Stock System need to be investigated and any adjustments required should be made to the</p>	<p>Clearly there are benefits of perpetual / cyclical stock counts if implemented including:</p> <ul style="list-style-type: none"> <li>. should prove less disruption to the stores service</li> <li>. should reduce the number of discrepancies if the counts are more frequent</li> <li>. provide the appropriate focus to the Building Services team of the importance of stock accuracy and how this links in to the successful delivery of the service</li> <li>. reduce the drain on resources at year-end; and reduce / eliminate costs for stock counting in overtime</li> </ul> <p>Although there are drawbacks of not completing a year-end stock count and there may be some opposition to changes from staff, we need to focus on the benefit of having better understanding and control of stock levels</p>			31-Mar-2018	31-Mar-2018	Martin Feeney	<p>Action is on track with 1 of 5 milestones completed to date.</p> <p>Cyclical / perpetual stock takes are being carried out on a monthly basis within the main stores with satellite / imprest stores scheduled for checks later in the year.</p>

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	<p>records. Through-out the year Internal Audit and Property Services management (independent of stores staff) should carry out a number of random checks on the perpetual stock counts. This would involve attending the count unannounced and carrying out a number of spot checks on stock being counted. Following the introduction of perpetual counts during 2017/18 a review will be carried out in March 2018 to establish if they have been carried out as planned and provide assurance that the care and custody of stocks meets the requirements of the Financial Regulations. If the system of perpetual stocks counts is found to be satisfactory, this would eliminate the need for a full stocktake of Building Service stores at the year-end or in future years, thereby saving approximately £18,000 in staff costs.</p> <p>(Medium Risk)</p>	and cyclical stock counts will continue to be carried out. Management will aim to eventually introduce more frequent stock counts than proposed and aim to complete bi-weekly counts. We will consider introducing bi-weekly counts in 2018/2019 once stores rationalisation has been completed.						
CS/IAAP/511	<p><u>3. Obsolete Stock</u></p> <p>Building services are proposing to close the store at Elm road in the next three to six months and transfer all stocks held there to the stores at</p>	Present a paper to the DLO board on Building Services stores rationalisation proposals for approval including actions to effectively and efficiently progress		<div><div>33%</div></div>	31-Oct-2017	30-Mar-2018	Martin Feeney	It's been necessary to extend the 2 remaining milestones; this was necessary due to delay in presenting the proposal to the DLO board and seeking the board's




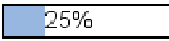



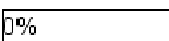
Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	Overburn. Building services should utilise the rationalisation of the stores to identify all obsolete or damaged stock and dispose of them as appropriate.  (Low Risk)	obsolete stock Carry out stores rationalisation Remove, sell / scrap obsolete items as appropriate and reconcile appropriate stock levels and values to each Building Services store						approval.






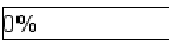





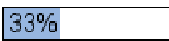

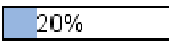
**Project 118. Public Use of WDC ICT Resources in Libraries Controls (Report Issued June 2017)**







Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/IAAP/515	<u>2. Reporting on Internet usage on the BYOD network is limited</u> Management must investigate, cost, and implement a solution which will establish an internet reporting mechanism to associate individual users with their browsing activity.  (Low Risk)	The chosen solution arising from the first action point will ensure users authenticate and that a record of internet browsing activity is available along with effective filtering of illegal or inappropriate material.			30-Mar-2018	30-Mar-2018	John Rushton	On track.









