

**DRAFT ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2020**

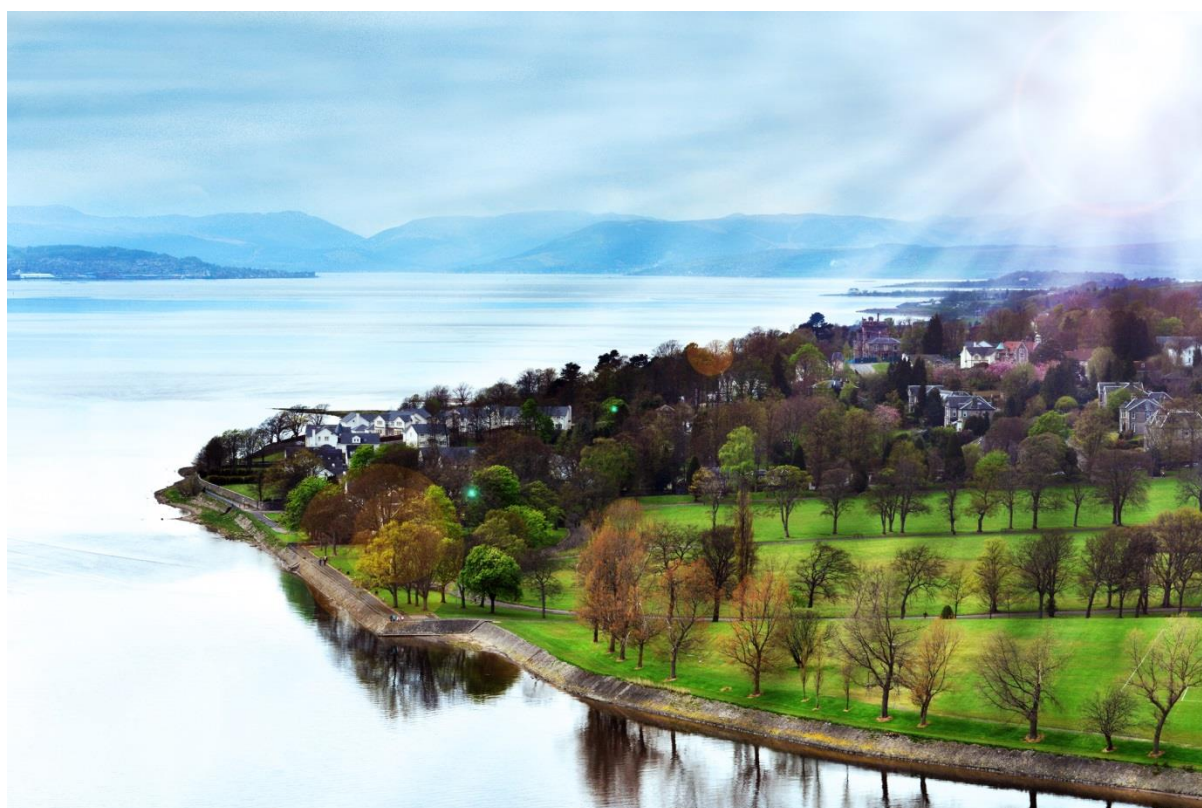


Table of Contents

	Page		Page
Management Commentary	2	Note 24 Net Cash and Cash Equivalents	73
Explanatory and Assurance Statements		Note 25 Financial Instruments	74
Statement of Responsibilities	18	Note 26 Creditors	81
Annual Governance Statement	19	Note 27 Provisions	81
Remuneration Report	28	Note 28 General Fund & HRA Reserves and	81
		Earmarked Balances	
Principal Financial Statements - Single Entity		Note 29 Other Reserves	82
Comprehensive Income and Expenditure Statement	36	Note 30 Contingent Assets or Liabilities	86
Movement in Reserves Statement	37	Note 31 Financial Guarantee	86
Balance Sheet	38	Supplementary Financial Statements	
Cash Flow Statement	39	Movement on the Housing Revenue Account Statement	87
Notes to Single Entity		Housing Revenue Account Income and Expenditure Statement	88
Note 1 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	40	Notes to the Housing Revenue Account Income and Expenditure Statement	89
Note 2 Material Items of Income and Expense	43	Council Tax Account	90
Note 3 Adjustments between funding accounting basis and funding basis under regulations	44	Non Domestic Rates Account	91
Note 4 Events After the Balance Sheet Date		Principal Financial Statements - Group	
Note 5 Trading Operations	48	Group Accounts	92
Note 6 Related Parties	48	Group Comprehensive Income and Expenditure Statement	94
Note 7 Agency Services	49	Group Movement in Reserves Statement	95
Note 8 Grant Income	50	Group Balance Sheet	96
Note 9 Operating Leases	50	Group Cashflow Statement	97
Note 10 Termination Benefits	52		
Note 11 Defined Benefit Pension Schemes	53	Notes to Group	
Note 12 External Audit Costs	53	Notes to the Group Accounts	98
Note 13 Expenditure and Funding Analysis	59	General Accounting Policies and Information	
Note 14 Property, Plant and Equipment	64	Note 32 Accounting Policies	102
Note 15 Intangible Assets	67	Note 33 Accounting Standards that have been issued have not yet been adopted	115
Note 16 Assets Held for Sale	67		
Note 17 Heritage Assets	68	Note 34 Critical Judgement in Applying Accounting Policies	115
Note 18 Capital Expenditure and Capital Financing	69	Note 35 Change in Accounting Policy	116
Note 19 Impairment Losses	69	Note 36 Group Accounting Policies	116
Note 20 Private Finance Initiatives and Similar Contracts	70	Note 37 Prior Year Adjustment	116
Note 21 Debtors	71	Glossary	
Note 22 Common Good Fund	71	Glossary of Terms	117
Note 23 Sundry Trust Funds	73		

Management Commentary

1. Introduction

This publication contains the financial statements of both West Dunbartonshire Council and its group for the financial year ended 31 March 2020 and its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. This Management Commentary aims to provide clear information about the council's performance during the financial year 2019/20 and the financial position as at the financial year end 31 March 2020. The Management Commentary is intended to give an easy to understand guide to the most significant matters of the Council's business during the year - including progress against key performance indicators, a description of the principal risks and uncertainties facing the council and the likely impact of the actions to mitigate these risks. In addition, it provides some detail on the council's future plans.

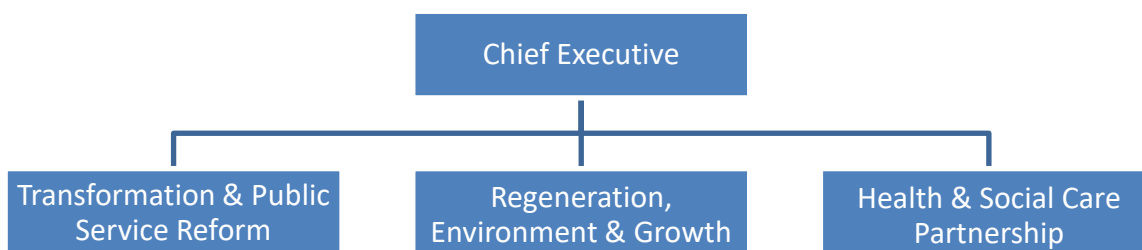
The Council

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

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

Excluding casual staff, the council employed (as at 1st April 2020) a headcount of 5,871 employees (or 4,994 full time equivalent employees). These figures comprise a combination of permanent and fixed-term employees as well as apprentices, serving a population of approximately 88,930 (1.7% of overall Scotland population) from the 2019 mid-year estimates – a reduction of 200 from 89,130 from the 2018 figures, being a year-on-year reduction of 0.2% compared to a Scottish average of an increase of 0.5%. The council is generally accepted to suffer from economic deprivation, for example, the percentage of economically active people at a working age in employment is 73.9% (Scotland 74.8%); and life expectancy at birth is 75 years (males) and 79.2 years (females) (Scotland 77.1 years (male) and 81.1 years (female)).

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



Management Commentary (Cont'd)

2. The Strategic Plan

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

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

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

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

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

Performance Reporting

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

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

The Council's Budgets in 2019/20

The Council approved the 2019/20 budget on 27 March 2019 based on band D council tax at £1,234, agreed by Council at its meeting on 14 February 2019. The revenue budget was set at £219.079m (as detailed in the table below) to be funded by Scottish Government Grant (£183.307m); council tax (£34.797m), with a net contribution from reserves for the remainder (£0.975m).

Service Area	Budget (£m)
Corporate Services	19.170
Educational Services	92.477
Infrastructure, Regeneration and Economic Development	26.094
Housing and Communities	3.517
Health & Social Care Partnership, including Criminal Justice	69.818
Loan charges	6.868
Other	1.135
Total	219.079

Management Commentary (Cont'd)

2. The Strategic Plan (Cont'd)

The budget was updated during the year for a number of variables, resulting in a final planned net expenditure to £223.433m. The year end budgetary position is detailed on page 6 of this commentary.

Council also approved the revised capital plan with a planned General Services spend in 2019/20 of £62.714m, prior to 2018/19 re-phased capital and in-year additional projects being included increasing the planned spend to £77.722m. This investment is funded from a range of sources including: government grants and council ongoing revenue. Major areas of investment are economic regeneration, schools modernisation, roads and infrastructure and a range of other council assets.

Council approved the Housing Revenue Account budget at its meeting on 14 February 2019 and agreed an increase in council house rents of 2% and a capital investment for 2019/20 of £58.302m, prior to some 2018/19 re-phased capital being included, which increased the planned spend for 2019/20 to £62.716m. The year end budgetary position is detailed on page 7 of this commentary.

3. Overview of Core Financial Statements

The Statement of Accounts contains the Financial Statements of the council and its group for the year ended 31 March 2020. The council operates two main Funds in running its services:

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

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

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

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

- **the Comprehensive Income and Expenditure Statement** - shows the income and expenditure for all council services. It is shown on page 36;
- **the Movement in Reserves Statement** - shows how the Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the General Fund for the year. It also highlights movement on all other reserves held on the council's Balance Sheet (including the Housing Revenue Account). It is shown on page 37. Further information on each of the reserves held and how it may be used is also detailed within notes 28 and 29 on pages 81 to 85; and
- **the Housing Revenue Account** - shows the income and expenditure for council housing services for the year. It is shown on pages 87 to 89 which also includes the Statement of Movement on the Housing Revenue Account Balance.
- **Capital expenditure** is analysed in note 18 on page 69 which details the capital expenditure and the sources of finance used to fund the capital plan investment in 2019/20.
- **the Balance Sheet** on page 38 summarises the assets and liabilities of the council. It is a statement of the resources of the council and the means by which they have been financed. It is also a report on the council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.

Management Commentary (Cont'd)

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

- **the Cash Flow Statement** on page 39 shows the inflows and outflows of cash arising from transactions with third parties on both day to day revenue transactions and on capital activities. Cash is defined for the purpose of the statement as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Notes to the Core Financial Statements** are provided on pages 40 to 86 and give further information and analysis of each statement, with the main accounting policies detailed on pages 102 to 115.

Comprehensive Income and Expenditure Statement

General Fund

This account covers the day to day operational income and expenditure for each service of the council and is reported in line with the council's committee structure.

Income from council tax, non-domestic rates, capital and revenue support grants was £251.590m with a net expenditure on services for the year of £239.992m (shown on page 36 - Net Cost of Services).

Due to tight financial control over service spending, the council was able to return an in year surplus from services of £0.281m against budget (2018/19 £0.675m surplus). A number of favourable variances (particularly within Corporate Services and Infrastructure, Regeneration and Economic development service areas) are due to specific management action in areas such as: control of vacancies and staff cover; general process and efficiency reviews; specific restructuring of service delivery; spending control; and implementation of agreed savings targets. Although, there is an element of demand led favourable variances, the level of favourable variance has been partially offset due to spend pressures, particularly within Teacher Probationer costs and Additional Specialist Needs and Secondary Schools within Educational Services. During the Council's annual budget process, efficiencies are identified and agreed for action. These savings are monitored monthly as part of the budgetary control process. For 2019/20 the savings monitored totalled £2.739m, with £2.244m being achieved.

The council's in-year collection of council tax decreased slightly from 95.55% in 2018/19 to 95.15% in 2019/20. Uncollected council tax is pursued for collection after the end of the financial year.

After taking account of the increase in general earmarked balances since 31 March 2019 (£0.474m), the net commitment to future budgets (£2.663m) and the in-year budgetary position (£0.281m), the overall deficit for the year was £1.908m. This is deducted from the brought forward balance from the previous year (£10.998m), resulting in an accumulated surplus at 31 March 2020 of £9.090m (as shown on page 37). This includes an earmarked amount of £6.643m leaving £2.447m available for future use. Of the earmarked balance £2.065m is set aside for the Council's Change Fund and £0.500m remains of the Apprenticeship Fund.

This un-earmarked balance compares with that of £4.828m as at 31 March 2019 and shows that the un-earmarked reserve position has decreased by £2.381m 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 £4.305m and the position at financial year end is less than this by £1.858m (the main reason for this position is due to budget commitments for 2020/21 as agreed by Council and is detailed later within the Management Commentary). The General Fund's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use.

Management Commentary (Cont'd)

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

	Original Budget £000	Revised Budget £000	Spend Against Budget £000	Variance £000	£000
Total General Services Reserves Held as at 31/3/19					(10,998)
Corporate Services	19,170	18,900	17,799	(1,101)	
Educational Services	92,477	97,070	98,525	1,455	
Infrastructure, Regeneration and Economic Development	26,094	25,875	25,337	(539)	
Housing and Communities	3,517	3,686	4,602	916	
Health & Social Care Partnership, including Criminal Justice	69,818	69,321	69,321	0	
Loan charges	6,868	6,897	6,831	(66)	
Other	1,135	1,684	869	(815)	
Total Expenditure (1)	219,079	223,433	223,283	(150)	
Council Tax	(34,797)	(34,797)	(34,825)	(28)	
Revenue Support Grant/ NDR	(183,307)	(187,606)	(187,709)	(103)	
Use of Reserves	(975)	(1,030)	(1,030)	0	
Total Income (2)	(219,079)	(223,433)	(223,564)	(131)	
Net Budgetary Control Position (3) = (1) = (2)				(281)	
Earmarked during year				2,663	
Net movement in Earmarked balances				(474)	
Movement in Reserves from 1/04/19 to 31/03/20					1,908
Total General Services Reserves Held as at 31/3/20					(9,090)
Net decrease in the Movement in Reserves before transfer to Statutory Reserves					3,040
Transfer from statutory reserves					(1,132)
					1,908

The movement of £1.908m noted above reflects the in-year movement in the General Fund balance (i.e. opening balance 1 April 2019 of £10.998m and the closing balance as at 31 March 2020 of £9.090m) and is further detailed within the Movement in Reserves Statement on page 37. The following table sets out a reconciliation of the deficit on the provision of services within the Comprehensive Income and Expenditure Statement (page 36) of £13.142m to the revenue budgetary outturn of £0.281m.

	£000	£000
Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement		13,142
<u>Removal of statutory adjustments not included in budget outturn (note 4):</u>		
Reversal of entries included in the surplus/ deficit on the provision of services in relation to capital expenditure (including depreciation and impairment)	(662)	
CFCR	8,397	
Pension adjustment	(25,919)	
Statutory repayment of debt	3,466	
Transfer to other statutory reserves	(1,078)	
Net gain / (loss) on sale of non current assets	(1,463)	
Other adjustments	22	(17,237)
Deficit on Provision of Services in Note 14 - Expenditure and Funding Analysis		(4,095)
<u>Adjust for movements to/from other statutory reserves</u>		
HRA reserve	7,135	
Other reserves	(1,132)	6,003
Movement in General Fund Balance		1,908
<u>Adjustments for earmarked funds:</u>		
Net Commitment to in-year budget*	(2,663)	
Release of earmarked sums	474	(2,189)
Net General Fund budgetary control position 2019/20		(281)

Management Commentary (Cont'd)

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

* Made up of:

Council - November 2019 - Winter Gritting	45
Council - December 2019; February 2020 - Foodshare	50
Council - February 2020 - Clydebank Independent Resource Centre	31
Council - March 2020 - Zero Carbon	344
Council - March 2020 - Free School Meals	300
Council- March 2020 - Budget 2020/21	1,893
	<u>2,663</u>

Housing Revenue Account (HRA)

By law the council maintains a separate account for the running and management of its housing stock and had 10,042 housing units at 31 March 2020 (10,397 31 March 2019), movement as follows:

Opening house numbers	10,397
Disposals	0
Demolitions	(365)
Buy back	10
New builds	0
Closing house numbers	<u>10,042</u>

After the impact of earmarked balances, the account shows a surplus for the year of £1.173m. In line with the prudential reserves policy (2% of expenditure), the target reserves level for the HRA for 2019/20 is £0.883m. Taking account of the in-year surplus (£1.173m), the brought forward balance from the previous year £1.606m and the in-year effect of the Loans Fund Review (£5.608m), the balance available to the HRA for future use is £8.387m, (earmarked reserves of £7.504m and free reserves of £0.883m). The HRA's budget performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use. Further information is noted on pages 87 to 89.

	Budget £000	Spend Against Budget £000	Variance £000	£000
Total HRA Reserves Held as at 31/3/19				(1,606)
Total Expenditure	43,204	42,004	(1,200)	
Total Income	(43,204)	(43,177)	27	
Net Budgetary Control Position			(1,173)	
Loans fund Review Adjustment			(5,608)	
Net transfer from earmarked balances			0	
Movement in Reserves from 1/04/19 to 31/03/20				<u>(6,781)</u>
Total HRA Reserves Held as at 31/3/20				<u>(8,387)</u>

The net budgetary position on the HRA Statement noted above of £1.173m compares to the surplus noted within the HRA Income and Expenditure Statement (page 88) as detailed below:

Management Commentary (Cont'd)

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

	£000	£000
(Surplus)/Deficit for the year on HRA Services		(18,188)
<u>HRA Movement in Reserves (as noted on page 88)</u>		
Adjustments to the revenue resource	3,918	
Adjustments between Revenue and Capital Resources	12,743	
Transfers (to)/from Other Statutory Reserves	354	17,015
Movement in the HRA Reserve		(1,173)
<u>Adjustments for earmarked funds:</u>		
Use of earmarked sums		0
Net General Fund budgetary control position 2019/20		(1,173)
HRA reserve as at 1 April 2019		(1,606)
Use of earmarked sums		0
Adjustment for Loan Fund Review		(5,608)
Transfer of surplus to reserves		(1,173)
HRA reserve as at 31 March 2020		(8,387)

Spend relating to the net budget position of £1.173m surplus is included within note 13 (Expenditure and Funding Analysis) on page 59.

Reserves

As at 31 March 2020, the usable reserves currently held by the council are noted below, with further information on the future use of such reserves detailed within notes 28 and 29 on pages 81 to 85.

	General Services £000	HRA £000	Total £000
Unearmarked Reserve	447	883	1,330
Earmarked Reserve	8,643	7,504	16,147
Total Revenue Reserve	9,090	8,387	17,477
Capital Receipts Reserve	0	0	0
Capital Grants Unapplied	132	0	132
Capital Reserve	2,169	0	2,169
Other Reserves	214	0	214
Total Usable Reserves	11,605	8,387	19,992
Prudential Target	4,305	883	

Provisions

The council currently has one provision held on its Balance Sheet; with a total value of £0.232m which is held for potential equal pay claims being awarded against the council (see Note 27 on page 81).

Cash Flow Statement

The council's cash flow statement shows an increase of cash and cash equivalents of £4.293m during 2019/20 (see page 39) mainly as a result of borrowing for capital spend on non-current assets.

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (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 (HMT0); and
2. Grounds Maintenance and Street Cleaning.

These operations returned a total surplus of £2.387m, though the HMT0 produced a loss during 2019/20 (£0.014m) due to the in-year effect of charges for pensions through the International Financial Standard (IAS19). Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Note 5 on page 48 provides further detail.

Balance Sheet

The Balance Sheet on page 38 shows that during 2019/20, the net assets have increased by £87.955m (from £190.978m to £278.933m). The main movement is due to a decrease in the pension liability of £65.244m which is explained 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 on page 36 shows an assessed pension fund liability of £139.971m using a snapshot valuation at 31 March 2020. Further information on this is provided in note 11 on pages 53 to 59. The valuation states that assets held at the valuation date were sufficient to cover 85% of accrued liabilities (81.07% in 2018/19). The pension scheme liability has decreased by £65.244m as advised by the appointed actuaries, and this is mainly as a result of the downwards movement in the assumptions of future pension, and salary increases and 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.). Note 1 (Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty) provides further information regarding what is considered the effect of covid-19 on the valuation of council assets and the assumptions that are contained within these Financial Statements regarding this.

The council requires to assess the value of assets held based on current market conditions, while in the current year particular assets have increased in value by £20.899m. At the same time, impairment and downward revaluations have reduced the value of other assets held by the council by £0.985m, resulting in a net increase in value of £19.914m. 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.

Management Commentary (Cont'd)

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

Borrowing

The council's Treasury Strategy for 2019/20 was agreed by the Council on 27 March 2019. The council raised new long term loans of £50.868m (2018/19 £0.331m) and short term loans of £218.744m (2018/19 £201.006m) and repaid naturally maturing debt of £201.304m (2018/19 £185.258m). The total outstanding long term debt (excluding PPP debt) as at 31 March 2020 was £276.905m (2018/19 £231.084m) including £115.241m (2018/19 £102.024m) for the council's housing stock. The total outstanding short term debt was £237.091m (2018/19 £214.371m), including £98.671m (2018/19 £94.645m) for the housing stock. The interest and expenses rate charged by the council's loans fund was 2.58% (2.78% in 2018/19). Due to the current interest rates, the Council has followed a strategy to maximise the benefit in short term borrowing to fund capital expenditure.

The HRA 5 year capital plan was agreed on 14 February 2019, the General Fund 10 year capital plan and the council's Treasury Management Strategy 2019/20 were agreed by Council on 27 March 2019. These agreed plans highlight the projected capital spend and its 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 2019/20 and beyond. The Council's [Treasury Management Strategy](#) and [Capital Strategy](#) are approved at Council as part of the budget setting package. Details of the capital expenditure and financing are shown in note 18 on page 69. Total gross capital expenditure amounted to £108.229m the split between General Services and HRA is noted in the table below. The main capital projects progressed during 2019/20 were:

General Services

Schools Estate Improvement
St. Patrick's PS New Play Upgrades
A811 Infrastructure Works
Integrated Housing Management System
New Play & Recreation at Radnor Park, including MUGA

HRA

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

During 2019/20, the council had budgeted capital expenditure of £140.438m with an actual in year spend of £108.229m. The unspent amount (£32.209m) includes overspends, underspends and slippage, as noted within the table below. The total slippage on planned spend was £34.942m – 24.88% of the overall capital programme which is summarised in the following table:

	Original Budget £000	Actual Spend £000	Variance £000	Overspend £000	Underspend £000	Slippage £000
<u>Service</u>						
Corporate Services	2,757	2,007	(750)	0	(19)	(731)
Education	5,236	6,535	1,299	69	0	1,230
Infrastructure, Regeneration and Development	56,851	35,099	(21,752)	163	(258)	(21,657)
Housing and Communities	275	219	(56)	1	0	(57)
Miscellaneous Services	3,022	4,197	1,175	1,175	0	0
Health and Social Care Partnership	9,581	9,022	(559)	0	0	(559)
General Services	77,722	57,079	(20,643)	1,408	(277)	(21,774)
HRA	62,716	51,150	(11,566)	2,867	(1,265)	(13,168)
Total	140,438	108,229	(32,209)	4,275	(1,542)	(34,942)

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (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 the delayed spend on these projects moved into capital budgets for 2020/21 onwards. The most significant slippage was experienced against the following projects:

General Services	
Depot Rationalisation	A revised business case is being developed following discussions with services around additional requirements.
Gruggies Burn Flood Prevention	Delay due to alternative design solutions requiring to be considered.
Vehicle Replacement	Delay due to the vehicle build time associated with the specialist vehicles and the delivery lead time from the date of supply order placement.
Posties Park Sports Hub	Issue have led to changes to the proposal which required further planning permission.
A811 Lomond Bridge	A longer than expected planning consent process has delayed the start of this project.
HRA	
New house build	Due to a number of different complexities there were delays to getting on site across each of the new build sites.
Projects to deliver housing strategies (Buy Backs)	These are subject to stringent criteria to ensure accountability and value for money for tenants and involves several key stakeholders which resulted in time delays
Doors/Windows	Completions have been affected by windows supply delay and instances of no-access
Statutory/ regulatory compliance	This work has involved a significant number of properties and has presented a major demand on labour resources which has impacted overall completions.
Building external components	A combination of overall performance on roofing progress and protracted negotiations with owners has delayed progress.

Public Private Partnership (PPP) and other Long Term Liabilities

The council entered into a PPP for the provision of three new community learning centres and a primary school providing 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 detail is provided within note 20 on pages 70 to 71.

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

Management Commentary (Cont'd)

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

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 92 to 101 consolidate the council's Financial Statements, the Common Good and Trust Funds and six other entities (including two further subsidiaries – West Dunbartonshire Leisure Trust and Clydebank Property Company). The effect of combining these entities on the Group Balances Sheet is to increase reserves and net assets by £29.757m creating an overall net asset of £308.690m. This includes the combined pension liability of these organisations similar to that of the council. As there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

4. The Financial Outlook, Key Risks and the Future

In setting the budget for 2020/21, the council faced a number of significant financial pressures resulting from reducing central government funding, inflationary pressures and service demand increases and the ongoing impact of the economic position and welfare reform.

The council's Long Term Financial Strategy (LTFS) published in November 2019 highlighted that the pressure on public finances is expected to continue for the next 5 years. Local Government is not one of the "protected" spend areas within the Scottish Government's budget, which means it is likely that ongoing real terms funding reductions will be experienced.

At the same time demand for services is expected to continue to increase, driven by demographic change and policy pressures. The Scottish Government settlement for 2020/21 was a further one year settlement though the settlement was better than had been anticipated, particularly as a result of additional funds allocated by the Scottish Government in getting the budget through Parliament. It is not clear, due to single year settlement how the 2020/21 settlement will translate into future years.

The LTFS is reviewed annually providing analysis of issues for the next three financial years and some higher level analysis and risks over the next 10 years. The strategy aims to allow the council to plan ahead and take appropriate action to maintain budgets within expected levels of funding.

The council refreshed the Long Term Financial Strategy in November 2019 and in setting the council budget for 2020/21 in March 2020. Following the setting of the budget in March 2020, the projections have identified current expected gaps of £6.051m in 2021/22 and a further £7.017m for 2022/23. The strategy will be reviewed by council later in 2020 and in setting the budget for 2021/22. At the Council meeting on 4 March 2020, the General Fund and HRA capital plans and HRA revenue budget for 2020/21 were approved. These plans include 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.

The General Services revenue budget for 2020/21 was set with the use of revenue reserves, an element of which was generated from a Loans Fund Review (£1.893m) agreed by Council prior to setting the revenue budget for 2020/21, following external advice on accountancy treatment of the overpaid principal payments in previous years. During the drafting of the 2019/20 Financial Statements, the advice was updated resulting in the reserve projected from actioning the Loans Fund Review not being available for use as planned. Therefore, this element of reserves to be used to balance the 2020/21 budget now requires to be generated from the council's free reserve – bringing the level of free reserves under the Prudential Reserve Target. The council will consider action required to meet the Prudential Target at future Council meetings.

Management Commentary (Cont'd)

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

Covid-19

Late in financial year 2019/20 it became apparent that the covid-19 outbreak was becoming serious and the UK and Scottish Government imposed lockdowns on work life from 23 March 2020 with schools having closed on 20 March 2020. Due to the timing of this move there has been little impact in 2019/20 in terms of governance and control processes. Clearly the impact of covid-19 will be significant across Scotland and this is no different within West Dunbartonshire Council, with most non-care service provision ending or significantly reduced as from the date of lockdown. Covid-19 lockdown has had and will continue to have financial and service provision implications, even as lockdown eases over time and as long as social distancing and other virus control measures require to be implemented and followed. It is anticipated that the most significant financial impact will be experienced in 2020/21. Early in 2020/21 the Council implemented revised governance and cost control measures. The financial impact is not yet known, however the Scottish Government has provided additional funding to support the Council. The ongoing financial impact will be reported to Members together with details of the revised governance arrangements as required and it may be necessary for the Council to make decisions on future service delivery depending on the totality of the financial impact and Government funding availability. A detailed approval log is being maintained and scrutinised by senior management, including approval requirements of any decisions with financial implications for the council.

Government imposed lockdown has resulted in closure of all educational provision, cultural and leisure provision, significantly reduced activity in relation to building works, roads works, outdoor services and changes to waste management. Offices and face-to-face service provision have been significantly reduced. A large number of staff have been able to work from home and educational hubs and crisis and support provision has been implemented to support residents most in need of support. Social care services have continued though, in some cases, in a different or reduced format as risk has been balanced with need and due to high numbers of staff being impacted either by infection or isolating. Through the lockdown period staff have been advised to stay at home except for those where it has been deemed that it was essential that they physically attend work. Sickness rates have varied across services with a short peak in covid-related absence offset generally by a reduction in other absences. The Council has followed Scottish Government procurement guidance in relation to supporting businesses through the crisis. Capital projects will have been delayed due to covid; it is currently not clear as to the extent of this and any financial impact of this.

With significant disruption on how services are being delivered into 2020/21, which is certain to continue in the medium to longer term, the CMT are developing plans to capture the shift from business as usual activity and ensure the council can continue to meet requirements and achieve the strategic priorities set out in the Strategic Plan. This planning activity will take into consideration the reflective learning from the first phase of responding to the pandemic and engaging with key stakeholders in planning future service provision.

The financial impact of implementing the required changes to services and service delivery models (e.g. to support social distancing requirements, support staff with the appropriate PPE and manage the new and changing levels of need and demand) is significant and likely to be ongoing and evolving. In addition there is an impact on income levels as services are closed and it is unclear how this will recover as lockdown eases.

The “new normal” will have an impact on service demand and the consequences of this will have to be clearly laid out within the current performance management and reporting framework and in future service and budget planning. It will be important for the Council, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

Management Commentary (Cont'd)

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

Currently the Scottish Government has provided significant additional resource to assist the Council to date, though the availability of further funding is unclear and uncertain. There is a significant risk that Council will require to consider service reductions and potential use of reserves to manage the financial impact. Currently it is not clear as to the ongoing future financial impact of covid-19 on the Council and its reserves. There is an expectation that financial impact will continue to be offset by government financial assistance, whether in direct monetary means or through provision of financial flexibilities. The council's Financial Statements continue to be reported on a going concern basis.

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 government on future funding levels particularly given the ongoing decline in council population and the potential of continued austerity measures;
- the unknown financial implications of covid-19 and funding support from Scottish Government;
- the impact of the ongoing implementation of Universal Credit;
- changing demands and needs for council services (particularly in relation to older people); and
- council also plans major investment in a number of significant capital projects which will change the way in which some services are delivered and are partially funded through projected revenue savings – there is a risk that expected savings are not as planned.

The Annual Governance Statement, shown on pages 19 to 27, details the arrangements the council has put in place for the proper governance of the council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvement actions to the governance framework identified from the council's ongoing review of these arrangements.

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

The Future

In recognition of the projected ongoing financial position, the council continues to identify service redesign and business transformation options and these will be reported to appropriate committees during 2020/21. Significant cost reductions have been generated through planned actions to generate savings and more efficient ways of working. As stated above the financial impact of covid-19 places a further layer of uncertainty and financial risk to the ongoing Council funding and the ability to continue to provide services on an ongoing basis.

A number of major projects have been underway during 2019/20 as follows:

- **Glasgow City Region City Deal** – the council, together with a number of other Scottish local authorities, is participating in the Glasgow Region City Deal which will see over £1.1 billion invested in the area. The City Deal consists of a number of significant capital projects across the area together with employability projects – in order to generate economic regeneration and additional jobs. The project within the City Deal specific to the council is an infrastructure project at the Exxon site at Bowling to regenerate that site and to create a relief road along the A82 at Milton. The project development is progressing with the outline business case approved during 2016/17 and the final business case due for consideration by December 2021;

Management Commentary (Cont'd)

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

- **Development of Queens Quay and District Heating** – the council, in partnership with the private sector, are funding the redevelopment of Queens Quay in Clydebank – bringing a significant former industrial site back into use. This project will be home to a new council-run care home for older people; a new medical centre run by the Greater Glasgow Health Board; around 1,000 new homes; and new commercial provision. This longer term project should support the economic development of Clydebank and is expected to generate net in-migration to West Dunbartonshire. In 2016/17 council and the Scottish Government approved the development of an innovative district heating system on this site to provide heat to all of the existing and new provision within Queens Quay and beyond. Significant physical progress was achieved on these various elements of the wider regeneration project during 2019/20;
- **UK withdrawal from the European Union** - in line with recommendations from Audit Scotland, an ongoing assessment of the risk to the council arising from the UK's withdrawal from the European Union continues. This allows the Corporate Management Team to conclude that the risks to the council are generally low, but not fully defined. The council continues a watching brief on developments and reviews the identified risks on an ongoing basis;
- **Strategic Programmes** – in the most recent Long Term Finance Strategy to November 2019 Council a number of potential change areas were identified. These are under consideration for development and implementation to assist close future funding gaps. Many of the previous projects are complete or near completion and senior management monitors progress on agreed efficiency projects through the Change Board and budgetary control reports provide updates on progress to Members. Where appropriate, business cases will be developed, and where required, reports will come to future Council and Committees for consideration; and
- **Council's More Homes Strategy** – plans have been approved for the council to deliver over 1,000 new affordable homes within the area over the period to 2021. This strategy is expected to produce net in-migration and regeneration, as well as provide modern affordable housing.

5. Other Information

Asset Management

The council has a significant investment embedded in assets, comprising offices, schools, vehicles, houses, ICT infrastructure and equipment, etc. and it is important that these are managed in an efficient and effective manner. The council has an overarching Asset Management Strategy which was refreshed in December 2016 along with the Property Asset Management Plan at the same time. Service specific Asset Plans covering Open Spaces, Roads Structures, Housing and Vehicle, Fleet and Plant were all approved at the relevant service committees during 2017. The next update required is for the Asset Management Strategy and Property Asset Plan at the end of 2021 therefore no updates are required to any existing plans during financial year 2020/21. In addition an asset disposal strategy is in place to maximize the benefit from assets that the council no longer requires and this strategy is important in generating capital receipts to support elements of the capital plan.

Best Value Assurance Report

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

Management Commentary (Cont'd)

Other Information (cont'd)

Carbon Emissions and Energy Consumption

The council is on track to meet the targets set out in the Carbon Management Plan, however the figures for the final year 2019/20 are not available until August of this year, as we await the complete energy and water data. These are reported annually to the Scottish Government in November. The council are currently developing a new Climate change Strategy which will set a target to reduce WDC carbon emissions to 'net zero' by 2045 which will align with Scottish Government targets. We are working to have this completed by the end of 2020.

Equality and Diversity

The council is firmly committed to the principle of equality of opportunity. The council recognises its responsibility as a community leader, service provider and employer to encourage the fair treatment of all individuals and to tackle social exclusion. The council is also committed to eradicate all forms of discrimination, direct or indirect and aims to eliminate discriminatory practices and promote measures to combat its effects. An equal pay audit has recently been produced and a Members Briefing provided in June 2020 on the outcome.

Information on the council's Equalities Mainstreaming and Outcomes Report 2017-2021 can be found on the council website at:

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

Consultation and Communication with Workforce

The council is an accredited Living Wage Employer and has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The council carries out periodic employee surveys, the last one being undertaken in 2019, and seeks the views of the workforce through regular consultations with staff and trade unions.

Remuneration Report

This report presents information on the remuneration of senior elected members and senior officers within the council (pages 28 to 35).