## Code of Good Governance - Improvement Action Plan

Project Improvement Actions for 2017-18							
Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
GOV-17-001	<u>1. Whistleblowing</u> Widen scope of "whistleblowing" policy to cover issues / suspicions raised by non-employees to be reported			30-Jun-2017	30-Jun-2017	Stephen West	Agreed with Internal Audit to implement this enhanced approach. Will be implemented effectively from September 2017 Audit Committee.
CCC/1718/SL A/002	<u>2. Complaints</u> Report complaints outcomes to relevant Committees, including lessons learned and changes implemented			31-Mar-2018	31-Mar-2018	Malcolm Bennie	Work is progressing on a standard reporting format for improvement areas and lessons learned generated from complaints information. This will be used as part of the mid year progress report on delivery plans in November.
GOV-17-003	<u>3. Ethical Investments</u> Consider approach around ethical investments options			31-Dec-2017	31-Dec-2017	Gillian McNeilly; Jennifer Ogilvie	On target - expect to cover in Treasury Strategy mid-year update to October 2017 Council.
RES/1718/PR /001	<u>4. Procurement policies and guidance</u> Ensure practical implementation of Procurement Policies and Guidance			31-Mar-2018	31-Mar-2018	Annabel Travers	From the start of the 17/18 year, each of the category teams are including community benefits within tenders. The overall plan is still in development, but there is now reporting mechanism being built into the procurement database to measure and monitor inclusion and delivery of


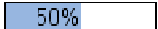


Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
							community benefits.
GOV-17-005	<u>5. Publication Scheme</u> Review and update Publication Scheme			31-Dec-2017	31-Dec-2017	Michael Butler	This action is on track. There are two milestones, one of which is complete.
GOV-17-006	<u>6. Communication Strategy</u> Review and implement a comprehensive systematic Communication Strategy with detailed Communication Plan covering planned community engagement and consultations; including clarity on engaging with employees and their representatives; ensure the approach covers "institutional stakeholders" e.g. Trades Unions and Partner Organisations; Develop a systematic approach to public participation and feedback			30-Sep-2017	31-Oct-2017	Amanda Graham	Work progressing well and on target. Information on brand guidelines and strategy being presented to PMRG in September. This action has three milestones.
GOV-17-007	<u>7. Partnership Opportunities</u> Ensure that Community Planning West Dunbartonshire (CPWD) and the Local Outcome Improvement Plan maximise partnership opportunities.			31-Mar-2018	31-Mar-2018	Malcolm Bennie	Progressing well and on target. This work will be delivered following publication of the LOIP in October 2017. This action has two milestones.
GOV-17-008	<u>8. Media Protocol</u> Review Media Protocol, including a consideration of its effectiveness			30-Sep-2017	30-Sep-2017	Amanda Graham	Action on track. There are four milestones, two of which are complete.
GOV-17-009	<u>9. Communications strategy</u> Put in place revised Communications Strategy for the CPWD			30-Nov-2017	30-Nov-2017	Amanda Coulthard	Action on track. this will be delivered following adoption of the LOIP in October 2017
CCC/1718/SLA/005	<u>10. Strategic needs assessment</u> Ensure a robust business intelligence support to strategic needs assessment informing strategic planning across the organisation			31-Mar-2018	31-Mar-2018	Amanda Coulthard; Stephen Daly	Work progressing well and on target. telephone survey and complaints routinely reported to Strategic leads
CCC/1718/PP P/012	<u>12. / 13. / 23. Continuous improvement</u> Improve service planning process to ensure all plans identify intended outcomes Improve performance reporting process to ensure delivery of outcomes is reported			31-Mar-2018	31-Mar-2018	Amanda Coulthard	Progressing well with roll out of SE and benchmarking frameworks. This action has four milestones, one of which is complete.

Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	Improve approach to continuous improvement, including benchmarking and customer feedback approach, proof of "best value"; Consider whether PI's cover all key activities; Benchmarking approach requires to be wider and more systematic; and Consider approach to using cost as a performance review tool						
GOV-17-014	<u>14. Risk to service delivery</u> Ensure reporting on outcomes identifies risk to their successful delivery		<div><div></div></div> 0%	31-Aug-2018	31-Aug-2018	Malcolm Bennie	Action progressing as planned. Risks will be identified to support the new strategic plan and reported through delivery plans. This action has two milestones.
GOV-17-015	<u>15. Quality Standards</u> Review approach in relation to Quality Standards linked to service planning process		<div><div></div></div> 0%	31-Mar-2018	31-Mar-2018	Malcolm Bennie	Progressing as planned. New delivery plan template outlines need to reflect local quality standards in all plans. There are two milestones.
GOV-17-016	<u>16. Strategic capital planning</u> Review overarching approach to strategic capital planning		<div><div></div></div> 0%	31-Mar-2018	31-Mar-2018	Gillian McNeilly; Jennifer Ogilvie	On target, approach to be reviewed and implemented in time for February 2018 Council
CCC/1718/PP P/011	<u>17. / 19. Consultation and Engagement</u> Consider consultation protocol to ensure all aspects of aims and benefits are considered. Implement an engagement framework which ensures resident views inform service prioritisation		<div><div></div></div> 100%	31-Mar-2018	31-Mar-2018	Amanda Coulthard	Action complete. New model of citizens panel in place along with a framework for consultation and engagement activity.
GOV-17-018	<u>18. Options appraisal guidance</u> Refresh Options Appraisal guidance; Update Committee reporting guidance to reflect requirements for Options Appraisal and appropriate reporting.		<div><div></div></div> 90%	31-Mar-2018	31-Mar-2018	George Hawthorn; Peter Hissett; Jennifer Ogilvie	On target, Updated guidance to be agreed and issued by 27 September 2017. Revised document has been drafted. Await final sign off.
GOV-17-020	<u>20. Partnership risk</u> Consider approaches to identifying, reporting and monitoring partnership risk in accordance with the Partnership Risk		<div><div></div></div> 20%	30-Sep-2017	30-Sep-2017	Colin McDougall	On target, approach to partnership risk currently under review to be updated by end September 2017.

Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	Management Policy						
GOV-17-021	<u>21. Sensitivity analysis</u> Consider service planning approach around service flexibility issues through sensitivity analysis		<div><div>50%</div></div>	30-Sep-2017	30-Sep-2017	Malcolm Bennie	Progressing as planned. this will be delivered as part of the delivery planning sessions
GOV-17-022	<u>22. Social value within service planning</u> Consider whether 'social value' is appropriately covered by current service planning approach		<div><div>50%</div></div>	28-Feb-2018	28-Feb-2018	Malcolm Bennie	Progressing as planned. Focus on social value in strategic plan and cascading to delivery plans
PT/1718/HR/005	<u>24. Workforce planning</u> Embed a process of workforce planning that sustains a committed workforce in support of the organisation's current and future needs (including addressing key objectives from an equality and diversity perspective)		<div><div>50%</div></div>	31-Mar-2018	31-Mar-2018	Darren Paterson	There are 8 milestones, 4 of which are complete (i.e. biannual report on ER/VS/Redeployment, 17/18 Workforce Plans, revised Strategic Workforce Planning Framework and Equal Pay Audit) and none of which are outstanding.
GOV-17-025	<u>25. Audit Committee</u> Review role of Audit Committee in respect of Code compliance		<div><div>20%</div></div>	31-Dec-2017	31-Dec-2017	Colin McDougall	On target. Role of Audit Committee being reviewed in line with latest guidance, planned report December 2017 Audit Committee.
GOV-17-026	<u>26. Records management policy</u> Refresh of Records Management Policy and identify the corporate approach to the new Data Protection requirements of the General Data Protection Regulations (GDPR), including those elements of Information Security affected by these policies and the GDPR		<div><div>0%</div></div>	30-Jun-2018	30-Jun-2018	Michael Butler; Alan Douglas	Report will follow to November Corporate Services Committee outlining requirements, approach and required resources.
GOV-17-027	<u>27. Sensitivity analysis and optimism bias</u> Consider approach to sensitivity analysis and optimism bias and consideration of sufficient contingency plans around major decisions		<div><div>0%</div></div>	31-Dec-2017	31-Dec-2017	Stephen West	On target. Revised approach will be developed and implemented for capital planning and revenue planning process during 2017/18.