Financial Performance Indicators

This commentary includes information on a set of financial performance indicators. These are aimed at providing the reader with a summary of key information and are summarised in the following table:

2018/19 Outturn			2019/20 Target	2019/20 Outturn
	Housing Performance			
9.20%	Percentage of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	8.38%
906	number of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	791
8.64%	Current / former / total tenant arrears as a percentage of net rent due in year	Demonstrates the Council's effectiveness in collecting local housing rents	9.00%	9.64%
£3.518m	Amount of current/ former/ total tenant rent arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£3.922m
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%	100%
2.00%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2.00%	2.00%
(£0.014m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(£0.033m)
99.03%	Revenue budget compared to actual outturn at year end	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	97.22%

Management Commentary (Cont'd)

Other Information (cont'd)

2018/19 Outturn			2019/20 Target	2019/20 Outturn
	General Services Performance			
£5.46	Cost of collecting council tax (per dwelling)	Demonstrates the Council's effectiveness in collecting local taxation	£5.00	£5.40
15.76%	Council tax as a percentage of overall funding	Demonstrates the amount of budget raised through council tax	n/a	15.59%
95.55%	In-year council tax collection rate	Demonstrates the Council's effectiveness in collecting local taxation	95.60%	95.15%
£33.157m	Amount of income due from council tax for the year that was received	Demonstrates the Council's effectiveness in collecting local taxation	n/a	£34.230m
115%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the GS has, in comparison to the agreed minimum	100%	57%
2.25%	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%	1.14%
£0.524m	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(£2.381m)
99.69%	Revenue budget compared to actual outturn at year end - including top up of provisions	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	99.87%
	Prudence And Affordability – Capital			
4.78%	Ratio of financing costs to net revenue stream – General Services	Demonstrates how much of the General Fund revenue budget is used to support previous capital investment	4.58%	4.59%
24.41%	Ratio of financing costs to net revenue stream – HRA	Demonstrates how much of the HRA revenue budget is used to support previous capital investment	23.48%	25.55%
£538.132m	Capital Financing Requirement	The amount of planned capital expenditure not yet funded	£626.832m	£608.057m
£584.556m	External Debt Levels (excluding PPP)	The amount of external debt held by the Council. Increases due to funding of the capital programme	£617.853m	£613.938m

6. Where to find more information

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

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

7. Conclusion

The financial results show the council's finances in a fairly healthy position and, considering the ongoing significant financial pressures being faced by the council, we have successfully managed our affairs within the budget set and the financial objectives prescribed. This is a satisfactory outcome and reflects well on both the efforts and professionalism of management, budget holders and on the council's financial management and monitoring procedures. However the impact of covid-19 moving into financial year 2020/21 will certainly bring challenges in terms of cost and uncertainty around availability of Scottish Government funding to support such cost implications.

Acknowledgement

The production of the Annual Financial Statements is very much a team effort and we 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: 29 June 2020

Joyce White
Chief Executive
Date: 29 June 2020

Stephen West
Strategic Lead - Resources
Date: 29 June 2020

Statement of Responsibilities

The Authority's Responsibilities:

The Authority is required:

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

I confirm that these Draft Annual Accounts were authorised for issue on 29 June 2020.

Signed on behalf of West Dunbartonshire Council

Councillor Jonathan McCol
Leader of the Council
Date: 29 June 2020

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 2020.

Stephen West
Strategic Lead - Resources
Date: 29 June 2020

Annual Governance Statement

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

Scope of Responsibility

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

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

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

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

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

The Purpose of the Governance Framework

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

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

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

The Governance Framework

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

Annual Governance Statement (Cont'd)

The Governance Framework (cont'd)

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

Review of Effectiveness

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

The council's current Code of Good Governance was approved at the Audit & Performance Review Committee on 8 March 2017. An assessment of the council's compliance with the Code of Good Governance is supported by a process of self-assessment and assurance certification by Strategic Leads and the outcome of this assessment was reported to the Audit Committee on 17 June 2020.

Each member of the council's Corporate Management Team was presented with a self-assessment checklist to complete and return as evidence of review of seven key areas of the council's governance framework. The Strategic Directors then considered the completed evaluations and provided a certificate of assurance for their directorate areas.

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

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

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

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

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

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that the assets are safeguarded, the transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the council's objectives have been mitigated.

COVID-19

The significant incident in late March 2020 and the council's responses as a Category 1 responder during the COVID-19 pandemic tested how well the Council's risk management, governance and internal controls framework is operating. There were examples of innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community in its role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls and systems remote access. All members of the council's Senior Leadership Team and key stakeholders are participants in a variety of Local Authority specific Covid-19/Business Continuity response groups supported by the Civil Contingencies Service. A comprehensive Covid-19 Impact Risk Register has been developed covering all aspects of service delivery affected by the pandemic which is maintained on a weekly basis.

With significant disruption to how services are currently being delivered and are likely to continue in the short and medium term, the CMT are developing plans to capture the shift from business as usual activity and ensure the council can continue to meet requirements and achieve the strategic priorities set out in the Strategic Plan. This planning activity will take into consideration the reflective learning from the first phase of responding to the pandemic and engaging with key stakeholders in planning future service provision.

The financial impact of implementing the required changes to services and service delivery models (eg to support social distancing requirements, support staff with the appropriate PPE and manage the new and changing levels of need and demand) is significant and likely to be ongoing and evolving.

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

A detailed approval log is being maintained and scrutinised by senior management, including approval requirements of any decisions with financial implications for the council. The “new normal” will have an impact on service demand and the consequences of this will have to be clearly laid out within the current performance management and reporting framework. It will be important for the Council, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

Governance Issues and Planned Actions

The following main issues and areas for improvement during 2019/20 have been identified through the self-assessment exercise against the Local Code of Governance:

Improvement Area 2019/20	Responsible Officer
Embedding Be the Best Conversations within all service teams.	Strategic Leads
Following COVID-19, work is required in some services to review and update business continuity planning documentation.	Strategic Leads
Aspects of the Business Classification Scheme require to be implemented in some services.	Strategic Leads
Within HSCP, there are occasions when complaints timescales are being missed due to the complexity of response or NHS Policy where the Chief Officer approves all responses. HSCP-wide improvements are currently being reviewed to ensure full compliance.	Chief Officer - HSCP
Within HSCP, improvement is required in relation to streamlining community engagement and service user feedback across services. Self-evaluation and benchmarking activity takes place but a review of services is planned to ensure that the service is meeting user needs. This will be embedded within service delivery plans which are currently being developed.	Chief Officer - HSCP
Within HSCP, stronger governance is required in relation to tracking of action plans and ensuring action deadlines are met.	Chief Officer - HSCP
Continue to lead the implementation of and embed the Contract and Supplier Management Policy across services.	Procurement Manager
Further develop the Workforce Management System	Business Support Manager
Maintenance of HRA housing rental income stream following full rollout of Universal Credit and other welfare reforms. This requires to be monitored as this income stream will be impacted issues arising from COVID-19.	Strategic Lead – Housing & Employability
Consolidation of Procurement and Commissioning arrangements ensuring compliance and efficiencies. There are still a number of risk areas contained within the HSCP procurement pipeline priorities. The HSCP SMT has agreed that Commissioning resource requires to be strengthened and a commissioning manager post will be advertised in 20/21.	HSCP – Heads of Service
Continue to develop plans in response to the ageing population. We continue to develop and review services in response to the changing demographic.	Head of Health and Community Care

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

Improvement Area 2019/20	Responsible Officer
Review of Learning Disability Service to improve on ways of working to ensure the service is fit for the future demands. Service Improvement lead aligned to service. Full review to be picked up as part of renewal and recovery work.	Head of Mental Health, Addictions & Learning Disabilities
Improved case recording and assessment for children and families who receive statutory social work services.	Head of Children's Health Care and Criminal Justice
Further efforts to reduce absence, supporting both staff wellbeing and containing costs	Chief Officer - HSCP

In addition, the self-assessment exercise carried out by Strategic Directors has identified improvements in the following areas:

- The new integrated housing management system went live in November 2019. There were and continue to be challenges with the system and a monitoring and development action plan will be in place for 2020/21 to ensure that remaining issues are fully addressed.
- At the appropriate time, a post-incident review will be carried out in relation to the COVID-19 Pandemic highlighting any lessons learned which will inform future emergency response and recovery arrangements.

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

Improvement Area 2018/19	Responsible Officer	Status
Continue to review the effectiveness of Be the Best Conversations	Strategic People and Change Manager	Work is ongoing with Services to embed the process.
Increase the percentage of spend that CPU view as being compliant with Financial Regulations	Procurement Manager	Complete. The target of 90% compliance for 19/20 has been achieved and exceeded. (91%). Work is ongoing with relevant Services to increase their percentage of compliant spend.
Continue the implementation of the strategic improvement framework activity on benchmarking, including customer feedback and proof of "best value"	Performance and Strategy Manager	Work is ongoing with Services to embed the process.
Consider approaches to identifying, reporting and monitoring wider partnership risk	Strategic People and Change Manager	Complete
Improve reporting of failing KPI's to Members as appropriate	Performance and Strategy Manager	Complete
Embed sensitivity analysis in service level budget and service planning	Finance Manager	Complete
Continue to implement the Contract and Supplier Management Policy.	Procurement Manager	Work is ongoing with Services to embed the process.

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

Improvement Area 2018/19	Responsible Officer	Status
Review of processes and procedures for Internal Audit's approach to investigations.	Audit Manager	Complete
Further develop Fraud Risk Assessment process.	Audit Manager	Complete
Implementation of actions identified in the Building Standards Action Plan.	Strategic Lead - Regulatory	Complete
Further develop the Workforce Management System	Business Support Manager	Ongoing – due to technical issues, a few tasks have not been achieved. These will be included along with other improvement areas identified for 20/21.
IT Infrastructure improvements	ICT Manager	Complete
Ensure policies and strategies are compliant with new code of practice, Well Maintained Highways	Roads & Transportation Manager	Complete
Maintenance of HRA housing rental income stream following full rollout of Universal Credit and other welfare reforms	Strategic Lead – Housing & Employability	This action is complete but requires to be monitored as this income stream will be impacted issues arising from COVID-19.
The delivery of a whole system approach to preventing homelessness including the provision of sustainable housing support solutions	Strategic Lead, Housing & Employability	Complete
Identify opportunities to maximise collaborative working to improve delivery of the roads service	Shared Head of Service (Roads & Transportation)	Complete
Best Value Assurance Plan – Capital Projects. Develop Action Plan following Audit Scotland recommendations.	Strategic Lead - Regeneration	Complete
Audit Fire Alarm Systems – Implement Action Plan	Strategic Lead - Regeneration	Complete
Improve monitoring and review arrangements for the Pupil Equity Funding and Care Experienced Children's Fund expenditure to seek to identify aggregate spend across the school estate for the same external provider and procure in an efficient and compliant manner	Strategic Lead – Education, Learning & Attainment	Complete
Consolidation of Procurement and Commissioning arrangements ensuring compliance and efficiencies.	West Dunbartonshire Health and Social Care Partnership (HSCP) – Heads of Service	Ongoing - significant process has been made in 2019/20, however there are still a number of risk areas contained within the HSCP procurement pipeline priorities. The HSCP SMT has agreed that Commissioning resource requires to be strengthened and a commissioning manager post will be advertised in 20/21.

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

Improvement Area 2018/19	Responsible Officer	Status
Review of Learning Disability Service to improve on ways of working to ensure the service is fit for the future demands	Head of Mental Health, Addictions & Learning Disabilities	Ongoing - Service Improvement lead aligned to service prior to COVID period. Benchmarking against other LD services completed by Ops manager prior to COVID. Full review to be picked up as part of renewal and recovery work.
Continue to develop plans in response to the ageing population	Head of Health and Community Care	Ongoing - we continue to develop and review services in response to the changing demographic. We have rolled out use of the Rockwood frailty tool across all primary and community settings. Our new Focussed Intervention Team has been designed to support people avoid hospital admission. In addition, we are focussing on rolling out ACPs to a much wider proportion of the population. Through Community Planning, the Independence Delivery Group focuses on shared work across agencies and with communities to support all people to remain as independent as possible.
Improved case recording and assessment for children and families who receive statutory social work services.	Head of Children's Health Care and Criminal Justice	<p>Ongoing - work to improve case recording is continuing – most recent updates include changes to capture activity for the Scottish Government National Covid-19 dataset.</p> <p>Review of Care First case recording system by Information Team to be scheduled following lockdown.</p> <p>Improvement activity around assessments and reports is supported by monthly meetings with the Area Locality Reporter (SCRA).</p> <p>Case sampling for children on the child protection register will report to the Child Protection Committee after June 2020.</p>

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

Improvement Area 2018/19	Responsible Officer	Status
Further efforts to reduce absence, supporting both staff wellbeing and containing costs	Chief Officer - HSCP	Ongoing - analysis of absence data shows a downward trend from the start of this performance year. New Supporting Employee Wellbeing Policy for WDC launched last year, with master classes rolled out.

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

As highlighted in the 2018/2019 Annual Governance Statement, in relation to Procurement, an Internal Audit report provided to Audit Committee in December 2018 highlighted weaknesses in the Council's procurement arrangements within Roads and Greenspace in that a number of procurement processes had been completed without following the Council's Financial Regulations. This was confirmed by an Audit Scotland review which also identified weaknesses in the controls in place to monitor revenue spend consistently against contracts across all services, and for identifying and managing potential conflicts of interest relating to staff involved in procurement activity. Improvement plans from both audits were agreed by management which aim to increase compliance and management processes.

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

Best Value Assurance Report

Audit Scotland reported a Best Value Assurance Report on West Dunbartonshire Council to the Accounts Commission on 28 June 2018 which contained five recommendations, all of which are now complete.

Health and Social Care Integration

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

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

Annual Governance Statement (Cont'd)

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

Compliance with Best Practice

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

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

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

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

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2019/20 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principle objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment with plans in place to address improvement areas.

Jonathan McColl
Leader of the Council
Date: 29 June 2020

Joyce White
Chief Executive
Date: 29 June 2020

Stephen West
Strategic Lead – Resources
Date: 29 June 2020

Remuneration Report

Introduction

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

a) Remuneration - Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2019 (SSI No. 2019/23). 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 2019/20 the salary for the Leader of West Dunbartonshire Council was £34,994. The Regulations also state that the maximum yearly amount that may be paid to the Provost (£26,208) 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 (£26,208) is 75% of the total yearly amount payable to the Leader of the Council. For 2019/20 the total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £218,400. The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Council policy is to pay Senior Councillors a salary of £21,840, per the decision at Council on 17 May 2017 for 2017/18 onwards.

During 2019/20, the Council agreed the appointment of a Council Leader, Provost, Bailie and 10 Senior Councillors and the remuneration due paid to the 10 Senior Councillors totalled £218,400 (£212,450 in 2018/19). 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 2020 are shown in Table 5 on page 33.

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

Remuneration Report (Cont'd)

a) Remuneration – Councillors (Cont'd)

Table 1: Remuneration of Senior Councillors

Name	Position	Year ended 31 March 2020				2018/19
		Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses, Benefits-in-kind	Total Remuneration	Total Remuneration
		£	£	£	£	£
Jonathan McColl	Leader of Council Convener of Community Planning West Dunbartonshire Management Board Convener of Recruitment & Individual Performance Management Committee Convener of Sub Committee on Scheme of Delegation	34,944	0	0	34,944	33,992
William Hendrie	Provost	26,208	0	0	26,208	29,193
Karen Conaghan	Depute Provost Convener of Appeals Committee Convener of Educational Services Committee	21,917	0	0	21,917	21,225
Caroline McAllister	Depute Leader	21,917	0	0	21,917	21,225
Denis Agnew	Bailie	21,840	0	0	21,840	21,245
Jim Brown	Convener of Licensing Board (to 16/3/2020)	21,772	0	0	21,772	21,245
Ian Dickson	Convener of Corporate Services Committee	21,917	0	0	21,917	21,225
Diane Docherty	Convener of Housing & Communities Committee	21,917	0	0	21,917	21,225
Jim Finn	Convener of Licensing Committee Convener of Planning Committee Convener of Tendering Committee	21,840	0	0	21,840	21,245
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee	21,917	0	0	21,917	21,225
Marie McNair	Convener of Integration Joint Board (HSCP)	21,840	0	0	21,840	21,245
John Mooney	Convener of Audit Committee	21,840	0	0	21,840	21,245

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

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

Remuneration paid to all Councillors

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

2018/19	2019/20
£	£
441,708 Salaries	454,811
21,513 Expenses	19,096
463,221 Total	473,907

Note: The annual return of Councillors' salaries and expenses for 2019/20 is available for any member of the public to view at all council libraries and public offices during normal working hours and is also available on the council website at www.west-dunbarton.gov.uk.

Remuneration Report (Cont'd)

b) Remuneration - Senior Employees and Senior Employees of Subsidiaries

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

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

Name	Position at 31/03/20	Salary, Fees & Allowances 2019/20	Election Duties 2019/20	Total Remuneration 2019/20	Total Remuneration 2018/19
		£	£	£	£
Remuneration of Senior Employees					
Joyce White	Chief Executive	129,053	5,742	134,795	124,956
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	112,086	1,950	114,036	108,535
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	112,086	0	112,086	108,535
Jonathan Hinds	Head of Children's Healthcare & Criminal Justice (started 12/11/18) - Chief Social Work Officer	84,963	0	84,963	30,909 (FYE 77,876)
Laura Mason	Strategic Lead - Education, Learning & Attainment - Chief Education Officer	85,597	0	85,597	83,102
Stephen West	Strategic Lead - Resources - S95 Officer	90,856	470	91,326	88,116
Remuneration of Senior Employees of Subsidiaries					
John Anderson	General Manager of West Dunbartonshire Leisure	74,503	0	74,503	72,486

Total remuneration 2019/20 includes election payments for senior employees. There were no elections in 2018/19.

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

Notes

- 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.

Remuneration Report (Cont'd)

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

2. The figure for gross salary, fees and allowances shown for senior employees for the year ended 31 March 2020 includes any amounts received for the roles performed for West Dunbartonshire in the elections. There were two elections during 2019/20 (namely: European Election (23/5/2019) and General Election 12/12/19), with no elections in 2018/19;
3. The Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. There were no discretionary payments made to senior employees during the year.

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

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

Table 3: Remuneration of Employees

	Number of Employees	
	2019/20	2018/19
£50,000 - £54,999	98	57
£55,000 - £59,999	30	43
£60,000 - £64,999	47	33
£65,000 - £69,999	22	2
£70,000 - £74,999	1	1
£75,000 - £79,999	1	2
£80,000 - £84,999	4	8
£85,000 - £89,999	5	3
£90,000 - £94,999	4	0
£105,000 - £109,999	0	3
£110,000 - £114,999	3	0
£120,000 - £124,999	0	1
£130,000 - £134,999	1	0
Total	216	153

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 2020 are shown in Table 5 on pages 33. 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.

Remuneration Report (Cont'd)

d) Pension Benefits (Cont'd)

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

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

Table 4: Contribution Rate

	Contribution rate 2019/20	Contribution rate 2018/19
The tiers and members contribution rates for 2019/20 whole time pay:		
<u>Local Government employees</u>		
On earnings up to and including £21,800 (£21,300)	5.50%	5.50%
On earnings above £21,800 (£21,300) and up to £26,700 (£26,100)	7.25%	7.25%
On earnings above £26,700 (£26,100) and up to £36,600 (£35,700)	8.50%	8.50%
On earnings above £36,600 (£35,700) and up to £48,800 (£47,600)	9.50%	9.50%
On earnings above £48,800 (£47,600)	12.00%	12.00%
The tiers and members contribution rates for 2019/20 actual pay:		
<u>Teachers</u>		
On earnings up to and including £27,697 (£27,047)	7.20%	7.20%
On earnings above £27,697 (£27,047) and up to £37,284 (£36,410)	8.70%	8.70%
On earnings above £37,284 (£36,410) and up to £44,209 (£43,172)	9.70%	9.70%
On earnings above £44,209 (£43,172) and up to £58,590 (£57,216)	10.40%	10.40%
On earnings above £58,590 (£57,216) and up to £79,895 (£78,022)	11.50%	11.50%
On earnings above £79,895 (£78,022)	11.90%	11.90%

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

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

Remuneration Report (Cont'd)

d) Pension Benefits (Cont'd)

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

		In-year pension contributions		Accrued pension benefits	
		For year to 31 March 2020	For year to 31 March 2019	As at 31 March 2020	As at 31 March 2019
Name	Position at 31/03/19	£	£	£	£
Senior Councillors					
Jonathan McColl	Leader of Council Convener of Community Planning West Dunbartonshire Management Board Convener of Sub Committee on Scheme of Delegation Convener of Recruitment & Individual Performance Management Committee	6,744	6,561	7,701	6,691
Denis Agnew	Bailie	4,215	4,100	6,808	6,234
John Mooney	Convener of Audit Committee	4,215	4,100	3,364	2,853
Jim Brown	Convener of Licensing Board (to 16/3/20)	4,202	4,100	1,269	804
Karen Conaghan	Depute Provost Convener of Appeals Committee Convener of Educational Services Committee	4,206	4,089	1,309	844
Ian Dickson	Convener of Corporate Services Committee	4,206	4,089	1,309	844
Diane Docherty	Convener of Housing & Communities Committee	4,206	4,089	1,309	844
Jim Finn	Convener of Licensing Committee Convener of Planning Committee Convener of Tendering Committee	4,215	4,100	3,839	3,300
Caroline McAllister	Depute Leader	4,206	4,089	1,309	844
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee	4,206	4,089	1,309	844
Senior Employees					
Joyce White	Chief Executive	25,882	24,074	34,669	30,857
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	21,518	20,910	152,976	146,171
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	21,518	20,910	66,414	62,131
Jonathan Hinds	Head of Children's Healthcare & Criminal Justice (started 12/11/18) - Chief Social Work Officer	16,324	6,273	56,502	52,271
Laura Mason	Strategic Lead - Education, Learning & Attainment - Chief Education Officer	16,520	16,039	122,157	116,799
Stephen West	Strategic Lead - Resources - S95 Officer	17,443	16,976	121,856	110,282
Senior Employees of Subsidiaries					
John Anderson	General Manager of West Dunbartonshire Leisure	14,370	13,965	54,740	51,579

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total public sector service, and not just their current appointment. The pension entitlements for the year to 31 March 2020 for Senior Councillors are shown in Table 5, together with the contribution made by West Dunbartonshire Council to each Senior Councillor's pension during the year. Senior councillors omitted from the table above are not members of the Local Government Pension Scheme.

e) Exit Packages

A number of exit packages were agreed, at a total cost of £0.383m for 2019/20, as shown in the following Table 6.

Remuneration Report (Cont'd)

e) Exit Packages (Cont'd)

Table 6

Banding	Number of departures		Total cost	
	2019/20	2018/19	2019/20 £	2018/19 £
£0 - £20,000	10	10	51,385	81,369
£20,001 - £40,000	0	4	0	113,890
£40,001 - £60,000	0	2	0	94,914
£60,001 - £140,000	3	2	331,996	147,003
Total	13	18	383,381	437,176

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

f) Trade Union Facility Time

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

Details of the facility time within West Dunbartonshire Council during the year to 31 March 2020 is shown in Table 7 below.

Table 7

Education Function Employee		All Other Function Employee	
Number of Employees	FTE employee Number	Number of Employees	FTE employee Number
36	32	70	68
Percentage of Time Spent on Facility		Percentage of Time Spent on Facility	
Percentage	Number of Employees	Percentage	Number of Employees
Less < 1%	23	Less < 1%	24
1-50%	11	1-50%	41
51%-99%	2	51%-99%	3
100%	0	100%	2
Total cost of facility time		Total cost of facility time	
£58,576		£130,757	
Total pay bill		Total pay bill	
£44,271,440		£102,356,074	
Percentage of Pay Bill Spent on Facility		Percentage of Pay Bill Spent on facility	
0.13%		0.13%	
Paid TU Activities		Paid TU Activities	
4.32%		9.35%	

Remuneration Report (Cont'd)

f) Trade Union Facility Time (Cont'd)

Further detail can be found at:

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

Jonathan McColl
Leader of the Council
Date: 29 June 2020

Joyce White
Chief Executive
Date: 29 June 2020

Comprehensive Income and Expenditure Statement

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

Further detail on the expenditure and income within the Next Cost of Services below is available in Note 13 on page 59.

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000	Note	Service	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
75,514	(51,139)	24,375		Corporate Services	75,648	(48,907)	26,741
112,924	(9,858)	103,066		Educational Services	112,449	(13,250)	99,199
66,871	(17,477)	49,394		Infrastructure, Regeneration and Economic Development	68,871	(26,896)	41,975
9,441	(4,475)	4,966		Housing and Communities	10,580	(5,032)	5,548
32,641	(41,957)	(9,316)		Housing Revenue Account	32,714	(42,640)	(9,926)
17,234	(7,094)	10,140		Miscellaneous Services	5,956	(7,572)	(1,616)
162,129	(92,273)	69,856		Health and Social Care Partnership	171,317	(95,582)	75,735
2,459	0	2,459		Requisitions	2,336	0	2,336
479,213	(224,273)	254,940		Net Cost of Service (1)	479,871	(239,879)	239,992
		3,362		(Gain) / loss on Disposal of Fixed Assets			1,463
		3,362		Other Operating Expenditure (2)			1,463
		(33,805)		Council Tax			(35,296)
		(78,812)	8	Non-Domestic Rates			(84,736)
		(104,759)	8	Revenue Support Grant			(103,682)
		(20,254)	8	Recognised Capital Income (Grants, Contributions & Donations)			(27,876)
		(237,630)		Taxation and Non-specific Grant Income (3)			(251,590)
		(330)	25	Interest Earned			(260)
		19,359	25	External Interest Payable / Similar Charges			19,372
		1,414		Impairment Loss - Debtors			1,380
		5	25	(Gain)/Loss early settlement of borrowing			0
		(3,234)	5	Surplus on Trading Undertakings not included in net cost of services			(2,387)
		3,753	11	Pension Interest Cost/Expected Return on Pension Assets			5,172
		20,967		Finance/Investment Income and Expenditure (4)			23,277
		41,639		(Surplus)/Deficit on Provision of Services (5) = (1)+(2)+(3)+(4)			13,142
		(35,563)		(Surplus)/Deficit arising from revaluation of property, plant and equipment			(9,838)
		238		(Surplus)/Deficit on revaluation of available for sale assets			(96)
		49,463	11	Actuarial (gains)/losses on pension fund assets and liabilities			(91,163)
		14,138		Other Comprehensive (Income) and Expenditure (6)			(101,097)
		55,777		Total Comprehensive (Income) and Expenditure (5) + (6)			(87,955)

Movement in Reserves Statement

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

Note	Usable Reserves									
	General Fund balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Capital Fund £000	Other Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
2019/20										
Opening Balance at 1 April 2019	(10,998)	(1,606)	0	(278)	(2,847)	0	(362)	(16,091)	(174,887)	(190,978)
Movement in reserve 2019/20										
Total Comprehensive Expenditure and Income	31,330	(18,188)	0	0	0	0	0	13,142	(101,097)	(87,955)
Adjustments between accounting basis and funding basis under regulations	(28,290)	11,053	0	146	0	(803)	0	(17,894)	17,894	0
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	3,040	(7,135)	0	146	0	(803)	0	(4,752)	(83,203)	(87,955)
Transfers to/from other statutory reserves	(1,132)	354	0	0	678	803	148	851	(851)	0
Closing Balance at 31 March 2020	(9,090)	(8,387)	0	(132)	(2,169)	0	(214)	(19,992)	(258,941)	(278,933)
2018/19										
Opening Balance at 1 April 2018	(10,975)	(7,422)	0	(314)	(3,269)	0	(478)	(22,458)	(224,297)	(246,755)
Movement in reserve 2018/19										
Total Comprehensive Expenditure and Income	45,034	(3,395)	0	0	0	0	0	41,639	14,138	55,777
Adjustments between accounting basis and funding basis under regulations	(41,562)	8,838	0	36	0	(3,430)	0	(36,118)	36,118	0
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	3,472	5,443	0	36	0	(3,430)	0	5,521	50,256	55,777
Transfers to/from other statutory reserves	(3,495)	373	0	0	422	3,430	116	846	(846)	0
Closing Balance at 31 March 2019	(10,998)	(1,606)	0	(278)	(2,847)	0	(362)	(16,091)	(174,887)	(190,978)

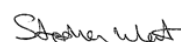
Balance Sheet

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

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

Revised 2018/19			2019/20
£000	Notes		£000
928,095	14	Property, Plant and Equipment	1,011,526
210	15	Intangible Assets	175
27		Long Term Debtors	23
1,406	17	Heritage Assets	1,406
4,500		Long Term Investments	495
934,238		Long Term Assets	1,013,625
5,670	16	Asset Held for Sale	8,053
1,060		Inventories	1,231
45,585	21	Short Term Debtors	43,721
12,745	24	Cash and Cash Equivalents (net)	17,038
65,060		Current Assets	70,043
(351)	27	Provisions	(232)
(46,899)	26	Short Term Creditors	(42,922)
(214,370)	25	Short Term Borrowing	(237,091)
(3,097)	20	PPP	(3,605)
(264,717)		Current Liabilities	(283,850)
734,581			799,818
(231,085)	25	Long Term Borrowing	(276,905)
(100,004)	20	PPP and Finance Lease Liabilities	(96,337)
(205,215)	11	Net Pensions Liability	(139,971)
(7,299)	8	Capital Grants Receipts in Advance	(7,672)
(543,603)		Long Term Liabilities	(520,885)
190,978		Net Assets	278,933
Represented by:			
16,091	MIR/29	Usable Reserves	19,992
174,887	MIR/29	Unusable Reserves	258,941
190,978		Total Reserves	278,933

The unaudited Financial Statements were authorised for issue on 29 June 2020.



Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
Date: 29 June 2020

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.

2018/19 £000		2019/20 £000	2019/20 £000
	Operating Activities		
41,639	Net deficit on the provision of services		13,142
(41,712)	Depreciation, amortisation and impairment	(28,538)	
(9,054)	Net gain on fixed assets	(1,463)	
(29,553)	Movement in pension liabilities	(25,918)	
103	Movement in inventories	171	
6,696	Movement in debtors	(1,481)	
(9,151)	Movement in creditors and provisions	1,909	
128	Other non-cash movements	(1,106)	
(82,543)	Adjustments to net deficit on the provision of services for non-cash movements		(56,426)
8	Financing movements	22	
20,254	Investing movements	27,876	
20,262	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		27,898
(20,642)	Net cash inflow from Operating Activities		(15,386)
68,306	Purchase of property, plant and equipment and intangible assets	109,681	
(3,430)	Proceeds from sale of property, plant and equipment and intangible assets	(803)	
4,008	Movement on long term investments	(4,005)	
(25,379)	Other receipts from investing activities	(28,632)	
43,505	Net cash outflows from investing activities		76,241
(201,337)	Cash receipts of short-term and long-term borrowing	(269,612)	
2,813	Repayment of PPP liabilities	3,160	
185,258	Repayment of short-term and long-term borrowing	201,304	
(13,266)	Financing Activities		(65,148)
9,597			(4,293)
22,342	Cash and cash equivalents at the beginning of the reporting period		12,745
12,745	Cash and cash equivalents at the end of the reporting period		17,038
9,597	Movement – Increase in Cash		(4,293)

Notes to the Financial Statements

Note 1 – 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 2020, 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 – material valuation uncertainty due to Novel Coronavirus (COVID – 19)	<p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. Valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.</p> <p>For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.</p>	<p>The majority of the Council's assets that have been valued as at 31 March 2020 are specialised properties and as such have been valued using the Depreciated Replacement Cost (DRC) approach. These valuations were undertaken and submitted shortly before the valuation date and the decision taken to leave them unchanged following consideration of the inputs and the information that was available at the date of the valuation. Following review of the information published by BCIS in terms of build cost information and noted that there had only been a nominal adjustment, less than 1%, between the information relied upon and that which was available on 31 March 2020, it was concluded that this was not sufficient to merit amendment of the valuations provided.</p> <p>The detailed impacts of the pandemic were not known as at 31 March 2020 and, indeed, are unlikely to be known for some time yet.</p>
Property Plant and Equipment – depreciation / useful lives	<p>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.</p>	<p>If the useful lives of assets are reduced, depreciation will increase and the carrying amount of assets will fall. It is estimated that the annual depreciation charge for buildings would increase by £1.570m for every year that useful lives had to be reduced.</p>

Notes to the Financial Statements (Cont'd)

Note 1 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (cont'd)

Item	Uncertainty	Potential effect
Provision – equal pay	The council has set aside a provision of £0.232m 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 elsewhere on settlement values will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have an effect of adding £0.023m to the provision needed.
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 2019/20 the appointed actuaries advised that the net liability had decreased by £65.244m as a result of estimates being updated and an update to the assumptions.
Arrears and bad debts	As at 31 March 2020, the council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £43.721m 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 1 – 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).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 14, 16 and 25.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of financial instruments. Surplus assets and non-current assets held for sale have been based on the market value approach. Market conditions are such that similar properties are marketed, purchased and sold actively.</p> <p>The significant observable inputs used include current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland for surplus assets and non-current assets held for sale and discount rates for financial instruments.</p> <p>Significant changes in any of these would result in significantly lower or higher fair value measurement for financial instruments as detailed in note 26.</p> <p>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 2 - 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	11,869
Insurances	Insurance premiums for all policies	2,534
Landfill Tax	A tax paid on the disposal of waste. It is payable to Her Majesty's Revenue and Customs (HMRC)	2,686
Housing Benefit received	Benefit received to support customers on low incomes with housing rent costs	(40,060)
Housing Benefit paid	Benefit paid to support customers on low incomes with housing rent costs	40,980
Care Homes	Cost of providing care home services by external providers	9,264
NHS Resource Transfer	Income received from NHS to support care in the community.	(8,799)
Supplementation	Residential Accommodation for adults and children with disabilities	20,805
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Day Support	1,836
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to Clients	5,210
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to external fostering agencies	2,695
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to Voluntary Organisations	1,252
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to other bodies	3,296

Notes to the Financial Statements (Cont'd)

Note 3 – Adjustments between funding accounting basis and funding basis under regulations

This note provides further breakdown of the adjustments summarised in the Movement in Reserves Statement on page 37. It is identified under the headings Usable and Unusable Reserves. Further detail of the reserves identified under the classification of usable and unusable is given in notes 28 and 29 on pages 81 to 85.

2019/20

	General Fund Balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Capital Fund £000	Other Reserves £000	Total Usable Reserves £000
Usable Reserves								
Adjustments to the Revenue Resources								
Pension Costs (transferred to (or from) the Pensions Reserve)	(25,051)	(868)	0	0	0	0	0	(25,919)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	12	10	0	0	0	0	0	22
Holiday Pay (transferred to the Accumulated Absences Reserve)	(1,038)	(40)	0	0	0	0	0	(1,078)
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)	(5,478)	4,816	0	0	0	0	0	(662)
	(31,555)	3,918	0	0	0	0	0	(27,637)
Adjustments between Capital and Revenue Resources								
Transfer of non-current asset sale gain/loss from revenue to the Capital Receipts Reserve	(201)	(1,262)	1,463	0	0	0	0	0
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	3,466	0	0	0	0	0	0	3,466
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	8,397	0	0	0	0	0	8,397
	3,265	7,135	1,463	0	0	0	0	11,863
Adjustments to the Capital Resources								
Disposal of non-current asset sale proceeds	0	0	(2,266)	0	0	0	0	(2,266)
Transfer from the Capital Receipts Reserve to the Capital Fund	0	0	803	0	0	(803)	0	0
Application of capital grants to finance capital expenditure	0	0	0	146	0	0	0	146
	0	0	(1,463)	146	0	(803)	0	(2,120)
Total Adjustments	(28,290)	11,053	0	146	0	(803)	0	(17,894)

Notes to the Financial Statements (Cont'd)

Note 3 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2019/20

	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Employee Statutory Adjustment Account £000	FIAA £000	Total Unusable Reserves £000
Unusable Reserves						
Adjustments to the Revenue Resources						
Pension Costs (transferred to (or from) the Pensions Reserve)	0	0	25,919	0	0	25,919
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0	0	(22)	(22)
Holiday Pay (transferred to the Accumulated Absences Reserve)	0	0	0	1,078	0	1,078
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)	662	0	0	0	0	662
	662	0	25,919	1,078	(22)	27,637
Adjustments between Capital and Revenue Resources						
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(3,466)	0	0	0	0	(3,466)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(8,397)	0	0	0	0	(8,397)
	(11,863)	0	0	0	0	(11,863)
Adjustments to the Capital Resources						
Disposal of non-current asset sale proceeds	2,266	0	0	0	0	2,266
Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve	(8,373)	8,373	0	0	0	0
Write out Revaluation Reserve of Disposals	(2,890)	2,890	0	0	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	0
Application of capital grants to finance capital expenditure	(146)	0	0	0	0	(146)
	(9,143)	11,263	0	0	0	2,120
Total Adjustments	(20,344)	11,263	25,919	1,078	(22)	17,894

Notes to the Financial Statements (Cont'd)

Note 3 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2018/19

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

Notes to the Financial Statements (Cont'd)

Note 3 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2018/19

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

Notes to the Financial Statements (Cont'd)

Note 4 – Events After the Balance Sheet Date

The draft Financial Statements were authorised for issue by the Strategic Lead - Resources on 24 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provide information about conditions existing as at 31 March 2020, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 5 – 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 2017/18 to 2019/20 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.