## WDHSCP - Internal Audit Reports






### Project 1. WDHSCP Governance, Performance & Financial Management (Report Issued March 2017)

Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
WDHSCP-001	<p>It is recommended that when a model plan is completed and published a Records Management Plan prepared for local approval by the Partnership Board in order to comply with the statutory requirement.</p> <p>(Low Risk)</p>	<p>This will be completed at the earliest opportunity, with WDHSCP officers having already engaged with Scottish Government officials on the drafting of the model Records Management Plan.</p>			31-Oct-2017	30-Jun-2018	Soumen Sengupta	<p>Preparatory work continues to be undertaken by HSCP Officers. It has been confirmed that the Keeper (National Records of Scotland) will not be inviting any IJBs to formally begin preparing and then submitting their RMPs before the process for all of the other public authorities originally scheduled has been completed. It is anticipated that the first series of requests to IJBs to submit RMPs will go out in January 2018.</p>
WDHSCP-002	<p><u>2. Partnership governance arrangements</u></p> <p>It is recommended that management within WDC and WDHSCP should, as part of their regular management meetings, identify any issues in relation to partnership governance arrangements and agree any resultant improvement actions in order comply with the best practice.</p> <p>(Low Risk)</p>	<p>Preliminary discussions have already taken place, and initial scoping begun with respect to partnership governance arrangements as relates to the WDHSCP Board.</p>			31-Aug-2017	31-Aug-2017	Colin McDougall	<p>Chief Financial Officer and Head of Strategy, Planning &amp; Health Improvement have prepared a local Code of Good Governance (as per CIPFA Guidance), which has been approved by the HSCP Board. A compliance self-assessment has been completed in accordance with CIPFA recommendations, with ongoing engagement of Chief Internal Auditor and external auditor. This self-assessment has identified</p>





Action Code	Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
								a number of improvement actions and has been used to develop an improvement action plan. This will be presented to the September 2017 meeting of the HSCP Audit Committee for approval.

## Appendix C External Audit Reports

Generated on: 20 September 2017

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed




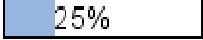

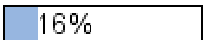
### Project 21. West Dunbartonshire Council 2016/17 - Review of Systems of Internal Control (Audit Scotland Letter)

Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
CS/EAAP/157	<u>1. Access to own payroll records</u> It was previously agreed that the monitoring control report to review access to own payroll records would be run quarterly and reviewed timeously. We noted that this report was only processed and reviewed once in 2016/17.			30-Sep-2017	30-Sep-2017	Arun Menon	It has been agreed with External Audit that this will be undertaken quarterly with the first one complete for Q1.
CS/EAAP/158	<u>2. Payroll reconciliations</u> The payroll system is reconciled to the general ledger on a quarterly basis. We were advised that this is reviewed by a second officer, however there is no			30-Sep-2017	30-Sep-2017	Gillian McNeilly	Implemented in full for Quarter 1 2017/18


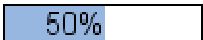




Action Code	Recommendation	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	evidence of the secondary review.						

## Local Scrutiny Plan 2017/18



### 1. Housing and Homelessness

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
H&E/1718/HO/001 Develop and implement actions aimed at reducing the average time taken to re-let properties			31-Mar-2018	David Lynch	There are 2 milestones attached to this action, 1 of which have been completed. A detailed list of improvement actions has been developed and progress regarding the implementation of this key workstream is reported monthly to the Housing Improvement Board. The overall action is due to be completed with timescale.
H&E/1718/HO/002 Develop and implement actions aimed at reducing the % of tenancy offers that are refused			31-Mar-2018	David Lynch	There has been extensive work to reduce the percentage of offers refused in recent months, including reviewing our relet standard, allocations policy and pre-tenancy advice to identify and address causal factors.  In August the weekly performance meetings for voids were re-focussed to identify and resolve operational issues which contribute to poor performance and this has led to the development of lettings plans for areas with higher levels of refusal, as well as targeting assistance with furnishing and decorating for those properties which may otherwise be refused.
H&E/1718/HO/003 Develop and implement actions aimed at reducing the level of rent arrears and increasing rent collection			31-Mar-2018	Edward Thomas	There are 11 milestones attached to this action - this comprehensive action plan to reduce rent arrears and increase rent collection was approved at the Housing Improvement Board in August 2017 and implementation is on schedule. This includes developing pre-tenancy work, improved early