	2017/18	2018/19	2019/20	Cumulative
	£000	£000	£000	£000
Turnover	20,826	25,070	27,669	73,565
Expenditure	20,439	24,518	27,683	72,640
Surplus/ (deficit)	387	552	(14)	925

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.

	2017/18	2018/19	2019/20	Cumulative
	£000	£000	£000	£000
Turnover	10,608	10,612	10,896	32,116
Expenditure	8,236	7,930	8,495	24,661
Surplus	2,372	2,682	2,401	7,455
Surplus as noted in Comprehensive Income and Expenditure Statement	2,759	3,234	2,387	8,380

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

The Trading Operations require to budget for estimated IAS19 pension expenditure. In 2019/20 the actual IAS19 pension charge resulted in an increase to expenditure within the services, creating a reduced surplus (or, for the Housing Property Trading Service, a loss). This adjustment does not bring cash into or take cash from the trading operation, but is a technical adjustment required for accounting regulations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements (Cont'd)

Note 6 – 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 £188.418m (2018/19 £183.571m) of revenue government grants and £27.338m (2018/19 £16.743m) of capital grants from the Scottish Government (with £1.124m due to the council at the year end); and other grants of £53.675m (2018/19 £53.147m) as shown in Note 8 Grant Income (with £0.262m 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 11 Defined Benefit Pension Schemes. The balance owed to the pension fund at the year end was £1.879m.

Joint Boards

The council is a member of the Joint Boards for Valuation and Strathclyde Partnership for Transport and the council's contributions are disclosed within the Group Accounts. The council is also a partner in the West Dunbartonshire Health and Social Care Partnership and provided funding in year of £67.584m (£64.318m 2018/19).

Voluntary Sector

The following voluntary organisations received over £0.050m in grant funding from West Dunbartonshire Council during 2019/20:

	£000
West Dunbartonshire Citizens Advice Bureau	386
Independent Resource Centre	106
Y-Sort It Youth Information Project	185
The Environment Trust	180
Dumbarton Women's Aid	157
Clydebank Women's Aid	167

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

Key Management Personnel

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

Elected Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in the remuneration statement on pages 28 to 35. The council maintains a register of interests for Members and reviews this for transactions carried out in the year with entities which Members have an interest. In the year ended 31 March 2020, the council has not had any material transactions for any body in which Members have an interest. The elected members register of interest can be found on the council website:

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

Notes to the Financial Statements (Cont'd)

Note 6 – Related Parties (Cont'd)

Senior Officers

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

Note 7 – Agency Services

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

2018/19 Net Payment/ (receipt) £000	Organisation	Description	2019/20 Receipts £000	2019/20 Payment £000	(Debtor)/ Creditor at 31.03.20 £000
14,065	Scottish Water	Water and sewerage charges collected by Council and paid over	0	14,101	315
(80,558)	Scottish Government	Non Domestic Rates	83,302	0	(1,671)

Note 8 – 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 2019/20:

31 March 2019 £000	31 March 2020 £000
183,571	188,418
2,049	15,294
7,728	9,153
446	2,612
108	372
80	153
2,165	122
6,100	0
1,110	0
245	0
100	0
123	170
203,825	216,294

Notes to the Financial Statements (Cont'd)

Note 8 – Grant Income (Cont'd)

The council credited the following grants to Services within the Comprehensive Income and Expenditure Statement in 2019/20.

31 March 2019	31 March 2020
£000	£000
43,183 Housing Benefit Subsidy	40,060
3,426 Pupil Equity Fund	3,545
1,988 Criminal Justice	2,022
1,411 Scottish Attainment	1,454
1,166 Early Learning	4,227
876 Scottish Attainment Challenge Scotland Fund	955
446 Private Sector Housing	416
226 Education Maintenance Allowance	252
0 Asylum Seekers	199
0 No-one Left Behind	115
425 Grants under £0.100m	430
53,147	53,675

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 2019	31 March 2020
£000	£000
5,920 Gruggies Burn	5,920
1,354 Early Years Funding	841
0 Town Centre	838
25 Grants under £0.100m	73
7,299	7,672

Notes to the Financial Statements (Cont'd)

Note 9 – Operating Leases

Council as Lessee

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

31 March 2019	31 March 2020
£000	£000
729 Not later than one year	735
2,699 Later than one year and not later than five years	2,620
2,916 Later than five years	2,617
6,344	5,972

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.753m (2018/19 - £0.720m).

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

31 March 2019	31 March 2020
£000	£000
268 Not later than one year	311
488 Later than one year and not later than five years	411
135 Later than five years	67
891	789

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.263m (2018/19 - £0.225m).

Council as Lessor

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

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

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

31 March 2019	31 March 2020
£000	£000
3,845 Not later than one year	3,840
10,944 Later than one year and not later than five years	10,665
138,403 Later than five years	137,705
153,192	152,210

Notes to the Financial Statements (Cont'd)

Note 9 – Operating Leases (Cont'd)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £2.686m contingent rents were receivable by the council (2018/19 £2.758m).

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

Note 10 – Termination Benefits

The council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £0.383m (£0.401m in 2018/19). 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 11 – 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 2019/20 was 19.3%, and 2020/21 is set at 19.3%. In 2019/20, the council paid an employer's contribution of £18.887m (2018/19 £16.127m).

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

The employer pays a set contribution rate of 23% which is effective from 1 September 2019, prior to this it was 17.2%. This is charged directly to the revenue account for the Education service. The amount paid over in respect of employer's contribution was £8.837m (2018/19 £6.726m) in respect of expenditure for teachers added years, £0.044m payments were made (2018/19 £0.029m).

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 2019/20, the council's own contribution equates to 2.01%.

Notes to the Financial Statements (Cont'd)

Note 11 – Defined Benefit Pension Schemes (Cont'd)

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

1) Local Government Pension Scheme

Councils are also required to disclose the capital cost of discretionary increases in pension payments agreed by the Council. In 2019/20 the capitalised costs that would have arisen from the early retiral of West Dunbartonshire Council employees and from predecessor authorities were as follows:

	£000
2019/2020	(9,197)
In earlier years	<u>63,354</u>
Total	<u>54,157</u>

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

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

Notes to the Financial Statements (Cont'd)

Note 11 – Defined Benefit Pension Schemes (Cont'd)

1) Local Government Pension Scheme

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

2018/19 £000	2019/20 £000
Net cost of services	
32,252 Current service cost	42,281
12,622 Past service cost	315
44,874	42,596
Financing and investment Income and Expenditure	
3,753 Net interest expense	5,172
48,627	47,768
Total post employment benefit charged to the Surplus or Deficit on the provision of Services	
(25,257) Expected return on assets	55,170
0 Actuarial gains and losses arising from changes in demographic assumptions	(106,589)
(74,011) Actuarial gains and losses arising from changes in financial assumptions	(34,598)
(709) Actuarial gains and losses arising from experience assumptions	(5,146)
(51,350)	(43,395)
Total post employment benefit charged to the comprehensive income and expenditure statement	
Movement in Reserves Statement	
(48,627) Reversal of net charges made to surplus of deficit for post employment benefits	(47,768)
Actual amount charged against the General Fund balance in the year	
19,074	18,887
Employer contributions payable to Scheme	

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

2018/19 £000	2019/20 £000
825,803 Fair value of plan assets	794,654
(967,664) Present value of defined benefit obligations	(880,468)
(141,861)	(85,814)
Net assets in the Strathclyde Pension Fund	
Present Value of Unfunded Liabilities	
(29,356) LGPS Unfunded	(25,437)
(26,285) Teachers' pensions	(22,476)
(7,713) Pre Local Government Reorganisation	(6,244)
(205,215)	(139,971)
Net pension asset/(liability)	

Notes to the Financial Statements (Cont'd)

Note 11 – Defined Benefit Pension Schemes (Cont'd)

1) Local Government Pension Scheme

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £139.971m has a substantial negative impact on the net worth of the council as recorded in the Balance Sheet, resulting in an overall balance of £278.933m. However, the statutory arrangements for funding the deficit, means the financial position of the council remains healthy.

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

The fair value of plan assets have decreased by £31.149m. This is due to asset returns being more favourable than anticipated.

The estimated liabilities have decreased by £96.393m, due to financial assumptions as at 31 March 2020 being more favourable than they were at 31 March 2019, mainly due to the downwards movement in the assumptions of future pension increases (from 2.5% p.a. to 1.9% p.a.); salary increases (3.7% p.a. to 3% p.a.) and a decreased discount rate (2.4% to 2.3%).

2) Pension Assets and Liabilities

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

	%	Years
Active Members	60.9%	24.0
Deferred Members	8.2%	24.3
Pensioner Members	25.5%	13.2
Pre-Local Government Re-organisation Members	5.4%	10.4
	100%	18.2

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

2018/19	2019/20
£000	£000
904,596 Opening balance	1,031,018
32,252 Current service cost	42,281
24,785 Interest cost	25,041
4,875 Contributions by Members	5,775
0 Actuarial gains/losses – change in demographic assumptions	(34,598)
74,011 Actuarial gains/losses – change in financial assumptions	(106,589)
709 Actuarial gains/losses – other experience	(5,146)
12,622 Past service costs/(gains)	315
(2,947) Estimated unfunded benefits paid	(2,962)
(19,885) Estimated benefits paid	(20,510)
<u>1,031,018</u> Closing Balance as at 31 March	<u>934,625</u>

Notes to the Financial Statements (Cont'd)

Note 11 – 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:

2018/19 £000	2019/20 £000
778,397 Opening balance	825,803
25,257 Expected return on assets	(55,170)
21,032 Interest Income	19,869
4,875 Contributions by Members	5,775
16,127 Contributions by employer	18,887
2,947 Contributions in respect of unfunded benefits	2,962
(2,947) Estimated unfunded benefits paid	(2,962)
(19,885) Estimated benefit paid	(20,510)
825,803 Closing Balance as at 31 March	794,654

WDC Share of the pension fund asset at 31 March 2020 comprised:

2018/19			Asset Category	2019/20		
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
190,495	500	190,995	Equity Securities	183,309	481	183,790
25,911	1	25,912	Debt Securities	24,933	1	24,934
0	98,680	98,680	Private Equity	0	94,958	94,958
0	74,769	74,769	Real Estate	0	71,948	71,948
271,066	80,884	351,950	Investment funds and unit trusts	260,842	77,833	338,675
17	0	17	Derivatives	16	0	16
42,512	40,970	83,482	Cash and Cash Equivalent	40,908	39,425	80,333
530,000	295,803	825,803	Totals	510,008	284,646	794,654

Assets are now held at bid value.

Asset and Liability Matching Strategy (ALM)

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

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

The actuarial valuation states that assets held on the valuation date were sufficient to cover 85% (2018/19 80.1%) of accrued liabilities at that date.

Notes to the Financial Statements (Cont'd)

Note 11 – 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:

31/03/2019	31/03/2020
Long term expected return on assets	
2.5% Pension increase rate	1.9%
3.7% Salary Increase rate	3.0%
2.4% Discount rate	2.3%
<u>Mortality</u>	
Based on these assumptions, the average future life expectancies at the age of 65 are:	
21.4 Current pensioners – Men	20.7
23.7 Current pensioners - Women	22.9
23.4 Future pensioners – Men	22.2
25.8 Future pensioners - Women	24.6

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

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

Sensitivity Analysis

In order to quantify the impact of a change in the financial assumptions used, the actuaries have calculated and compared the value of the scheme liabilities as at 31 March 2020 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 11 – Defined Benefit Pension Schemes (Cont'd)

2) Pension Assets and Liabilities (Cont'd)

	Approximate % increase to Employer Liability	Approximate monetary Amount £000
Real Discount Rate (0.5% decrease)	10%	90,577
Salary Increase Rate (0.5% increase)	2%	15,313
Pension Increase Rate (0.5% increase)	8%	73,885

The total contribution expected to be made to the Local Government pension scheme for 2020/21 is £18.631m.

Note 12 – External Audit Costs

In 2019/20 the council incurred £0.268m (2018/19 £0.263m) in respect of its external audit services on behalf of the Council and £0.002m (2018/19 £0.002m) on behalf of the Trust Funds, undertaken in accordance with the Code of Audit Practice.

Note 13 – Expenditure and Funding Analysis

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

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

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

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

Notes to the Financial Statements (Cont'd)

Note 13 – Expenditure and Funding Analysis (Cont'd)

2018/19 £000		2019/20 £000
	Expenditure	
188,388	Employee benefits expenses	195,364
238,741	Other service expenses	251,204
3,740	Support service recharges	3,809
47,315	Depreciation, amortisation, impairment	28,538
23,112	Interest payments	24,544
2,459	Precepts and levies	2,336
3,351	Loss on the disposal of assets	1,463
<u>507,106</u>	Total Expenditure	<u>507,258</u>
	Income	
(224,273)	Fees, charges and other service income	(239,879)
(3,564)	Interest and investment income	(2,647)
(112,617)	Income from council tax and non-domestic rates	(120,032)
(125,013)	Government grants and contributions	(131,558)
<u>(465,467)</u>	Total Income	<u>(494,116)</u>
<u>41,639</u>	(Surplus) / Deficit on the Provision of Services	<u>13,142</u>

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

2018/19 £000		2019/20 £000
(51,139)	Corporate Services	(48,907)
(9,858)	Education	(13,250)
(17,477)	Infrastructure, Regeneration and Economic Development	(26,896)
(4,475)	Housing and Communities	(5,032)
(41,957)	Housing Revenue Account	(42,640)
(7,094)	Miscellaneous Services	(7,572)
(92,273)	Health and Social Care Partnership	(95,582)
<u>(224,273)</u>	Total Fees, Charges and other service income	<u>(239,879)</u>

Notes to the Financial Statements (Cont'd)

Note 13 – Expenditure and Funding Analysis (Cont'd)

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

<u>2018/19</u>				<u>2019/20</u>			
Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	
19,756	4,619	24,375	Corporate Services	19,916	6,825	26,741	
81,585	21,481	103,066	Education	89,377	9,822	99,199	
31,348	18,046	49,394	Infrastructure, Regeneration and Economic Development	29,793	12,182	41,975	
4,311	655	4,966	Housing and Communities	4,521	1,027	5,548	
(19,812)	10,496	(9,316)	Housing Revenue Account	(21,312)	11,386	(9,926)	
792	9,348	10,140	Miscellaneous Services	187	(1,803)	(1,616)	
63,230	6,626	69,856	Health and Social Care Partnership	67,759	7,976	75,735	
2,459	0	2,459	Requisitions	2,336	0	2,336	
183,669	71,271	254,940	Net Cost of Services	192,577	47,415	239,992	
0	3,362	3,362	(Gain)/Loss on disposal of Fixed Assets	0	1,463	1,463	
(217,376)	(20,254)	(237,630)	Taxation and Non-specific Grant Income	(223,714)	(27,876)	(251,590)	
42,622	(21,655)	20,967	Finance / Investment Income and Expenditure	27,042	(3,765)	23,277	
8,915	32,724	41,639	(Surplus) or Deficit on Provision of Service	(4,095)	17,237	13,142	
(18,397)			MIR Opening General Fund and HRA Balance as at 31 March 2019	(12,604)			
3,472			MIR (Surplus) or Deficit on Provision of Service (General Fund)	3,040			
5,443			MIR (Surplus) or Deficit on Provision of Service (HRA)	(7,135)			
(3,122)			MIR Transfer to/from other statutory reserves	(778)			
(12,604)			Closing General Fund and HRA Balance as at 31 March 2020	(17,477)			

Notes to the Financial Statements (Cont'd)

Note 13 – Expenditure and Funding Analysis (Cont'd)

<u>2018/19</u>				<u>2019/20</u>			
Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000
1,879	2,740	0	4,619	3,052	3,773	0	6,825
18,503	2,478	500	21,481	5,441	3,817	564	9,822
15,695	2,351	0	18,046	8,750	3,432	0	12,182
13	642	0	655	13	1,014	0	1,027
9,944	584	(32)	10,496	10,478	868	40	11,386
(163)	9,938	(427)	9,348	1	(2,278)	474	(1,803)
1,532	5,094	0	6,626	803	7,173	0	7,976
0	0	0	0	0	0	0	0
47,403	23,827	41	71,271	28,538	17,799	1,078	47,415
3,362	0	0	3,362	1,463	0	0	1,463
(20,254)	0	0	(20,254)	(27,876)	0	0	(27,876)
(27,374)	5,727	(8)	(21,655)	(11,863)	8,120	(22)	(3,765)
3,137	29,554	33	32,724	(9,738)	25,919	1,056	17,237

Both the Movement in Reserves (page 37) and note 3 (page 44) total the adjustments between funding accounting basis and funding basis under regulations relating to the General Fund balance (£28.290m net deductions) and HRA balance (£11.053m net additions) and this matches the total adjustments above of £17.237m.

Notes to the Financial Statements (Cont'd)

Note 13 – Expenditure and Funding Analysis (Cont'd)

Adjustment for Capital Purposes

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

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

Net Change for the Pension Adjustments

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

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

Other Differences

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

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

Notes to the Financial Statements (Cont'd)

Note 14 – Property, Plant and Equipment

1) Movements in 2019/20

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
Cost/Valuation at 1 April 2019	466,445	373,047	44,726	25,527	113,939	3,546	11,237	44,984	1,083,451
Additions	24,937	5,607	110	2,858	9,251	1,728	356	61,801	106,648
Revaluations:									
- To Revaluation Reserve	13,687	11,534	0	0	0	0	0	0	25,221
- To Net cost of Service	0	(400)	0	0	0	0	0	0	(400)
Disposals	0	0	(8)	0	0	0	(1,262)	0	(1,270)
Assets reclassified to/from Held for Sale	0	(2,449)	0	0	0	0	(835)	0	(3,284)
Adjustments - assets at nil NBV	0	(8,237)	0	(1,694)	0	0	(312)	0	(10,243)
Adjustments - change in asset type	0	1,117	206	21	16	201	410	(1,971)	0
As at 31 March 2020	505,069	380,219	45,034	26,712	123,206	5,475	9,594	104,814	1,200,123
Depreciation/Impairment at 1 April 2019	(56,007)	(31,732)	(860)	(15,776)	(48,963)	(1,566)	(452)	0	(155,356)
Depreciation charge	(10,414)	(9,329)	(409)	(3,544)	(5,695)	0	0	0	(29,391)
Depreciation:									
- To Revaluation Reserve	0	(5,575)	0	0	0	0	0	0	(5,575)
- To Net Cost of Service	0	(493)	0	0	0	0	0	0	(493)
Impairments:									
- To Revaluation Reserve	(7,553)	(654)	0	0	0	0	0	0	(8,207)
- To Net Cost of Service	0	182	0	0	0	0	0	0	182
Adjustments - assets at nil NBV	0	8,237	0	1,694	0	0	312	0	10,243
Adjustments - change in asset type	0	0	0	0	0	0	0	0	0
As At 31 March 2020	(73,974)	(39,364)	(1,269)	(17,626)	(54,658)	(1,566)	(140)	0	(188,597)
Net Book Value at 31 March 2019	410,438	341,315	43,866	9,751	64,976	1,980	10,785	44,984	928,095
Net Book Value at 31 March 2020	431,095	340,855	43,765	9,086	68,548	3,909	9,454	104,814	1,011,526

Notes to the Financial Statements (Cont'd)

Note 14 – Property, Plant and Equipment (Cont'd)

2) Movements in 2018/19 (Revised)

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
Cost/Valuation at 1 April 2018	427,623	370,078	45,370	25,952	105,694	2,753	10,120	38,652	1,026,242
Additions	20,083	10,060	201	1,273	8,245	793	98	30,501	71,254
Revaluations:									0
- To Revaluation Reserve	17,461	15,431	(12)	0	0	0	1,355	800	35,035
- To Net cost of Service	0	(39,412)	0	0	0	0	0	0	(39,412)
Disposals	(2,603)	0	(39)	0	0	0	(55)	(295)	(2,992)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	(280)	0	(280)
Adjustments - assets at nil NBV	0	(4,294)	(403)	(1,698)	0	0	(1)	0	(6,396)
Adjustments - change in asset type	3,881	21,184	(391)	0	0	0	0	(24,674)	0
As at 31 March 2019	466,445	373,047	44,726	25,527	113,939	3,546	11,237	44,984	1,083,451
Depreciation/Impairment at 1 April 2018	(36,573)	(57,562)	(880)	(13,843)	(43,681)	(1,566)	(71)	0	(154,176)
Depreciation charge	(9,893)	(9,207)	(395)	(3,631)	(5,282)	0	(1)	0	(28,409)
Depreciation:									0
- To Revaluation Reserve	0	17,399	12	0	0	0	(69)	0	17,342
- To Net Cost of Service	0	17,275	0	0	0	0	0	0	17,275
Impairments:									0
- To Revaluation Reserve	(9,541)	(1,334)	0	0	0	0	(312)	0	(11,187)
- To Net Cost of Service	0	(2,597)	0	0	0	0	0	0	(2,597)
Disposals	0	0	0	0	0	0	0	0	0
Adjustments - assets at nil NBV	0	4,294	403	1,698	0	0	1	0	6,396
Adjustments - change in asset type	0	0	0	0	0	0	0	0	0
As At 31 March 2019	(56,007)	(31,732)	(860)	(15,776)	(48,963)	(1,566)	(452)	0	(155,356)
Net Book Value at 31 March 2018	391,050	312,516	44,490	12,109	62,013	1,187	10,049	38,652	872,066
Net Book Value at 31 March 2019	410,438	341,315	43,866	9,751	64,976	1,980	10,785	44,984	928,095

Notes to the Financial Statements (Cont'd)

Note 14 – Property, Plant and Equipment (Cont'd)

3) Capital Commitments

As at 31 March 2020, the council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for non housing and housing projects in 2019/20 budgeted to cost £30.935m (2018/19 £24.044m) and £49.474m (2018/19 £2.859m) respectively. The main commitments are:

General Services	£000
Renton Campus (part of Schools Estate Improvement Plan)	12,072
Queens Quay District Heating Network	7,570
Replace Elderly Care Homes and Day Care Centres	3,369
Posties Park	1,921
Local Economic Development & Regeneration - various projects	1,624
Dalmonach Community Centre / Early Learning Centre	1,122
Clydebank Library Phase 1 & 2	923
Building Upgrades - various projects	500
HRA	£000
New Build Housing	44,212
External Wall Insulation	5,000

4) PPP Assets Included in Property, Plant and Equipment

2018/19	2019/20
£000	£000
Cost or Valuation	
87,563 At 1 April 2019	89,827
<u>Revaluations</u>	
2,264 To Revaluation Reserve	0
0 Additions	0
89,827 At 31 March 2020	89,827
Accumulated Depreciation and Impairment	
(19,504) At 1 April 2019	(4,877)
(2,392) Depreciation Charge	(2,391)
<u>Depreciation written out</u>	
11,801 To revaluation reserve	0
5,218 To NCS	0
(4,877) At 31 March 2020	(7,268)
68,059 Opening Net Book value	84,950
84,950 Closing Net Book value	82,559

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

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

Notes to the Financial Statements (Cont'd)

Note 15 – Intangible Assets

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

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

Where appropriate, the carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.035m charged to revenue in 2019/20 was charged to Information Services. The charge to Information Services is then absorbed as an overhead across all the service headings in the Net Cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2018/19 £000		2019/20 £000
	Balance at 1 April 2019	
346	Gross carrying amount	546
(327)	Accumulated amortisation	(336)
19	Net carrying amount at start of year	210
200	Acquisitions in year	0
(9)	Amortisation for period	(35)
210	Net carrying amount at 31 March 2020	(35)
	Comprising:	
546	Gross Carrying amounts	546
(336)	Accumulated amortisation	(371)
210		175

Note 16 – Assets Held for Sale

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

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

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

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

Notes to the Financial Statements (Cont'd)

Note 16 – Assets Held for Sale (cont'd)

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

2018/19		2019/20
£000		£000
9,069	Balance at 1 April 2019	5,670
	Assets newly classified as held for sale:-	
280	Property, Plant and Equipment	3,284
0	Revaluation Losses	0
121	Revaluation Gains	95
(3,800)	Disposals	(996)
0	Assets declassified as held for sale*	0
<u>5,670</u>	As at 31 March 2020	<u>8,053</u>

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

Note 17 - Heritage Assets

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

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

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

2018/19		2019/20
£000		£000
1,406	Balance at 1 April 2019	1,406
0	Additions/ Disposals / Newly Classified	0
<u>1,406</u>	Balance at 31 March 2020	<u>1,406</u>

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

Note 17 - Heritage Assets (cont'd)

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

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

Note 18 – 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-19 £000	31-Mar-20 £000
514,349 Opening Capital Financing Requirement	538,132
Capital Investment	
71,453 Property, Plant and Equipment	106,649
71,453	106,649
Less Sources of Finance	
3,430 Receipts from Sale of Assets	803
20,290 Government Grants and other Contributions	28,022
(3,430) Transfer to Capital Fund	(803)
13,349 Revenue Contributions	8,397
14,031 Loan Fund Principal Repayments	305
47,670	36,724
538,132 Closing Capital Financing Requirement	608,057
0 Increase in Underlying Need to Borrow (Supported)	0
23,783 Increase in Underlying Need to Borrow (Unsupported)	69,925
23,783 Movement in Capital Financing Requirement	69,925

Note 19 – Impairment Losses

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

During 2019/20, the council has recognised impairment losses of £8.400m (2018/19 £18.249m) 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.

Notes to the Financial Statements (Cont'd)

Note 20 – Private Finance Initiatives and Similar Contracts

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

2019/20 was the eleventh year of a thirty year public private partnership for provision of three secondary schools and one primary school in Clydebank and Alexandria. 2019/20 was the third year of a twenty-five year DBFM partnership for the provision of one secondary school in Dumbarton.

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

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

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

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 14.

Payments

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

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

Payments remaining to be made under the PPP and DBFM contracts at 31 March 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Repayment of Liability	Interest Charges	Operating Costs	Lifecycle Replacement	Total Unitary Payment
	£000	£000	£000	£000	£000
Less than 1 year	3,605	7,175	2,932	544	14,256
2-5 years	13,795	26,150	13,149	5,478	58,572
6-10 years	21,269	26,243	19,778	9,557	76,847
11-15 years	26,266	18,142	24,045	12,702	81,155
16-20 years	30,510	7,049	24,527	12,523	74,609
21-25 years	4,497	458	1,106	821	6,882
26-30 years	0	0	0	0	0
PPP Contractual Liability as at 31.03.20	99,942	85,217	85,537	41,625	312,321

Notes to the Financial Statements (Cont'd)

Note 20 – Private Finance Initiatives and Similar Contracts (cont'd)

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:

2018/19 £000	2019/20 £000
105,914 Opening Balance	103,101
0 New Liabilities	0
(2,813) Repayments	(3,159)
<u>103,101</u> Closing Balance	<u>99,942</u>

Note 21 – Debtors

2018/19 £000	2018/19 £000	2019/20 £000	2019/20 £000
Central government bodies			
727	Grant Income	878	
3,358	VAT Recoverable	3,832	
<u>5,664</u>	9,749 Other Debtors	<u>3,311</u>	8,021
	108 Other local authorities		222
	2,035 NHS Bodies		1,507
	27 Public Corporations and trading funds		3
Other Entities and individuals			
12,684	Arrears of local taxation	14,285	
<u>20,982</u>	33,666 Other Debtors	<u>19,683</u>	33,968
	<u>45,585</u>		<u>43,721</u>

Note 22 - 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 2020. The fund does not represent assets of the council and has not been included within the Balance Sheet on page 38.

Notes to the Financial Statements (Cont'd)

Note 22 - Common Good Fund (Cont'd)

Income and Expenditure Account

2018/19	2019/20
£000 Expenditure	£000
129 Payments to Other Bodies	119
0 Bellsmyre Digital	61
50 Denny Tank	50
0 Tulloch Trust	47
40 WD Citizen's Advice Bureau	40
25 General Expenditure	25
244	342
Income	
(301) Rent – Sites and Offices	(308)
(293) Gain on Investments	0
(3) Other Income	(3)
(597)	(311)
(353) Net (surplus)/deficit for year	31
(60) In Year Usable Gain/ (Loss)	31
(293) In Year Un-usable Gain/ (Loss)	0
(353)	31
(409) Balance brought forward	(469)
(60) In Year Usable Gain	31
(469) Balance carried forward	(438)

Balance Sheet as at 31 March 2020

2018/19	2019/20
£000 Fixed Assets	£000
3,487 Investment properties	3,487
Current Assets	
516 Investments – West Dunbartonshire Council	478
0 Debtors	4
Current Liabilities	
(47) Creditors falling due within one year	(44)
3,956 Total assets	3,925
Funds	
3,487 Capital Adjustment Account	3,487
469 General Fund	438
3,956	3,925

Notes to the Financial Statements (Cont'd)

Note 23 – Trust Funds

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

Receipts and Payments Account

2018/19			2019/20		
Receipts	Payments	(Surplus)/ Deficit	Receipts	Payments	(Surplus)/ Deficit
£000	£000	£000	£000	£000	£000
(1)	0	(1)	(1)	0	(1)
0	0	0	0	0	0
(1)	29	28	(1)	5	4
0	1	1	0	0	0
0	4	4	0	3	3
0	0	0	0	0	0
(2)	34	32	(2)	8	6

Statement of Balances as at 31 March 2020

	Balance as at 1/4/19 £000	(Surplus)/deficit for year £000	Balance as at 31/3/20 £000
Bank and Cash			
Dunbartonshire Educational Trust Scheme 1962	(89)	(1)	(90)
McAuley Prize for Mathematics	(22)	0	(22)
Alexander Cameron Bequest	(120)	4	(116)
Dr A K Glen Fund	(24)	0	(24)
Vale of Leven Fund	(3)	3	0
UIE Award	(25)	0	(25)
Total	(283)	6	(277)

The Trust Funds hold no liabilities.

Note 24 – Net Cash and Cash Equivalents

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

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

Notes to the Financial Statements (Cont'd)

Note 24 – Net Cash and Cash Equivalents (cont'd)

Cash and Cash Equivalents	31-Mar-19	Movement	31-Mar-20
	£000	£000	£000
Bank Current Account	(1,318)	(2,890)	(4,208)
Short term deposits with UK banks	14,063	7,183	21,246
Total Cash and Cash equivalents	12,745	4,293	17,038

Note 25 – Financial Instruments

1) Types of Financial Instrument

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

	Long-term		Current	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£000	£000	£000	£000
Debtors				
Loans and receivables	27	23	49,729	80,839
Borrowing				
Financial liabilities at amortised cost	231,084	276,905	218,458	271,974
Other long term liabilities				
PPP and finance leases	100,005	96,337	3,097	3,605
Creditors				
Financial liabilities at contract amount	0	0	46,899	42,922

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 2019/20:

- 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 2019/20;
- breaches of long term loan agreements resulting in the liability being classed as current; or
- offsetting of financial assets and liabilities where a legally enforceable right exists and intent to settle is on net basis.

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

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

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

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

Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2018 have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- Non-PWLB loans (Level 2) - For non-PWLB loans payable, the fair value of market loans are calculated using estimated interest rates of 0.48% 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 0.88% 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-19		31-Mar-20	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000 Debtors	£000	£000
49,756	49,756 Loans and Receivables	80,862	80,862

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

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

31-Mar-19		31-Mar-20	
Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Borrowing			
449,543	607,924	548,880	828,741
Other Long Term Liabilities			
103,101	184,291	99,942	188,842
Creditors			
46,899	46,899	42,922	42,922

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

The fair value of borrowings and PPP liabilities as at 31 March 2020 are comparable to 2019 reflecting a fairly static market.

A further breakdown of types of borrowing held by the Council as at 31 March 2020 is noted below:

Accrued interest /			Accrued interest /		
Principal outstanding	EIR adjustment	Carrying amount	Principal outstanding	EIR adjustment	Carrying amount
31-Mar-19		31-Mar-19	31-Mar-19		31-Mar-19
£000	£000	£000	£000	£000	£000
10,302	1,125	11,427	9,499	1,091	10,590
0	816	816	0	820	820
200,500	438	200,938	224,000	750	224,750
1,162	27	1,189	931	0	931
211,964	2,406	214,370	234,430	2,661	237,091
145,774		145,774	196,467	0	196,467
77,600	1,680	79,280	77,600	1,658	79,258
5,000	0	5,000	0	0	0
1,031	0	1,031	1,180	0	1,180
229,405	1,680	231,085	275,247	1,658	276,905

3) Gains and Losses on Financial Instruments

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

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

	31-Mar-19			31-Mar-20		
	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)	330	0	330	146	0	146
Interest payable and similar charges						
Interest/expense*	0	(19,359)	(19,359)	0	(19,372)	(19,372)
Loss on de-recognition	0	(8)	(8)	0	22	22
Net (Gain)/loss in year	0	(19,367)	(19,367)	0	(19,350)	(19,350)

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

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

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

4) Nature and Extent of Risks arising from Financial Instruments

The council's management of treasury risks actively works to minimise the council's exposure to the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. During 2019/20 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 2019/20 annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 27 March 2019 and is available on the council website. The key issues within the strategy were:

- the authorised limit for 2019/20 was set by Council at that meeting at £715.349m and updated during the year to £741.242m. This is the maximum limit of external borrowing;
- the operational boundary was expected to be £655.737m when reported to Council at that meeting and updated during the year to £679.639m. This is the expected level of debt during the year;

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

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

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

Credit Risk

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

The council's maximum exposure to credit risk in relation to investments in banks and building societies of £21.246m 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 2020 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 31.03.20	Historical experience of non-payment adjusted for market conditions at 31.03.20	Estimated maximum exposure to default and uncollectibility
	£000	%	£000
Customers and other income	30,839	4.73%	1,381

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

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

The council does not generally allow credit for customers, however currently £12.208m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	1,679
Three to six months	595
Six months to one year	2,571
More than one year	7,363
	<u>12,208</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. Due consideration has been taken to current position caused by covid-19, however this continues to be monitored.

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

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. On review, at this time there has been little effect on the availability of borrowings due to covid-19. There is, therefore, no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

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

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

The maturity analysis of financial liabilities is as follows:

	Creditors	PPP	Borrowing	Total
	£000	£000	£000	£000
Less than one year	42,922	3,605	271,974	318,501
Between one and two years	0	3,681	485	4,166
Between two and five years	0	10,114	25,341	35,455
More than five years	0	82,542	251,080	333,622
	42,922	99,942	548,880	691,744

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

Market risk

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

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

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

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

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

	£000	%
Fixed Interest Debt	513,997	93.6%
Variable Interest Debt	34,883	6.4%
	<u>548,880</u>	

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 2020, with all other variables held constant:

	£000
Impact on tax payers and rent payers	
Increase on interest payable on variable debt borrowings	1
Increase in interest receivable on variable rate investments	(211)
Increase in government grant receivable for 'loan charges'	(53)
Impact on Income and Expenditure Account	<u>(263)</u>
Share of overall impact due credited to the HRA	<u>(109)</u>
Other accounting presentational changes	
Decrease in fair value of fixed rate investments:	0
Decrease in fair value of fixed rate debt borrowings (disclosure confined to notes to the core financial statements)	(164,563)

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

Notes to the Financial Statements (Cont'd)

Note 25– Financial Instruments (Cont'd)

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

Foreign Exchange Risk

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

Note 26 – Creditors

2018/19	2019/20
£000	£000
9,371 Central government bodies	7,745
10,425 Other local authorities	10,389
219 NHS Bodies	975
0 Public Corporations and trading funds	0
26,884 Other Entities and individuals	23,813
46,899	42,922

Note 27 – Provisions

	Equal Pay	VER/VS	Total
	£000	£000	£000
Opening Provision	233	118	351
Contributions in year	0	0	0
Amounts utilised in year	(1)	(118)	(119)
Unutilised amounts reversed in year	0	0	0
Closing Position	232	0	232

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 28 – General Fund and HRA – Reserves and Earmarked Balances

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

- (1) The General Fund balance stands at £9.090m on 31 March 2020, of which £6.643m is earmarked for ringfenced purposes, leaving an unearmarked balance of £2.447m (prudential target £4.305m).