					intervention, enhancing procedures for vulnerable tenants in conjunction with Health & Social Care colleagues and reviewing provisions for households in severe hardship.
H&E/1718/HO/004 Develop and implement actions aimed at reducing the average time taken to carry-out non-emergency repairs			31-Mar-2018	Martin Feeney	On track to achieve target with 2 of the 4 milestones completed to date. Performance in 2016/2017 was significantly improved with 7.17 days achieved. As a result an even more challenging target of 6.8 days has been set for 2017/2018, but Building Services team is focused and confident of achieving the target .
H&E/1718/HS/009 Develop and implement actions aimed at improving Complaints Handling and increasing the % of complaints responded to within SPSO timescales			31-Mar-2018	John Kerr	There are 7 milestones attached to this milestone, 1 of which is complete. It is expected that overall action will be completed within target timescale.
H/HOM/17-20/022 Through effective service delivery minimise incidences of repeat homelessness			31-Mar-2018	Joanne Martin	There are 4 milestones attached to this action, 2 of which have been completed. Overall action is due to be completed with timescale and annual target to reduce repeat homelessness is expected to be met.


## 2. Staff absence levels


Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
PT/1718/HR/002 Employee Health and Well-being			31-Mar-2018	Darren Paterson	There are 10 milestones, 3 of which are complete and none of which are outstanding. The Employee Wellbeing Strategy was approved at PaMG on 27/6/17, with the Employee Wellbeing Core Group approving action plans for each of the Council-wide workstreams at its meeting on 1/8/17. Local Strategic Lead area action plans are to be submitted to the Core Group by 15/9/17 for consideration. A 'back to basics' audit of compliance with the attendance management policy is complete, with a draft report on recommendations currently being considered. Additionally, formal contract monitoring discussions have taken place in relation to the Occupational Health and Employee Counselling service for Quarter 1.

### 3. Financial sustainability

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
RES/1718/FI/001 Provision of timely and accurate accounting, budgeting and budgetary control processes for Council and associated bodies		<div><div>25%</div></div>	31-Mar-2018	Gillian McNeilly	Period 4 BCR prepared for Strategic Leads / Committees (where appropriate). Currently preparing period 5.
RES/1718/FI/002 Report agreed savings options & management adjustments through the budgetary control process management and Council		<div><div>25%</div></div>	31-Mar-2018	Gillian McNeilly	information as at period 4 was prepared as part of BCR reporting to Strategic Leads / committees (where appropriate). Currently preparing period 5
RES/1718/FI/003 Provision of timely and accurate financial accounts statements for Council and associated bodies		<div><div>75%</div></div>	30-Sep-2018	Gillian McNeilly	Draft financial statements were prepared by the deadline and are currently processing through audit. Amendments following the audit process have been processed and are currently being checked with external audit
RES/1718/FI/004 Provision of timely and accurate external returns to assist the Council in benchmarking for improved services and to maximise funding sources		<div><div>45%</div></div>	31-Mar-2018	Gillian McNeilly	External returns are due throughout the year and are progressing as expected
RES/1718/SLA/001 Review and update the Council's long-term finance strategy		<div><div>0%</div></div>	31-Mar-2018	Stephen West	No milestones due at this stage, on track to be met as planned

### 4. Shared Services

Code & Title	Status Icon	Progress Bar	Due Date	Ownership Assigned To	Latest Note
E&N/1718/SLA/016 Roads Shared Service - Develop the shared service approach for service delivery		<div><div>60%</div></div>	31-Mar-2018	Ronnie Dinnie	The development of the shared service detailed business plan should be complete by the end of October when it will require to be presented to Council for consideration and approval prior to any report to the shared service Joint Committee. There have been a number of workshops to option appraise the specific delivery model that would best deliver resilience and efficiency. The project is still on target for its completion date with three of the milestones concluded.

LSP1718-001 Progress shared services programme			31-Mar-2018	Angela Wilson	<p>In addition to the shared services project for Roads and Transportation, discussions are ongoing in pursuit of opportunities to share and collaborate with other councils and public sector organisations. Progress is monitored through the PAMG and Change Board. Some examples include:</p> <p>Shared procurement with East Dunbartonshire – a joint tender for a shared web filtering product with the aim to have a single product for both East and West Dun</p> <p>Investigating possible shared technologies</p> <ul style="list-style-type: none"> <li>- shared VOIP (Voice Over Internet Protocol) solution</li> <li>- shared backup infrastructure</li> </ul> <p>Graduate and Intern programme jointly developed with West College Scotland.</p> <p>Possible collaboration and sharing opportunities with Stirling Council following joint meeting with senior management teams</p>
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