The main earmarked income held for future specific purposes:

	£000
Change Fund	2,065
2020/21 budget commitment	1,893
Risk of non recovery of income due to covid-19	250
Rapid Rehousing Transition Fund	213
Apprenticeship fund	500
2019/20 Budget growth items	587
2020/21 budget - Zero Carbon	344
2020/21 budget - Free school meals	300
Other Committed Spend (> £0.100m)	491
	6,643

Notes to the Financial Statements (Cont'd)

Note 28 – General Fund and HRA – Reserves and Earmarked Balances (Cont'd)

- (2) The HRA balance is currently £8.387m as at 31 March 2020, of which £7.504m is earmarked for ring fenced purposes, leaving an unearmarked balance of £0.883m.

The earmarked balance held for future specific purposes is:-

	£000
Regeneration of the stock	6,904
Welfare Reform	500
Risk of non recovery of income due to covid-19	100
	<u>7,504</u>

Note 29 – Other Reserves

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

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

Usable reserves

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

31-Mar-19	31-Mar-20
£000	£000
10,998 General Services	9,090
1,606 Housing Revenue Account	8,387
0 Capital Receipts Reserve	0
278 Capital Grants Unapplied	132
2,847 Capital Reserve	2,169
362 Other Reserves	214
<u>16,091 Total Usable Reserves</u>	<u>19,992</u>

General Fund Revenue Reserve

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

Housing Revenue Account Revenue Reserve

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

Capital Receipts Reserves

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

Notes to the Financial Statements (Cont'd)

Note 29 – Other Reserves (Cont'd)

Capital Grant Unapplied Reserve

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

Capital Items Replacement Fund (Other)

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

Capital Reserve

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

Unusable reserves

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

31-Mar-19	31-Mar-20
£000	£000
243,308 Capital Adjustment Account	262,959
153,968 Revaluation Reserve	153,331
(205,215) Pension Reserve	(139,971)
(3,280) Employee Statutory Adjustment Account	(4,358)
(13,894) Financial Instruments Adjustment Account	(13,020)
<u>174,887</u> Total Unusable Reserves	<u>258,941</u>

Capital Adjustment Account

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

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

Notes to the Financial Statements (Cont'd)

Note 29 – Other Reserves (Cont'd)

Capital Adjustment Account (Cont'd)

2018/2019 £000	2019/2020 £000
239,753 Opening Balance	243,308
(28,420) Depreciation	(29,427)
(23,096) Impairment	(10)
9,972 Increase in Depreciation Caused by Revaluation	8,373
4,112 Deficit/Surplus on Revaluations	899
0 Assets That Should Have been Deleted	(691)
114 Write off Revaluation Reserve Balance re Disposals	2,890
(6,791) Disposal of Fixed Assets	(2,266)
20,290 Government Grants Applied	28,021
13,349 Capital Financed by Current Revenue	8,397
14,025 Long Term Debt Payment	3,465
0 Capital Receipts Applied	0
<u>243,308 Closing Balance</u>	<u>262,959</u>

Revaluation Reserve

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

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

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

2018/2019 £000	2019/2020 £000
128,492 Opening Balance	153,968
53,226 Unrealised Gains on Revaluation of Assets	20,899
(17,664) Impairments and Losses on Revaluation of Assets	(10,273)
(114) Write off Revaluation Reserve Balance re Disposals	(2,890)
(9,972) Depreciation due to Revaluation of Assets	(8,373)
<u>153,968 Closing Balance</u>	<u>153,331</u>

Pension Reserve

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

Notes to the Financial Statements (Cont'd)

Note 29 – Other Reserves (Cont'd)

Pension Reserve (Cont'd)

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

2018/2019 £000	2019/2020 £000
(126,199) Opening Balance	(205,215)
(49,463) Actuarial (Loss)/Gain	91,163
19,074 Employer Contributions	21,849
(48,627) Reversal of IAS19 Entries	(47,768)
<u>(205,215) Closing Balance</u>	<u>(139,971)</u>

Employee Statutory Adjustment Account

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

2018/2019 £000	2019/2020 £000
(3,239) Opening Balance	(3,280)
(41) Staff Accrual Movement	(1,078)
<u>(3,280) Closing Balance</u>	<u>(4,358)</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 2020 will be charged to the General Fund over the next thirty-eight years.

2018/2019 £000	2019/2020 £000
(14,510) Opening Balance	(13,894)
851 Annual Write off of Premiums and Discounts	852
(243) New Premiums and Discounts	0
8 Annual EIR Adjustment to Stepped Interest Instruments	22
<u>(13,894) Closing Balance</u>	<u>(13,020)</u>

Notes to the Financial Statements (Cont'd)

Note 30 – Contingent Assets or Liabilities

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

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

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

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

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

Note 31 – Financial Guarantee

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

Movement on the Housing Revenue Account Statement

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

2018/19 £000	2019/20 £000	2019/20 £000
(7,422) Balance on the Housing Revenue Account at the End of the Previous Year (1)		(1,606)
(3,395) Total Comprehensive Income and Expenditure (2)		(18,188)
(584) Pension Scheme Adjustments	(868)	
4 Financial Instruments Adjustment	10	
32 Holiday Pay Adjustment	(40)	
Reversal of entries included in the Surplus/Deficit on the Provision of Services in		
(7,648) relation to capital expenditure	4,816	
(8,196) Adjustments to the revenue resource (3)	3,918	
(2,603) Net gain or loss on sale of non-current assets	(1,262)	
6,288 Statutory Repayment of Debt (Loans Fund Advances)	0	
13,349 CFCR	8,397	
17,034 Adjustments between Revenue and Capital Resources (4)	7,135	
8,838 Total Statutory Adjustments (5)=(3)+(4)		11,053
373 Transfers (to)/from Other Statutory Reserves (6)		354
5,816 (Increase)/Decrease in Year (7)=(2)+(5)+(6)		(6,781)
Balance on the Housing Revenue Account at the end of the Current Year		
(1,606) (8)=(1)+(7)		(8,387)

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.

2018/19 £000		2019/20 £000	2019/20 £000
	Income		
(40,118)	Dwelling Rents (net of voids)	(40,871)	
(264)	Other Rents	(258)	
(1,575)	Other Income	(1,511)	
(41,957)			(42,640)
	Expenditure		
12,221	Repairs and Maintenance	10,805	
10,105	Supervision and Management	11,393	
9,944	Depreciation and Impairment	10,478	
0	Bad/Doubtful Debts	0	
371	Other Expenditure	38	
32,641			32,714
(9,316)	Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement		(9,926)
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement		
(2,297)	Recognised Capital Income (Grants, Contributions and Donations)	(15,294)	
2,603	Gain or Loss on the Sale of HRA Non Current Assets	1,262	
5,142	Interest Payable and Similar Charges	4,914	
2	Amortisation of Premiums and Discounts	0	
619	Impairment Loss - Debtors	970	
(148)	HRA Interest and Investment Income	(114)	
5,921			(8,262)
(3,395)	(Surplus)/Deficit for the year on HRA Services		(18,188)

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 10,042 dwellings during 2019/20 (10,397 in 2018/19). The following shows an analysis of these dwellings by type.

Number at 31.03.19	2018/19 Average weekly rent £	Type of Dwelling	Number at 31.03.20	2019/20 Average weekly rent £
2,734	74.98	Two-apartment	2,625	76.56
4,754	77.21	Three-apartment	4,553	78.85
2,590	82.05	Four-apartment	2,553	83.77
312	87.91	Five-apartment	304	89.90
2	90.52	Six-apartment	2	92.33
1	82.45	Seven-apartment	1	84.09
2	90.52	Eight-apartment	2	92.33
2	90.52	Nine-apartment	2	92.33
10,397	Total		10,042	

Note 2 – Dwelling Rents

The £40.871m noted in the Income and Expenditure Statement is the total rental income less voids chargeable for the year of £0.606m (£0.560m in 2018/19). It excludes irrecoverables and bad debts. Average rents were £79.84 per week in 2019/20 (£78.18 per week in 2018/19).

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 2019/20 were £0.063m (£0.079m in 2018/19).

Note 4 - Rent arrears

As at 31 March 2020, total rent arrears amounted to £3.922m (£3.519m as at 31 March 2019). This is 9.56% of the total value of rents due at 31 March 2020. It should be noted that the total arrears do not all relate to 2019/20 and the year on year movement in value of arrears is an increase of £0.404m.

Note 5 - Provision for Bad Debts

In the financial year 2019/20, the rental bad debt provision has been increased by £0.172m (£0.041m increase 2018/19). The provision to cover loss of rental income stands at £2.682m as at 31 March 2020 – equivalent of 67.04% (71.31% 2018/19) of the total value of rents due at that date.

Council Tax Account

Council Taxpayers: £35.296m (2018/19 £33.805m)

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. 2019/20 represents the seventh 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.

2018/19 £000		2019/20 £000
49,494	Gross council tax	50,989
	Less:	
(8,573)	Council Tax Reduction Scheme Discount*	(8,418)
(6,148)	Other discounts and reductions	(6,218)
(853)	Provision for bad and doubtful debts	(665)
(115)	Adjustments for prior years	(392)
33,805	Transfer to General Fund	35,296

The calculation of the council tax base

Band	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	CTRS Discount	Total Dwellings	Ratio to Band D	Band D Equivalent
A(Disabled)	0	0	26	13	0	14	33	200/360	18
Band A	7,569	341	38	4,517	94	3,366	8,757	240/360	5,838
Band B	16,852	550	(13)	7,910	172	5,341	18,479	280/360	14,373
Band C	7,502	185	2	2,896	48	1,670	7,904	320/360	7,026
Band D	5,947	102	15	1,854	29	582	5,836	360/360	5,836
Band E	4,655	49	(46)	993	23	185	4,428	473/360	5,819
Band F	1,694	14	(13)	226	9	43	1,634	585/360	2,656
Band G	810	10	(8)	104	6	19	777	705/360	1,521
Band H	66	0	(1)	3	11	2	60	882/360	147
Total									43,234
Provision for bad debt									(539)
Council Tax Base									42,695

The nature and actual amount of each charge fixed

Gross Charges	2018/19 £ per year	2019/20 £ per year
Dwellings fall within a valuation band between 'A' to 'H' which is determined by the Assessor. The council tax charge is calculated using the council tax base i.e. band D equivalents. This charge is then decreased/increased dependent on the band. The band D charge for 2019/20 was £1,233.83.		
	798.59	Band A 822.55
	931.69	Band B 959.65
	1,064.79	Band C 1,096.74
	1,197.89	Band D 1,233.83
	1,573.89	Band E 1,621.12
	1,946.57	Band F 2,004.97
	2,345.87	Band G 2,416.25
	2,934.83	Band H 3,022.88

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 £84.736m (2018/19 £78.812m)

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 £84.736m (2018/19 £78.812m) from the national pool. West Dunbartonshire Council's allocation from the pool now reflects the council's duty to collect Scottish Gas utilities on behalf of all Scottish councils and this equates to £56.554m in year (£55.458m 2018/19). 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 final target for 2019/20 was 1.0% and indications suggest the council is not due any additional income for this year.

The amount deemed to be collected locally was £83.302m (2018/19 £80.558m). The sum actually collected locally and contributed to the pool was £83.412m (2018/19 £83.046m), made up as follows:

2018/19 £000		2019/20 £000
94,260	Gross rates levied	95,009
	<u>Less:</u>	0
(9,480)	Reliefs and other deductions	(9,059)
(943)	Provision for bad and doubtful debts	(950)
83,837	Net non-domestic rate income	85,000
(791)	Adjustments for prior years	(1,477)
83,046	Total Non Domestic Rate Income (before retention)	83,523
0	Non Domestic Rate Income Retained by the Council (BRIS)	(111)
83,046	Contribution to National Non Domestic Rate Pool	83,412
78,812	Distribution from National Non Domestic Rate Pool	84,736
4,234	Net contribution to/(from) National Non Domestic Rate Pool	(1,324)
Net Non Domestic Rate Income to Comprehensive Income & Expenditure Statement		84,736

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 1/4/19	185,890,387	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)	(649,270)	
Rateable value at 31/3/20	185,241,117	The national non-domestic rate poundage set by the First Minister for Scotland for 2019/20 was £0.49.
Less: partially exempt	734,050	
Less: wholly exempt	2,252,125	
Net rateable value at 31/3/20	182,254,942	

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 2020.

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 ventures have rights to the net assets of the arrangement.

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

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

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

HSCP has been included as a joint venture.

Basis of Combination and Going Concern

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

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

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 £29.757m – representing the council's share of net assets in these entities.

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

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

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

Group Accounts (Cont'd)

Group Comprehensive Income and Expenditure Statement

Restated 2018/19 Gross Expenditure £000	Restated 2018/19 Gross Income £000	Restated 2018/19 Net Expenditure £000		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
			Service			
74,782	(50,931)	23,851	Corporate Services	75,409	(48,783)	26,626
112,568	(9,851)	102,717	Educational Services	112,019	(13,244)	98,775
63,321	(17,422)	45,899	Infrastructure, Regeneration and Economic Development	64,485	(26,648)	37,837
9,441	(4,451)	4,990	Housing and Communities	10,580	(5,032)	5,548
32,641	(41,957)	(9,316)	Housing Revenue Account	32,714	(42,640)	(9,926)
17,248	(7,094)	10,154	Miscellaneous Services	5,970	(7,572)	(1,602)
162,121	(92,273)	69,848	Health and Social Care Partnership	171,311	(95,581)	75,730
2,459	0	2,459	Requisitions	2,336	0	2,336
7,904	(3,830)	4,074	Subsidiaries	8,152	(3,518)	4,634
482,485	(227,809)	254,676	Net Cost of Service (1)	482,976	(243,018)	239,958
			3,362 (Gain) / loss on Disposal of Fixed Assets			1,463
			3,362 Other Operating Expenditure (2)			1,463
			(33,805) Council Tax			(35,296)
			(78,812) Non-Domestic Rates			(84,736)
			(104,759) Revenue Support Grant			(103,682)
			(20,254) Recognised Capital Income (Grants, Contributions & Donations)			(27,876)
			(237,630) Taxation and Non-specific Grant Income (3)			(251,590)
			(287) Interest Earned			(210)
			19,354 External Interest Payable / Similar Charges			19,367
			5 (Gain)/Loss early settlement of borrowing			0
			1,414 Impairment Loss - Debtors			1,380
			(3,248) Surplus on Trading Undertakings not included in net cost of services			(2,401)
			3,760 Pension Interest Cost/Expected Return on Pension Assets			5,231
			20,998 Finance/Investment Income and Expenditure (4)			23,367
			41,406 (Surplus)/Deficit on Provision of Services			13,198
			(5) = (1)+(2)+(3)+(4)			
			337 Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(2,568)
			(35,731) (Surplus)/Deficit arising from revaluation of property, plant and equipment			(9,833)
			238 (Surplus)/Deficit on revaluation of available for sale assets			(96)
			51,217 Actuarial (gains)/losses on pension fund assets and liabilities			(94,778)
			16,061 Other Comprehensive (Income) and Expenditure (6)			(107,275)
			57,467 Total Comprehensive (Income) and Expenditure (5)+(6)			(94,077)

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
2019/20							
Opening Balance at 1 April 2019	(16,091)	(11,778)	(27,869)	(174,887)	(13,010)	(187,897)	(215,766)
Restatement due to % share in 2019/20	0	397	397	0	756	756	1,153
Restatement Opening Balance 1 April 2019	(16,091)	(11,381)	(27,472)	(174,887)	(12,254)	(187,141)	(214,613)
<u>Movement in reserve 2019/20</u>							
(Surplus) or deficit on provision of services	13,192	6	13,198	(101,097)	1,172	(99,925)	(86,727)
Other Comprehensive Expenditure and Income	(17,894)	(2,626)	(20,520)	17,894	(4,724)	13,170	(7,350)
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	(4,702)	(2,620)	(7,322)	(83,203)	(3,552)	(86,755)	(94,077)
Transfers to/from other statutory reserves *	801	50	851	(851)	0	(851)	0
Closing Balance at 31 March 2020	(19,992)	(13,951)	(33,943)	(258,941)	(15,806)	(274,747)	(308,690)
<u>2018/19 (Restated)</u>							
Opening Balance at 1 April 2018	(22,458)	(11,878)	(34,336)	(224,297)	(14,600)	(238,897)	(273,233)
<u>Movement in reserve 2018/19</u>							
(Surplus) or deficit on provision of services	41,682	(276)	41,406	14,138	1,647	15,785	57,191
Other Comprehensive Expenditure and Income	(36,118)	333	(35,785)	36,118	(57)	36,061	276
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	5,564	57	5,621	50,256	1,590	51,846	57,467
Transfers to/from other statutory reserves *	803	43	846	(846)	0	(846)	0
Closing Balance at 31 March 2019	(16,091)	(11,778)	(27,869)	(174,887)	(13,010)	(187,897)	(215,766)

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

Group Accounts (Cont'd)

Group Balance Sheet

Restated 2018/19 £000		2019/20 £000
932,385	Property, Plant and Equipment	1,015,779
232	Intangible Assets	191
18,184	Investment in associates	21,222
27	Long Term Debtors	23
7,987	Long term Investments	3,982
1,406	Heritage Assets	1,406
960,221	Total Long Term Assets	1,042,603
5,670	Asset Held for Sale	8,053
1,079	Inventories	1,245
45,176	Short Term Debtors	43,300
19,475	Cash and Cash Equivalents	19,406
71,400	Current Assets	72,004
(351)	Provisions	(232)
(4,088)	Cash and Cash Equivalents	(3,605)
(47,495)	Short Term Creditors	(43,185)
(216,711)	Short Term Borrowing	(236,336)
(268,645)	Current Liabilities	(283,358)
762,976	Total Assets less Current Liabilities	831,249
(1,084)	Liabilities in Associates	(552)
(227,988)	Long Term Borrowing	(276,905)
(103,101)	PPP & Finance Lease Liabilities	(96,337)
(594)	Provision for liability	(593)
(207,144)	Net Pensions Liability	(140,500)
(7,299)	Capital Grants Receipts in Advance (conditions)	(7,672)
(547,210)	Long Term Liabilities	(522,559)
215,766	Total Assets Less Liabilities	308,690
	Represented by:	
27,869	Usable Reserves	(33,943)
187,897	Unusable Reserves	(274,747)
215,766	Total Reserves	(308,690)

The unaudited Financial Statements were authorised for issue on 29 June 2020.



Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
29 June 2020

Group Accounts (Cont'd)

Group Cashflow Statement

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

The Council's cashflow is noted on page 39.

Group Accounts (Cont'd)

Notes to the Group Accounts

Note 1 - Details of combining entities

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

Associates and Joint Ventures

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy on behalf of the 12 local authorities in the West of Scotland. In 2019/20, the council contributed £1.605m (2018/19 £1.605m) or 4.03% (2018/19 4.39%) of the Board's estimated running costs and its share of the year end net asset of £17.161m (2018/19 £14.541m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Board oversees the operation of the concessionary fares scheme for public transport on behalf of the 12 local authorities in the West of Scotland. The costs of the scheme are funded through requisitions from the 12 councils and by the Scottish Executive via a 'section 70' grant. In 2019/20, the council contributed £0.171m (2018/19 £0.171m), 4.03% (2018/19 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.029m (2018/19 £0.053m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

Dunbartonshire and Argyll and Bute Valuation Joint Board was formed in 1996 at local government re-organisation by an Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of West Dunbartonshire, East Dunbartonshire and Argyll and Bute. The Board's running costs are met by the three authorities, with surpluses and deficits on the Board's operations also shared between the councils. In 2019/20, the council contributed £0.688m (2018/19 £0.688m) or 25.92% (2018/19 26.95%) of the Board's estimated running costs and its share of the year end net liability of £0.552m (2018/19 £1.084m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, 16 Church Street, Dumbarton G82 1QL.

The West Dunbartonshire Health & Social Care Partnership - the Public Bodies (Joint Working) Act (Scotland) 2014 sets out the arrangements for the integration of health and social care across the country. The Scottish Government approved the Integration Scheme for West Dunbartonshire which details the 'body corporate' arrangement by which NHS Greater Glasgow & Clyde Health Board and West Dunbartonshire Council agreed to formally delegate health and social care services for adults and children (including criminal justice, social work services) to a third body, which is described in the Act as an Integration Joint Board. The Integration Joint Board for West Dunbartonshire is known as the West Dunbartonshire Health & Social Care Partnership Board (HSCP Board) and started operations on 1 July 2015. The Board's running costs are met by the two bodies mentioned above, with surpluses and deficits on the Boards operations also shared between them. In 2019/20, the council contributed £67.584m towards estimated running costs and its share of the year end net asset of £4.032m is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Chief Financial Officer to the Integration Joint Board, 16 Church Street, Dumbarton G82 1QL.

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

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

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

	Strathclyde Partnership for Transport £000	Strathclyde Concessionary and Travel Scheme Joint Board £000	Dunbartonshires and Argyll and Bute Valuation Joint Board £000	West Dunbartonshire Health & Social Care £000	Total £000
2019/20					
Surplus/ (Deficit) on					
Operating Activities	2,533	(22)	(121)	519	2,909
Non Current Assets	11,153	0	165	0	11,318
Current Assets	6,981	74	184	4,057	11,296
Non Current Liabilities	(180)	0	(872)	0	(1,052)
Current Liabilities	(793)	(45)	(29)	(25)	(892)
2018/19					
Surplus/ (Deficit) on					
Operating Activities	539	(12)	(204)	519	842
Non Current Assets	10,965	0	171	0	11,136
Current Assets	7,821	89	184	3,590	11,684
Non Current Liabilities	(3,089)	0	(1,406)	0	(4,495)
Current Liabilities	(1,155)	(36)	(33)	0	(1,224)

Subsidiaries

West Dunbartonshire Leisure Trust was formed in December 2011 and started trading on 5 April 2012. The Trust is a charitable company registered in Scotland and provides leisure facilities within the West Dunbartonshire area to the general public and operates sports centres, leisure centres, swimming pools, halls and community education centres owned by the council. The Trust is paid a management fee by the council for the provision of these services. The Trust's net asset at 31 March 2020 was £1.555m (2018/19 £0.234m net asset) and its deficit for the year was £0.079m (2018/19 £0.160m 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 2020 was £3.408m and its surplus for the year before payment of a dividend was £0.162m (2018/19 £0.028m deficit). The accounts of the Company are published separately and can be obtained from the Company's Headquarters, Titan Enterprise, 1 Aurora Avenue, Queen's Quay, Clydebank G81 1BF which is also the Company's principal place of business.

Dumbarton Common Good is held in Trust by West Dunbartonshire Council. Although the council does not contribute to this fund financially, it has been included within the council's Group through materiality by nature. Net usable spend in 2019/20 was £0.031m (2018/19 £0.060m net usable income).

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

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

Trust Funds are held in Trust by West Dunbartonshire Council. Although the council does not contribute to these funds financially, they have been included within the council's Group through materiality by nature. The net decrease in funds of £0.006m (2018/19 £0.032m decrease) for the Trust Funds. For the purposes of the Group Accounts, two Trust Funds managed by the council (Dunbartonshire Educational Trust and McAulay Prize for Mathematics Trust) have been included pro rata to the council's share. Copies of the accounts may be obtained from West Dunbartonshire Council, 16 Church Street, Dumbarton G82 1QL.

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

	West Dunbartonshire Leisure Trust £000	Clydebank Property Company £000	Common Good £000	Trust Funds £000	Total £000
2019/20					
Surplus/ (Deficit) on Operating Activities	79	162	31	6	278
Non Current Assets	1,036	3,988	3,487	0	8,511
Current Assets	2,553	407	482	199	3,641
Non Current Liabilities	(529)	(593)	0	0	(1,122)
Current Liabilities	(1,505)	(394)	(44)	0	(1,943)
2018/19					
Surplus/ (Deficit) on Operating Activities	160	(28)	60	(34)	158
Non Current Assets	1,064	4,004	3,487	0	8,555
Current Assets	2,845	427	516	204	3,992
Non Current Liabilities	(1,929)	(594)	0	0	(2,523)
Current Liabilities	(1,746)	(543)	(47)	0	(2,336)

Note 2 – Non-Material Interest in Other Entities

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

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

Clydebank Municipal Bank is a company limited by shares set up based upon the Companies Act 1908 and 1913. It acts as banker for a number of private individuals/organisations. The council provides services to the bank and funds any annual losses incurred. The bank's year end is 5 April. The principal business of the Municipal Bank is to accept deposits from private account holders and to invest funds with West Dunbartonshire Council. The chairman and directors of the bank are Elected Members of the Council. As per the bank's unaudited financial statements at 31 March 2020, 2,482 accounts were held with the bank (2018/19 2,471), with a total amount on deposit of £1.450m (2018/19 £1.345m), with £1.306m being invested with the council (2018/19 £1.131m). Interest paid by the council to the bank in the year was £0.033m (2018/19 £0.028m).

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

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

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

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

Note 3 – Financial Impact of Consolidation

The effect of inclusion of the entities on the Group Balance Sheet is to increase reserves and net assets by £29.757m (2018/19 £24.788m net asset) 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 £308.690m (2018/19 £215.766m).

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:

2018/19 £000	2019/20 £000
14,541 Partnership for Transport	17,161
53 Concessionary Travel Board	29
(1,084) Valuation Joint Board	(552)
3,590 West Dunbartonshire Health & Social Care	4,032
234 West Dunbartonshire Leisure Trust	1,555
3,294 Clydebank Property Company	3,408
3,956 Common Good	3,925
204 Trust Funds	199
24,788 Total	29,757

General Accounting Policies and Information

Note 32 - Accounting Policies

1. General Principles

The Financial Statements summarises the council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the code") and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

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

3. Changes in Accounting policies, Estimates and Errors

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

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

4. Charges to Revenue for Property, Plant and Equipment

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

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

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

5. Intangible assets

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

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

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

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

6. Property, Plant and Equipment

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

Recognition

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

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

Measurement

Initially measured at cost, comprising of:

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

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

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

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

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

Revaluation

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years. The programme of revaluation for 2019/20 and planned each of the following four years is as follows:

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

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

2019/20	Halls/ Public conveniences/ libraries/ outdoor centres/ golf course/ pavilions/ sports centres/ swimming pools/ travellers site/ car parks;
2020/21	Any properties not previously re-valued / general re-appraisal / HRA housing stock;
2021/22	Offices / depots/ cemeteries/ crematorium lodges;
2022/23	All council non-operational properties; and
2023/24	Schools/school houses/ social work homes/adult training centres/ community education centres/early education centres.

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

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

Valuations in 2019/20 have been carried out by an external valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

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

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

Impairment

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

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

Disposals

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

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

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

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

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

Depreciation

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

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

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

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

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

Tangible fixed assets and depreciation – Common Good Assets

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

7. Assets Held for Sale

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

8. Heritage assets

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

9. Construction Contract (Work in Progress)

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

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

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

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

10. Employee Benefits

Benefits payable during employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

10. Employee Benefits (cont'd)

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

Discretionary Benefits

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

11. Events after the reporting period

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

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

12. Exceptional items

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

13. Financial liabilities

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

13. Financial liabilities (Cont'd)

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

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

Modified Loans

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

Unmodified Loans

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

Straight Repayment

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

14. Financial Assets

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

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

Amortised Cost

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

Fair Value Through Other Comprehensive Income

For assets carried at fair value through other comprehensive income movements in amortised cost are debited or credited to the surplus or deficit on the provision of services with movements in fair value debited or credited to other comprehensive income and expenditure.

Fair Value Through Profit or Loss

For assets carried at fair value through profit or loss all gains or losses are posted to surplus or deficit on the provision of services as they arise.

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

14. Financial Assets (Cont'd)

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

Instruments entered into since 1 April 2006

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

15. Fair Value Measurement

The council measures some 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.

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

15. Fair Value Measurement (Cont'd)

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

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

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

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

16. Government grants and contributions

Government grants and other contributions are recognised as due by the council when there is reasonable assurance that:

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

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

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

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

17. Inventories

Inventories are held by a number of council services, such as asset maintenance services, roads, services, school technician services, hospitality services, etc., and include consumable stock and work in progress, where appropriate.

Consumable stock is included in the Balance Sheet on a cost price basis, with inventory quantities based on physical stock at the end of the year.

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

18. Leases

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

Council as Lessee

Finance Leases

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

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

Assets recognised under the finance lease are accounted for using the policies applied generally to council owned assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

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

Council as Lessor

Finance Leases

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

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

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

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

18. Leases (Cont'd)

of the interest in the asset is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

19. Overhead and support services

The costs of overheads and support services are charged to non General Fund services that benefit from the supply in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20. The total absorption costing principle is used – the full cost of overheads and support services are shared between those users in proportion to the benefits received. General Fund Services have not been charged for these support service costs, in line with the council's budgetary reporting structure.

20. Public private partnership (PPP) and similar contracts

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

21. Provisions

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

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

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

22. Interest in Companies and Other Entities

The council has material interests in companies and other entities that have the nature of associates/ subsidiaries and require it to prepare group accounts. In the council's own single entity accounts, the interests of two companies are recorded as an investment in the Balance Sheet, as the council has shares and full ownership of the Clydebank Property Company (purchased during 2014/15) and has an investment with Hub West Scotland (invested 2015/16). No other interests are recorded in the council's single entity accounts of any of other organisation.

General Accounting Policies and Information (Cont'd)

Note 32 - Accounting Policies (Cont'd)

23. VAT

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

Note 33 – Accounting Standards that have been issued but have not yet been adopted

For 2019/20, 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:

- IFRS16 Leases will require local authorities that are lessees to recognise these leases on their Balance sheet as right-of-use assets along with the corresponding liabilities, except for low value and short term leases. As a result of COVID-19 response, CIPFA/LASACC have deferred implementation of this until 1 April 2021;
- IAS28 Investments in Associates and Joint Ventures (Long term Interests in associates and joint Ventures. This amendment clarifies that the Council applies IFRS9 (Financial Instruments) to long term interests in an associate or joint venture that form part of the net investment in the other body; and
- IAS19 Employee Benefits (plan amendment, curtailment or settlement) – this specifies how the council will determine pension expenses when changes to a deferred pension plan occur.

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

Note 34 – Critical Judgement in Applying Accounting Policies

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 32. Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect are detailed below:

Holiday Entitlement - Unused holiday entitlement earned at 31 March 2020 but not taken at that date has been quantified on the basis of information from the Human Resources Information System. 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.

Covid-19 – Advice has been sought where considered appropriate and consideration has been given to valuation on pensions, asset valuations, accrual estimations and credit issues whilst preparing the draft Financial Statements. The assumptions contained within the Statements will continue to be review until completion of the audit.

General Accounting Policies and Information (Cont'd)

Note 35 – Change in Accounting Policy

Following a Loans Fund Review agreed by Council in 2018/19 regarding the appropriate write off periods of debt based upon asset useful value, the Council has retrospectively applied this policy for debt from 1996/97 onwards.

Note 36 - Group Accounting Policies: Disclosure of differences with main Statement of Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the accounting policies set out in Note 32 on pages 104 to 115 with additions and exceptions noted below:

Group Income and Expenditure Account

Proceeds from disposal of fixed assets – profits and losses from the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account within the net cost of services. The proceeds are then appropriated out after net operating expenditure. For those proceeds associated with the disposal of the council's assets, appropriation is to the Group Reserves. For those proceeds associated with the disposal of associates' assets, appropriation is to the Group Income and Expenditure Reserve.

Group Balance Sheet

Inventories – valuation methods vary slightly across the Group. The council uses cost price basis. The difference in valuation methods does not have a material impact on the results of the group given the levels of stock held within the organisations; and

Pensions – West Dunbartonshire Leisure Trust complies with the Financial Reporting Standard FRS102 concerning the disclosure of information on pensions. There is no difference in the Profit and Loss Account by using this method in comparison with IAS19 (which is used by other group entities) therefore there is no impact on the results of the group.

Note 36 – Prior Year Adjustment

In order to ensure the 2018/19 figures are on a comparable basis to 2019/20, there has been a prior year adjustment to the detail held within the Balance Sheet in relation to the split of PPP debt to other short and long term debt. The Council has also now merged the net cashflows into one figure.

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

	As previously stated	Prior Year Adjustment	Restated
	£000	£000	£000
Balance Sheet			
Cash and Cash Equivalents (Current Assets)	16,833	(4,088)	12,745
Current Assets	69,148	(4,088)	65,060
Short-term Borrowing	(217,467)	3,097	(214,370)
PPP	0	(3,097)	(3,097)
Cash and Cash Equivalents (Overdraft)	(4,088)	4,088	0
Current Liabilities	(268,805)	4,088	(264,717)

Glossary of Terms

While much of the terminology used in this report is self explanatory, the following additional definitions and interpretation of the terms used are provided for assistance. The Glossary of Terms does not comprise part of the audited financial statements.

- 1. Employee benefit expenses**
This includes salaries, wages, overtime, bonus, enhancements, pensions, employer's national insurance, travelling and subsistence expenses and other staff allowances.
- 2. Other service expenses**
This includes:
 - property costs (e.g. rent, rates, insurance, repairs and maintenance, upkeep of grounds, heating and lighting);
 - supplies and services (e.g. food, materials, books, uniforms and protective clothing, purchase/ maintenance of equipment);
 - transport costs (e.g. fuel, repairs and maintenance, tyres, licences, insurance and procurement of transport for school children);
 - administration costs (e.g. printing and stationery, advertising, postages, telephone costs);
 - Payments to Other Bodies (e.g. grants and payments to individuals, organisations and agencies providing services complementing or supplementing the Council's work.
- 3. Specific Government Grants**
This includes grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred e.g. National Priority Action Fund, Benefits Administration.
- 4. General Income**
This includes the charges to persons and bodies for the direct use of council services.
- 5. Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, finance leases, or utilising the income from the sale of existing assets.
- 6. Capital Financed from Current Revenue**
This is expenditure incurred in creating, acquiring or improving assets where that expenditure is charged directly to the revenue account.
- 7. Deferred Asset**
The deferred asset represents the net value of the premium paid/discounts received by the Council on the early repayment of external long term loans.
- 8. Useable Capital Receipts Reserve**
The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
- 9. Pension Interest Cost**
The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement
- 10. Expected Return of Pension Assets**
The average rate of return expected over the remaining life of the related obligation on the actual assets held.
- 11. CIPFA**
Chartered Institute of Public Finance and Accountancy
- 12. LASAAC**
Local Council (Scotland) Accounts Advisory Committee
- 13. Budget**
The original revenue budget as set by Members at an appropriate Council meeting.
- 14. Intangible Assets**
Expenditure on assets such as software licences that do not have physical substance but are identifiable and controlled by the Council.
- 15. Revaluation Reserve**
This fund is a store of gains on the revaluations of fixed assets. It is a reserve held for technical accounting purposes and is not available for distribution.

Glossary of Terms (Cont'd)

- 16. Capital Adjustment Account (CAA)**
This fund is a store of capital resources set aside to meet past expenditure. It is an account held for technical accounting purposes and is not available for distribution.
- 17. Financial Instrument Adjustment Account (FIAA)**
This account is used to balance for differences in statutory requirements and proper accounting practices for borrowing and lending. It is an account held for technical accounting purposes and is not available for distribution.
- 18. Associate Body**
An entity other than a subsidiary or a joint venture in which the council has an interest and over who's operating and financial policies the council is able to exercise significant influence.
- 19. Entity**
A body that is delivering a service or carrying on a business. It should have a separate legal personality and is legally obliged to prepare its own financial statements.
- 20. Statutory Additions**
Additional charges levied for late payment of council tax and non domestic rates.
- 21. Capital Items Replacement Fund**
Reserve earmarked for specific purposes within Education
- 22. Available for Sale Reserve**
Assets that have a quoted market price and/or do not have fixed or determinable payments.
- 23. Current Service Costs (Pension)**
This relates to the real cost of benefit entitlement earned by employees.
- 24. Past Service Costs/Gains (Pension)**
This relates to posts/gains from years prior to the current year and arise from decisions made in year. This relates to the capitalised cost of early retirements on efficiency grounds.
- 25. Curtailments (Pension)**
Used to reduce the number of expected years of future service for employees. In 2019/20 this relates to the capitalised cost of early retirements on efficiency grounds.
- 26. Interest Cost (Pensions)**
The amount needed to unwind the discount applied in calculating current service cost.
- 27. Expected Return on Assets (Pensions)**
A measure of the return on the investment assets held by the scheme for the year.
- 28. Public Private Partnership (PPP)/Public Finance Initiative (PFI)**
A contract between the council and a private organisation for the provision of new Educational buildings maintenance and related facilities.
- 29. Available for Sale Assets**
These assets are in relation to Financial Instruments and include:
 - Equity investments; and
 - Other investments traded in an active market.
- 30. Heritage Assets**
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities which is held for its contribution to knowledge and culture.
- 31. PPE**
Property, Plant and Equipment.

